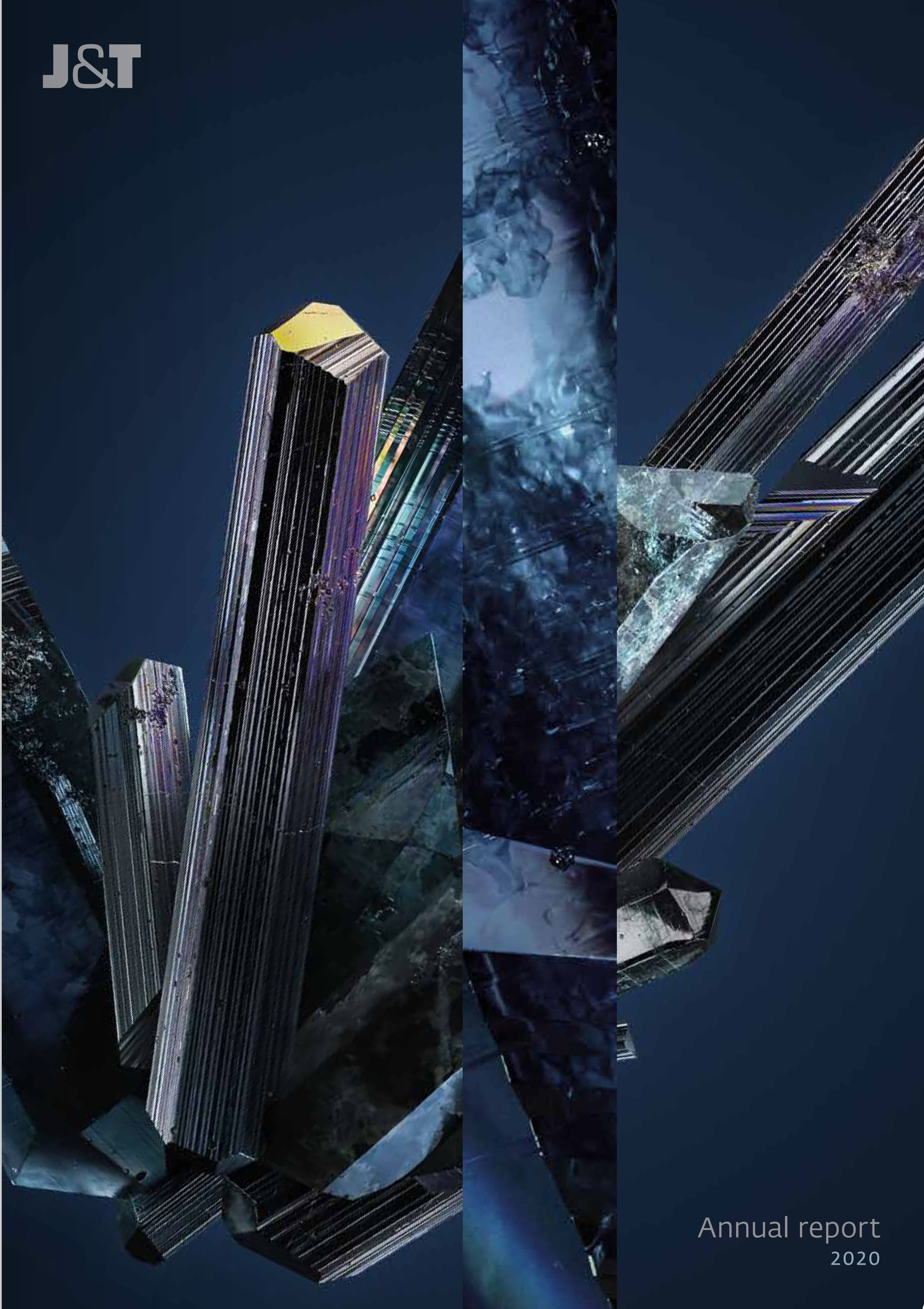
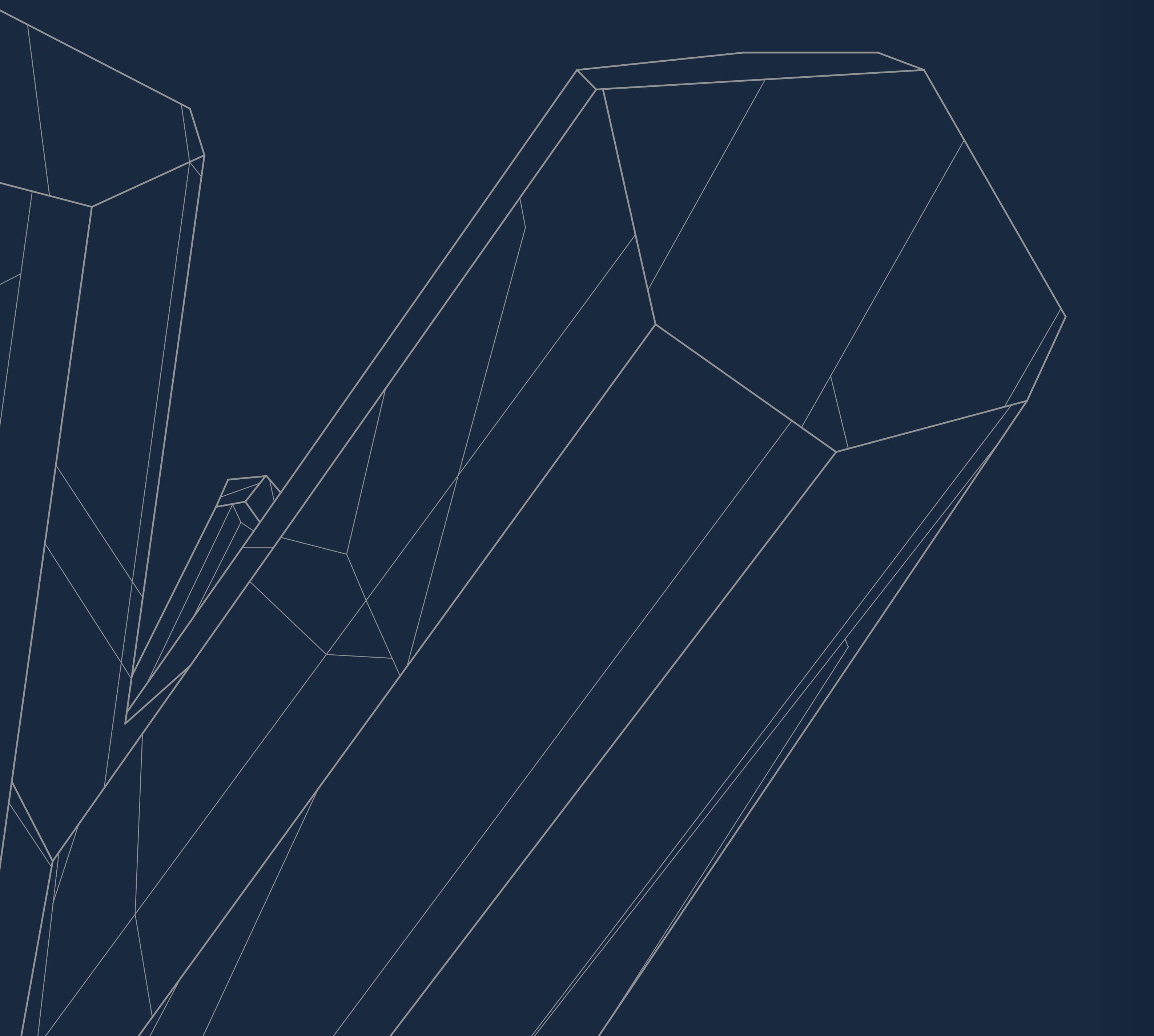
J&T

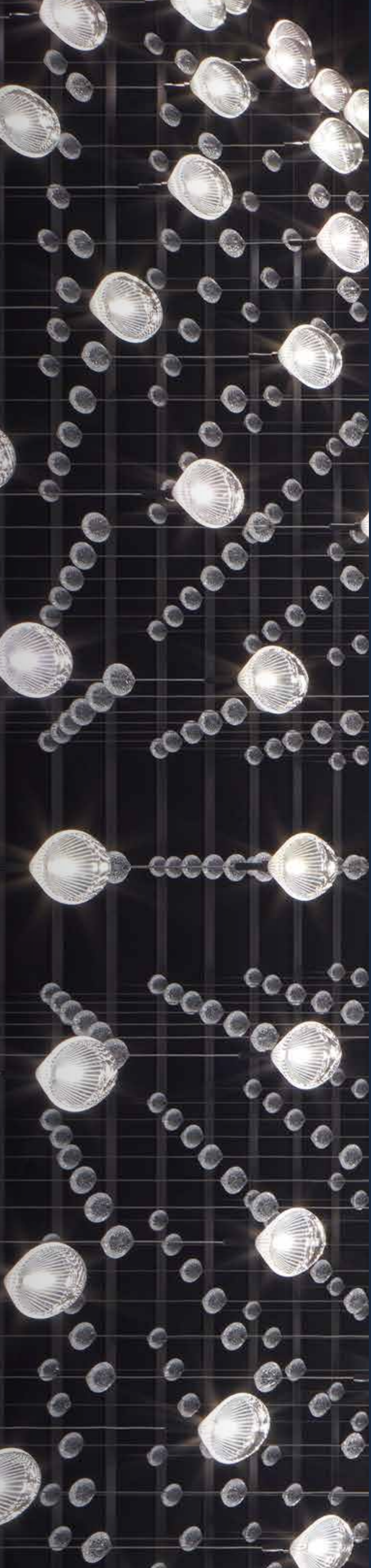


Annual report
2020



Annual report
2020


J&T



11,8
billion EUR

The group achieved a record balance sheet total

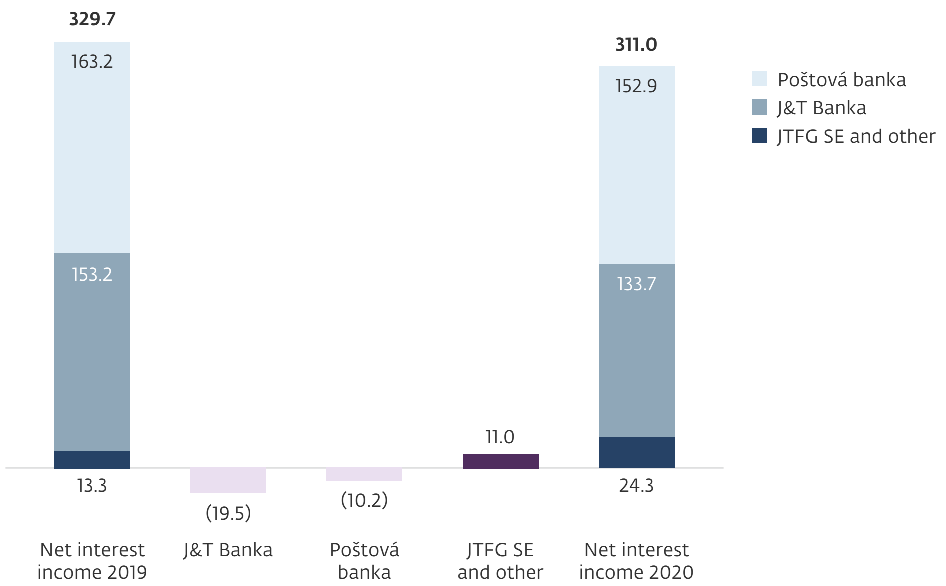
Table of contents

Presentation part

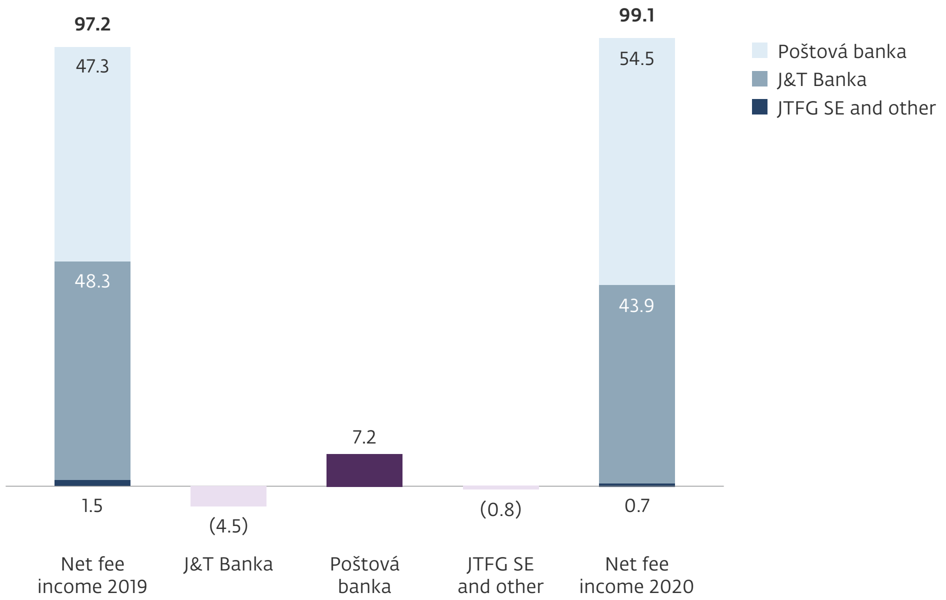
Financial part

Text part

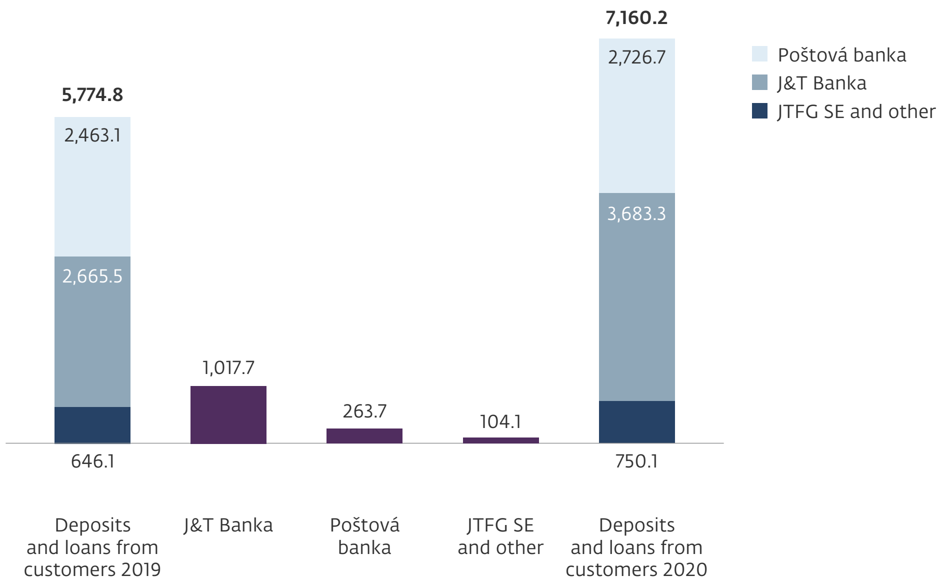
Net interest incomes / 2020 vs 2019 (EUR million)



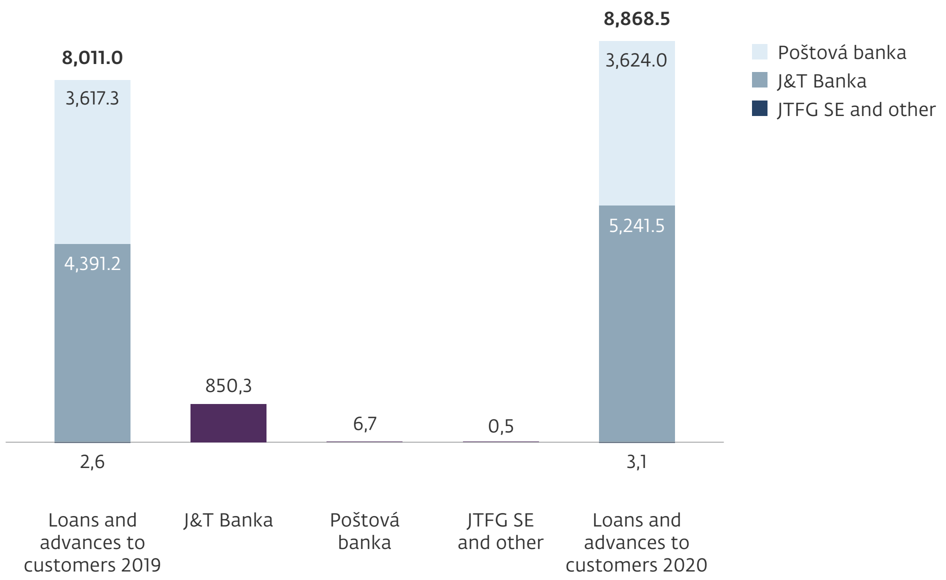
Net fee and commission income / 2020 vs 2019 (EUR million)



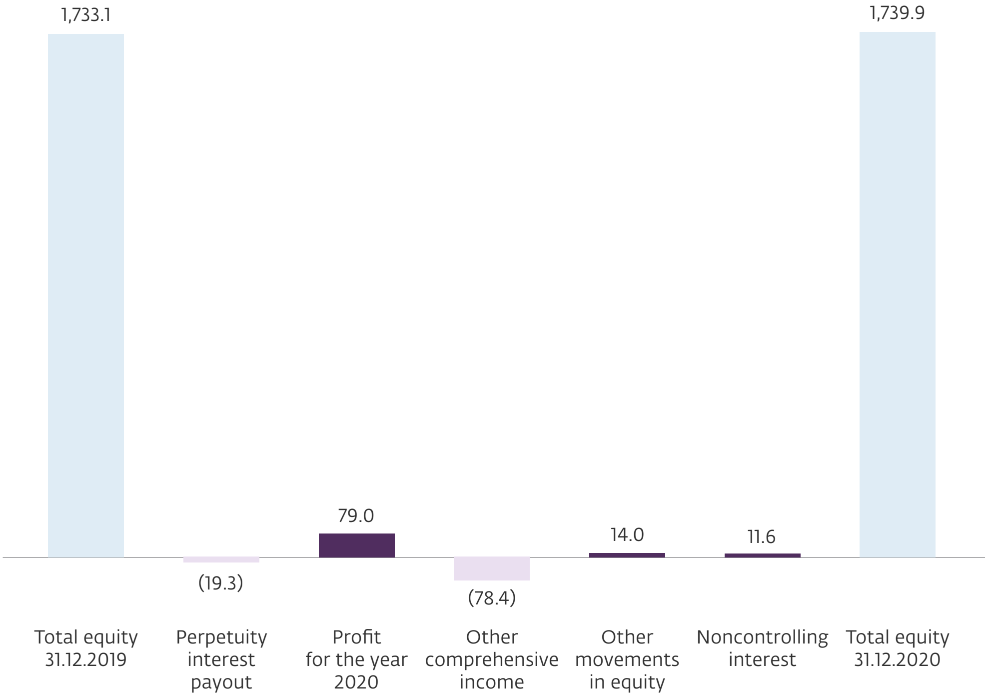
Deposits and loans from customers / 2020 vs 2019 (EUR million)



Loans and advances to customers / 2020 vs 2019 (EUR million)



Total equity development / 2020 vs 2019 (EUR million)



Dear clients, business partners, colleagues and friends,

2020, a very unusual year, is finally is behind us. The world's economies had to deal with shocks comparable with the effects of the Great Depression. We had to put on face masks or respirators and were confronted with the closure of the state border for some time as well. The reason for all these measures was the outbreak of COVID-19. On 11 March 2020, this outbreak reached such an extent that the World Health Organisation declared it a pandemic. Since then, this respiratory disease has taken more than 3,000,000 lives.

Together with the restrictions aimed at curbing the outbreak, the pandemic had a very negative impact on the performance of the economy. The gross domestic product in the Czech Republic decreased according to CNB statistics by 5.6% in 2020; in Slovakia, the GDP decreased by 5.2%, and according to Eurostat statistics, the downturn of the economy in the Eurozone was even higher (–6.6%). Significant fiscal and monetary stimuli, however, succeeded in curbing the increase in the unemployment rate which reached 3.0% in the Czech Republic as at 31 December 2020 (2019: 2.0%), 7.6% in Slovakia (2019: 4.9%), and 8.1% in the Eurozone (2019: 7.5%). The downside of the state aid is a steep increase in public finance debt as well as impending inflation that can result in a decelerated economic revival in the post-pandemic years.

At the beginning of the pandemic, the financial markets showed a two-digit drop across almost all sectors as a result of investment panic. The increased interest of investors in traditional and safe assets also made the foreign exchange rate of the Czech crown swing – for the first time since the end of the CNB's interventions in 2017 it exceeded the level of CZK 27 per euro. Over the year, we saw that the pandemic had a different impact on individual industrial sectors. Mainly technological shares showed significant growth. The Nasdaq Composite Index which reflects the U.S.-based technological companies to a significant extent grew by almost 44%. In contrast, the sectors connected with tourism experienced a significant drop. The STOXX Europe 600 Travel & Leisure index decreased year-on-year by 15%. The lack of liquidity and increased credit risk uncovered solvency issues in some segments on the debt markets.

In spite of the pandemic crisis, the J&T FINANCE GROUP SE ("the Group") reached a profit of EUR 79.0 million in 2020 (2019: EUR 122.9 million), which improved its capital similarly as in the past years. It was mainly the additions to loss allowances for financial assets calculated based on the expected credit losses that had a major impact on the result of operations, as the weak macroeconomic data significantly increased the model probability of default. In contrast, the Group's total assets again increased from EUR 11.1 billion to EUR 11.8 billion. Provided loans showed a major increase in assets of EUR 1.4 billion. The Group also grew in terms of assets under management. In 2020, the volume of assets under management of the Group amounted to EUR 6.0 billion (2019: EUR 5.7 billion).

The banking business was again the main activity of the Group in 2020. We made further progress with the digital transformation of Poštová banka in Slovakia, gradually transforming it into the modern and fast growing 365.bank. In 2020, 365.bank reported a 84% increase in the number of clients and kept its position as the best known digital bank in Slovakia. In the Czech Republic, we moved to a new building as the dynamic growth of J&T Banka already exceeded the capacity of our original office premises. The new location of the head office of J&T Banka at Rustonka translates into better support for both clients and business partners, and an inspirational work environment for our employees. In addition to the state-of-the-art office premises and a bigger number of meeting rooms, the new building also offers more safes, while a special safe for works of art is under construction. It also houses the Magnus Art Gallery.

The responses of governments and central banks to the coronavirus crisis in form of a very expansive monetary and fiscal policy have brought a swift flattening of the yield curves, further hampering the options of the savers to appreciate their assets on the financial markets. Many of the available financial products can barely keep pace with inflation, and the issue of protecting assets from gradual depreciation thus has been gaining on importance. We have therefore decided to extend the options for investing into assets whose performance is connected to the real economy for our clients. We have established the J&T INVESTMENTS SICAV, a.s. fund which is based on long-term partnerships with renowned companies and entrepreneurs and invests in the real estate, industrial and services sectors together with them. At the end of the past year, only several months since its establishment, the fund managed assets of more than CZK 3 billion.

The past year was also very unfavourable for culture and sports. Closed galleries and sports events without spectators represented huge losses for the organisers and clubs in these sectors. It was therefore a pleasure for us to support some of them and help them overcome these difficulties. Among others, J&T Banka continued its partnership with the Rudolfinum Gallery, the Czech Philharmonic Orchestra, and the Jindřich Chalupecký Award for contemporary young Czech artists. An important step in the support of culture was also the opening of the Magnus Art Gallery directly at the Company's premises. The first exhibition was the private art collection of J&T Banka. In terms of sports, J&T Banka remained to be the general partner of the Czech Rugby Union, the J&T Banka Ostrava Beach Open tournament, and the WTA tennis tournament J&T Banka Prague Open. Also Poštová banka continued its CSR activities, focusing on projects aimed against spreading disinformation and conspiration theories. We also launched another year of the Na každej škole záleží (Every school matters) project, this time in the Prešov region. Its meaning manifested itself also during the pandemic when we showed to the teachers how to make the on-line form of education interesting for the pupils.

Strategy and further direction of the Group

The basic policy of the Group – partnership based on an individual approach – still remains valid. In spite of that, the following year will be a year of catharsis for the changes initiated by the COVID-19 crisis.

We will still be surrounded by a cheap money environment, emphasising the need for protecting one's assets against the pressure of inflation. The real estate market will be dealing with changes in working habits and the trend of working from home. We will see the continued strengthening of the green finance topic, represented among others by the European Green Deal programme. We will continue to believe in fintech, which has been modernising financial services and making them more efficient, and we will also continue to support further ambitious projects outside the finance sector in their expansion throughout Europe.

The banking part of the Group in Slovakia is on the threshold of a transformation where 365.bank will take over from Poštová banka as the main bank. The transformation process also includes rebranding aimed at digitalisation of the processes and the contact with the clients of 365.bank. Poštová banka will be serving those clients who still prefer the brick and mortar branches at the post offices.

We believe that our personal approach to clients will enable us to swiftly respond to their needs and identify new market trends as and when they emerge. As every other crisis, also the coronavirus crisis caused by the pandemic also represents a number of opportunities next to all the risks it has brought.

Financial results of the Group

2020 was again a profitable year for the Group. However, the COVID-19 crisis had an adverse impact on its performance, primarily in form of high additions to loss allowances for finance assets connected with the model increase in probability of default of the debtors caused by the worsened macroeconomic data. Net additions to loss allowances grew year-on-year to EUR 130.8 million (2019: EUR 45.8 million).

The Group generated net interest income of EUR 311.0 million (2019: EUR 329.7 million). The main reason for the year-on-year drop is mainly the lower interest income of EUR 401.3 million (2019: EUR 425.9 million) caused by the dramatic decrease in the interest rates of the central banks aimed at supporting the economy. When looking at the entire situation in more detail, it is obvious that the drop in the interest income was caused mainly by a drop in the income from the reserve accounts at the central banks of EUR 35.5 million while the interest on the loans granted to the Group's clients on the other hand grew by EUR 15.7 million. The Group also generated a slightly higher net fee and commission income of EUR 99.1 million (2019: EUR 97.2 million). On one hand, the Group's income from the fee from issues of securities showed a decrease as many corporations postponed or cancelled the planned issues due to the nervousness on the markets, but on the other hand, it nonetheless generated higher income from the acquisition fees for financial instruments as its clients were trading more in the capital markets to make use of the fluctuations in security prices. The Group further succeeded in reducing operating expenses primarily in terms of personnel expenses (EUR 19.9 million), depreciation and amortisation (EUR 9.2 million), and other operating expenses (EUR 18.7 million). Overall, the Group generated a profit before tax of EUR 102.1 million (2019: EUR 164.7 million) and a profit after tax of EUR 79.0 million (2019: EUR 124.1 million).

Total assets grew again in 2020, amounting to a record value of EUR 11.8 billion (2019: EUR 11.1 billion). They showed growth primarily as a result of an increase in provided loans by EUR 1.5 billion, without an adjustment for loss allowances. The increase in the volume of provided loans was funded primarily through the growing deposits of clients (2020: EUR 8.9 billion; 2019: EUR 8.0 billion) and the

Group's own resources. Due to a significant decrease in inter-banking interest rates, the Group reduced the volume of funds deposited on the reserve accounts of the central banks by EUR 763 million to EUR 1.5 billion. The Group further decreased its exposures in debt securities and units. On the other hand, it invested into the Rustonka office building located in Prague's Karlín neighbourhood where several companies from the Group are located.

As for equity and liabilities, the main increase was reported for liabilities, while the value of equity did not change significantly (2020: EUR 1,739.9 million; 2019: EUR 1,733.1 million). A significant increase was reported for deposits received from customers while a decrease was reported for loans received from banks (EUR 122.6 million). Through the ultimate parent company J&T FINANCE GROUP SE, the Group also issued subordinated unsecured investment certificates of EUR 18.9 million that have been accepted for trading at the Prague Stock Exchange.

The panic in the financial markets caused by the COVID-19 outbreak led many investors to restrict their investments in the classes of assets connected with higher risk and to collect their means from the investment funds. As the trust slowly returned to the markets and new investment opportunities in form of volatile valuation of securities emerged, also the demand for investment fund products revived. The volume of assets managed by the Group at the end of 2020 exceeded even the volume achieved in 2019 (2020: EUR 6.0 billion; 2019: EUR 5.7 billion).

The Group has sufficient capital and the overall capital adequacy indicator amounted to 15.75% in 2020 (2019: 17.52%).

Financial results of the consolidated group of J&T Banka

The consolidated group of J&T Banka ("the J&T Banka group") concluded 2020 with total assets of EUR 6.7 billion (2019: EUR 6.0 billion). Over the year, the financial performance of the J&T Banka group was influenced by both the unclear macroeconomic situation affected by the Covid-19 outbreak and by the concerns of the customers and business partners regarding the future economic outlook. Total net profit for the current year amounted to EUR 63.2 million, which is a year-on-year decrease by EUR 59.7 million.

The increase in total liabilities of the J&T Banka group was influenced by the volume of deposits from customers, which increased to a total of EUR 5.3 billion in 2020 (2019: EUR 4.5 billion). Of the total volume of payables to customers, deposits on fixed-term and restricted accounts accounted for more than 75% while their share at the end of 2019 was around 70%. The number of the Group's clients with funds deposited on accounts kept by the Group totalled 83,904 in 2020, which is a year-on-year increase of 7,963.

Additional sources accepted from customers enabled us to finance several projects through credit products, which was reflected in a fast year-on-year increase in the volume of the portfolio of receivables from customers by EUR 1.1 billion to EUR 3.8 billion (2019: EUR 2.7 billion).

Due to the faster growth of the volume of loans compared with the deposit base, the loan-to-deposit indicator reached the value of 71% as at 31 December 2020 (at the end of 2019 this indicator amounted approx. to 60%).

J&T Banka group's equity translated to euros showed a moderate decrease by EUR 29.0 million due to the weakening of the Czech crown. In contrast, in terms of Czech crowns, which is the functional currency of the J&T Banka group, J&T Banka group's equity increased by EUR 28.6 million (CZK 0.75 billion) to EUR 817.8 million. The reason for this increase was primarily the fact that the dividends for 2019 were not paid to the parent company J&T FINANCE GROUP SE. Its sufficient capital will enable the Group to grow and develop also in future years. The capital adequacy on the consolidated basis was 15.0% at the end of the year.

Net interest income of the J&T Banka group decreased to EUR 138.8 million from EUR 154.3 million in 2019. The reported result was primarily influenced by a decrease in the interest rate of the reverse repo transactions with CNB through which the Group has been realising the major portion of the liquidity surpluses. The overall decrease in interest rates on the financial markets on which the Group has been operating was also reflected in the decrease in the interest rates on loans and subsequently in the year-on-year decrease in interest income. The increase in interest expense was influenced by the year-on-year increase in the absolute volume of payables to customers that represent the major portion of the Group's interest-bearing liabilities.

The J&T Banka group also reported a moderate decrease in net fee and commission income – it decreased from EUR 54.5 million in 2019 to EUR 45.4 million in 2020. The development of the net fee and commission income was adversely affected by the decline in demand for new issues of corporate bonds on one hand, but on the other hand, the decline was balanced by the growing interest of customers in trading on the capital markets where they used the temporary volatility of securities.

Operating expenses decreased from EUR 116.6 million in 2019 to EUR 110.8 million in 2020, primarily as a result of the decrease in personnel expenses. The decrease in operating expenses enabled the J&T Banka group to partially offset the lower volume of income from financial operations compared to 2019 and thus to keep the cost/income ratio below 50%.

Net additions to loss allowances for loans depended primarily on the development of the risk exposure of J&T Banka's loan portfolio within the Group and significantly influenced also the amount of the Group's net profit. In 2020, the Group established additional loss allowances which were recognised in costs. The net amount of these loss allowances was EUR 39.7 million.

Financial results of the consolidated group of Poštová banka

The net profit of the Poštová banka group ("the Poštová banka group") amounted to EUR 40.6 million in 2020, which is a year-on-year increase of approx. EUR 2.7 million (7.1%).

The financial performance of Poštová banka in 2020 was influenced by lower interest income similarly as in 2019 due to the continued decrease in interest rates that reached a historical minimum. Interest income decreased year-on-year by EUR 15.5 million (8.7%). To maintain profitability in a low interest rate period, the Poštová banka group applied savings in terms of operating expenses, which decreased year-on-year by EUR 16.5 million.

The coronavirus crisis primarily led to additions to loss allowances and provisions, which increased year-on-year by more than 25% to EUR 46.5 million.

It was mainly the subsidiaries of Poštová banka that contributed to the increase in the consolidated profit.
Prvá penzijná správcovská spoločnosť has become the second largest investment company in the Slovak market in terms of net assets managed by the funds. This fact also helped it increase the net fee and commission income by EUR 1.7 million. DSS Poštové banky (the pension company of Poštová banka) also contributed to the result of operations of the Poštová banka group, which reported a net profit exceeding EUR 2 million for 2020.

The total assets of the Poštová banka group grew by almost EUR 55 million to EUR 4.5 billion at the end of 2020. An increase was reported primarily for provided loans, which grew to EUR 2.8 billion. The volume of provided loans grew both in the corporate segment (by EUR 201 million) and in the segment of households (by EUR 121 million).

In 2020, the Poštová banka group reported moderate growth of deposits from customers, also thanks to the increase in the number of clients of 365.bank by 84% to approx. 55,000.

The Poštová banka group continues to have sufficient capital. Its capital adequacy grew from 16.44% to 16.88%, significantly exceeding the minimum required capital. The increase in capital adequacy was primarily influenced by the fact that the shareholders of Poštová banka did not receive any dividends in 2020 and kept the entire profit for 2019 in equity.

Non-financial information

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

Environmental protection

The Group has been operating in the field of financial services, which generates very little waste. Nonetheless, the Group still considers it important to minimise the negative impact of its activities on the environment, mainly by recycling waste and behaving responsibly to energy consumption. An important step towards environment-friendly and sustainable operations was the moving of most activities of the Group to the new Rustonka building in Prague's Karlín neighbourhood. The construction and operation of the new building focus on environmental protection. The building has been awarded the GOLD certificate within the LEED Building Design and Construction scheme.

Social and employee affairs

The Group creates above-standard social and economic conditions for its employees. To motivate its staff and strengthen their bond with the Group, it has implemented internal procedures for setting fair remuneration for work performed. On top of financial remuneration, the Group offers a number of benefits, such as a 5-week vacation, sick days, flexible working hours, continuing education options, etc.

In 2020, the Group intensively supported a work-from-home scheme. It provided its employees with all necessary equipment and support to enable them to work from home. Furthermore, the Group assured that its working premises were being kept safe over the period of the pandemic. Disinfection was regularly applied in the offices, disinfection and hygiene supplies were available at the workplace, and work meetings of larger groups were restricted.

The Group also supports communities through a number of CSR activities. The J&T Foundation is active in the Czech Republic in aiding families in the following areas: surrogate family care, help in need, disabled and ill people, and hospice care. In Slovakia, we e.g. help socially disadvantaged children who receive the necessary school supplies from us within the Let's Go to School (Hurá do školy) project and organise the Ideas for Three Generations (Napád pre 3 generácie) grant programme supporting projects that feature the cooperation of children, adults and senior citizens.

Respect for human rights

The Group has implemented policies defining the prohibition of discrimination and the right to equal treatment in its entities. The Group operates primarily in EU member states where a prohibition of child labour and forced labour may be expected in view of the European standards in terms of labour and social conditions. Moreover, the Group respects the restrictions following from the measures imposed by the United Nations, the EU or the USA on persons violating human rights. Each employee of the Group is encouraged to inform their superior or anyone from the management of any potential concerns, findings or proposals for improvement (even anonymously via a whistleblowing hotline).

Anti-corruption and anti-bribery

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

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

All employees are regularly trained in this area, and the Group defines preventive and subsequent control mechanisms to detect such conduct where any such case is considered a serious breach of working duties in accordance with internal regulations.

The option to anonymously report any unfair conduct by employees and third parties, i.e. whistleblowing, constitutes the Group's basic tool for detecting any unethical conduct or a conduct at variance with internal regulations or laws. The tool is administered by the Compliance & AML department for all banking entities. This department is obliged to investigate each reported case and submit the results of the investigation to the board of directors to adopt subsequent measures. The internal regulations guarantee the protection of the whistleblower against any negative consequences of their reporting of unfair conduct, even if the unfair conduct is not confirmed.

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


J&T

1,74 billion EUR

The group's equity at the end of the year

Consolidated income statement for the year ended 31 december 2020

in thousands of EUR	Note	2020	2019
Interest income calculated using effective interest rate method	8	401,269	425,945
Other interest income	8	3,299	3,097
Interest expense	8	(93,604)	(99,387)
Net interest income		**310,964**	**329,655**
Fee and commission income	9	141,091	136,012
Fee and commission expense	9	(42,014)	(38,854)
Net fee and commission income		**99,077**	**97,158**
Financial markets, net result	10	49,500	66,868
Gain on a bargain purchase	7.1	138	5,303
Other operating income	11	44,923	57,745
Total income		**504,602**	**556,729**
Personnel expenses	12	(119,285)	(139,135)
Depreciation and amortisation	29, 30	(36,267)	(45,482)
Goodwill impairment	29	—	(20,033)
Impairment of property, plant and equipment and intangible assets	29, 30	(4,531)	(47,651)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	26	(123,459)	8,190
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	26	(2,823)	(6,354)
Other operating expenses	13	(127,844)	(146,511)
Total expenses		**(414,209)**	**(396,976)**
Profit from operations		**90,393**	**159,753**
Share of profit from equity accounted investees		11,699	4,986
Profit before tax		**102,092**	**164,739**
Income tax expense	14	(23,086)	(40,633)
Profit for the period		**79,006**	**124,106**
Attributable to:			
Equity holders of the parent		73,461	123,903
Non-controlling interests		5,545	203
Profit for the period		**79,006**	**124,106**

The notes presented on page 30 to page 159 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 december 2020

in thousands of EUR	2020	2019
Profit for the period	**79,006**	**124,106**
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	(79,130)	23,469
Debt instruments measured at fair value through other comprehensive income - Net change in fair value	6,483	541
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss	(675)	(19)
Share of other comprehensive income of equity accounted investees	(3,646)	578
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at fair value through other comprehensive income - Net change in fair value	(1,397)	1,025
Other comprehensive income for the period, net of income tax	**(78,365)**	**25,594**
Total comprehensive income for the period	**641**	**149,700**
Attributable to:		
Equity holders of the parent	(3,899)	149,148
Non-controlling interests	4,540	552
Total comprehensive income for the period	**641**	**149,700**

The notes presented on page 30 to page 159 form an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 30 April 2021.

Signed on behalf of the Board of Directors:

Štěpán Ašer, MBA
Member of the Board of Directors
J&T FINANCE GROUP SE

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

Consolidated statement of financial position as at 31 december 2020

in thousands of EUR	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	15	1,670,876	2,479,300
Financial assets for trading	16.1	385,720	164,655
Hedging derivatives	17	11,555	523
Investment securities measured at fair value through profit or loss	18	402,268	330,852
Investment securities at fair value through other comprehensive income	19	721,579	848,081
Investment securities at amortised cost	20	396,362	554,315
Disposal group held for sale	21	20,133	5,803
Loans and advances to banks	22	324,698	331,561
Loans and advances to customers	23, 24.2	7,160,144	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers		2,276	1,965
Trade receivables and other assets	25	121,490	105,679
Current tax assets		6,287	2,761
Investments in equity accounted investees	27	60,890	52,529
Investment property	28	126,435	132,602
Intangible assets	29	69,797	55,921
Property, plant and equipment	30	299,213	193,238
Deferred tax assets	37.2	44,429	33,947
Total assets		**11,824,152**	**11,068,452**
Liabilities			
Trading liabilities	16.2	29,261	27,390
Hedging derivatives	17	10,318	9,420
Liabilities associated with disposal group held for sale	21	24	—
Deposits and loans from banks	31	191,270	313,878
Deposits and loans from customers	32	8,868,600	8,011,086
Debt securities issued	33	445,770	458,545
Subordinated debt	34	8,546	24,999
Other liabilities	35	484,912	441,619
Current tax liability		3,059	12,136
Provisions	36	36,711	30,088
Deferred tax liabilities	37.2	5,741	6,198
Total liabilities		**10,084,212**	**9,335,359**

in thousands of EUR	Note	31 December 2020	31 December 2019
Equity			
Share capital		574,138	574,138
Share premium		93,577	93,577
Reserves		261,211	314,476
Retained earnings		739,467	690,919
Equity attributable to equity holders of the parent	**38**	**1,668,393**	**1,673,110**
Non-controlling interests	39	71,547	59,983
Total equity		**1,739,940**	**1,733,093**
Total equity and liabilities		**11,824,152**	**11,068,452**

The notes presented on page 30 to page 159 form an integral part of the consolidated financial statements.

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

in thousands of EUR	Note	Share capital	Share premium
Balance as at 1 January 2020		**574,138**	**93,577**
Profit for the period		—	—
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		—	—
Foreign exchange translation differences		—	—
Debt instruments measured at fair value through other comprehensive income - Net change in fair value		—	—
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss		—	—
Share of other comprehensive income of equity accounted investees		—	—
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		—	—
Equity instruments measured at fair value through other comprehensive income - Net change in fair value		—	—
Other comprehensive income for the period, net of tax		**—**	**—**
Total comprehensive income for the period		**—**	**—**
Dividends		—	—
Change in non-controlling interests without a change in control	39	—	—
Acquisition and establishment of subsidiaries with non-controlling interests	7.1	—	—
Total transaction with owners of the Company, recognised directly in equity		**—**	**—**
Effect of disposals of subsidiaries	7.2	—	—
Issue of other capital instruments	38	—	—
Distributions related to other capital instruments	38	—	—
Transfer to legal and other reserve funds	38	—	—
Balance as at 31 December 2020		**574,138**	**93,577**

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

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

Consolidated statement of changes in equity for the year ended 31 december 2019

in thousands of EUR	Note	Share capital	Share premium
Restated balance as at 1 January 2019		**574,138**	**93,577**
Profit for the period		–	–
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Debt instruments measured at fair value through other comprehensive income - Net change in fair value		–	–
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss		–	–
Share of other comprehensive income of equity accounted investees		–	–
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		–	–
Equity instruments measured at fair value through other comprehensive income - Net change in fair value		–	–
Other comprehensive income for the period, net of tax		**–**	**–**
Total comprehensive income for the period		**–**	**–**
Dividends		–	–
Change in non-controlling interests without a change in control	39	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**
Effect of disposals of subsidiaries	7.2	–	–
Distributions related to other capital instruments	38	–	–
Transfer to legal and other reserve funds	38	–	–
Balance as at 31 December 2019		**574,138**	**93,577**

The notes presented on page 30 to page 159 form an integral part of the consolidated financial statements.

	Nondistributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Noncontrolling interests	Total equity
	33,723	**(53,125)**	**303,140**	**627,347**	**1,578,800**	**49,655**	**1,628,455**
	—	—	—	123,903	123,903	203	124,106
	—	23,673	558	—	24,231	338	24,569
	—	23,095	—	—	23,095	374	23,469
	—	—	577	—	577	(36)	541
	—	—	(19)	—	(19)	—	(19)
	—	578	—	—	578	—	578
	—	—	991	23	1,014	11	1,025
	—	—	991	23	1,014	11	1,025
	—	**23,673**	**1,549**	**23**	**25,245**	**349**	**25,594**
	—	**23,673**	**1,549**	**123,926**	**149,148**	**552**	**149,700**
	—	—	—	(35,325)	(35,325)	(951)	(36,276)
	—	—	—	(1,077)	(1,077)	10,727	9,650
	—	**—**	**—**	**(36,402)**	**(36,402)**	**9,776**	**(26,626)**
	(1)	—	—	1	—	—	—
	—	—	—	(18,436)	(18,436)	—	(18,436)
	5,502	—	15	(5,517)	—	—	—
	39,224	**(29,452)**	**304,704**	**690,919**	**1,673,110**	**59,983**	**1,733,093**

Consolidated statement of cash flows for the year ended 31 december 2020

in thousands of EUR	Note	2020	2019
Operating activities			
Profit before tax		102,092	164,739
Adjustments for:			
Depreciation and amortisation	29, 30	36,267	45,482
Change in impairment of property, plant and equipment and intangible assets	29, 30	4,531	47,651
Change in fair value of investment property, net		7,010	10,208
(Gain) / Loss on disposal of property, plant and equipment, intangible assets and investment property		(314)	(1,268)
Amortisation of deferred acquisition costs for insurance and clients' contracts		57	1,488
(Profit) / loss on disposal of subsidiaries and non-controlling interests	11, 13	13	267
(Profit) / loss on disposal of investment securities at fair value through other comprehensive income		(1,197)	(2,251)
(Profit) / loss on disposal of investment securities at amortised cost due to modification		172	2,009
Net interest income	8	(310,964)	(329,655)
Dividends income from equity instruments measured at FVOCI	10	(597)	(675)
(Decrease) / Increase in allowance for impairment of loans, loan commitments and financial guarantees	26	123,459	(8,190)
(Decrease) / increase in allowance for impairment of financial assets except loans, loan commitments and financial guarantees	26	2,823	6,354
Change in impairment of trade receivables	11, 13	578	(1,472)
Change in impairment of other assets	11, 13	1,516	570
(Profit) / loss from equity accounted investees		(11,699)	(4,986)
Changes in provisions	36	5,295	(1,391)
Receivables written-off	13	—	11,143
(Gain) on a bargain purchase and goodwill impairment	7.1, 29	(138)	14,730
Unrealised foreign exchange (gains) / losses, net		5,934	(5,375)
Operating loss before changes in working capital		**(35,162)**	**(50,622)**
(Increase) / decrease in operating assets			
Change in financial assets for trading		(241,734)	73,264
Change in hedging derivative assets		(10,960)	(490)
Change in investment securities at fair value through profit or loss		(56,663)	(104,500)
Change in loans and advances to customers and banks		(1,541,289)	173,871
Change in trade receivables and other assets		(17,425)	18,005
Increase / (decrease) in operating liabilities			
Change in trading liabilities		2,586	18,062
Change in hedging derivative liabilities		898	3,811
Change in deposits and loans from banks and customers		831,574	(148,473)
Change in other liabilities		26,688	34,944
Cash generated from (used in) operations		**(1,041,487)**	**17,872**
Interest received		371,086	433,341
Interest paid		(74,285)	(80,004)
Income taxes paid		(46,506)	(53,908)
Cash flows generated from (used in) operating activities		**(791,192)**	**317,301**

in thousands of EUR	Note	2020	2019
Investing activities			
Purchase of financial instruments at fair value through other comprehensive income		(120,834)	(328,302)
Proceeds from sale of financial instruments at fair value through other comprehensive income		224,226	253,206
Purchase of financial instruments at amortised cost		(29,135)	(214,574)
Proceeds from financial instruments at amortised cost		176,470	102,340
Acquisition of property, plant and equipment, investment property and intangible assets		(154,177)	(49,082)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		8,616	14,564
Acquisition of subsidiaries, net of cash acquired	7.1	2,016	56,983
Acquisition of equity accounted investees		(2)	(16,030)
Capital contributions to equity accounted investees		(433)	(3,123)
Proceeds from assets held for sale		199	4,891
Net cash (outflow) inflow from disposal of subsidiaries	7.2	—	(251)
Dividends received		374	658
Cash flows generated from investing activities		**107,320**	**(178,720)**
Financing activities			
Proceeds from issued debt securities	33	—	189,173
Payments for buy-back of issued debt securities	33	(3,124)	(267,195)
Acquisition of non-controlling interests		7,603	11,612
Disposal of non-controlling interests		—	(1,962)
Subordinated debt paid	34	(15,275)	(13,100)
Payment of lease liabilities (principal)		(10,982)	(11,421)
Issue of other capital instruments		18,900	—
Bonus payments from other capital instruments		(19,337)	(18,436)
Dividends paid		(590)	(36,264)
Cash flows generated from / (used in) financing activities		**(22,805)**	**(147,593)**
Net decrease/increase in cash and cash equivalents		**(706,677)**	**(9,012)**
Cash and cash equivalents as at the beginning of the year	**15**	**2,479,300**	**2,453,105**
Effect of exchange rate fluctuations on cash held		(101,747)	35,207
Cash and cash equivalents as at the end of the year	**15**	**1,670,876**	**2,479,300**

The notes presented on page 30 to page 159 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. General information

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

The consolidated financial statements of the Company for the year ended 31 December 2020 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as "the Group"). A list of the Group entities is provided in Note 48. Group entities.

The shareholders of the Company as at 31 December 2020 and 31 December 2019 were as follows:

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

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

The members of the Board of Directors were as at 31 December 2020 as follows:
Ing. Jozef Tkáč - Chairman
Ing. Ivan Jakabovič – Vice-Chairman
Ing. Patrik Tkáč – Vice-Chairman
Ing. Dušan Palcr – Vice-Chairman
Štěpán Ašer, MBA – Member
Ing. Igor Kováč – Member

The members of the Board of Directors were as at 31 December 2019 as follows:
Ing. Jozef Tkáč - Chairman
Ing. Ivan Jakabovič – Vice-Chairman
Ing. Patrik Tkáč – Vice-Chairman
Ing. Dušan Palcr – Vice-Chairman
Ing. Gabriela Lachoutová – Member

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on 30 April 2020.

(b) Basis of preparation

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

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

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

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

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2020, and have been applied in preparing the Group's consolidated financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards contain amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
- Amendments to IAS 1 and IAS 8: Definition of Material clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards.
- Amendments to IFRS 3: Business Combinations: Definition of a business combination Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. In particular, they:
  - clarify an acquired set of activities and assets to be considered a business;
  - narrow the definitions of a business and of outputs;
  - add guidance and illustrative examples regarding acquisition of substantive process;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
  - add an optional concentration test.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Please refer to section 43.3 for more information.

These amendments, effective for the first time for the year ended 31 December 2020, did not have any material impact on the Group's consolidated financial statements unless stated otherwise above.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2020, and have not been applied in preparing these financial statements:

- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual periods beginning on or after 1 January 2021) result in entities taking the benefit of the temporary exemption from applying IFRS 9 to be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020) provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform. They also introduce disclosures enhancing the understanding of the nature and extent of risks arising from the IBOR reform and how these risks are managed by the entity as well as its progress and management of transitioning from IBORs to alternative benchmark rates.
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, proceeds from selling such items, and the cost of producing those items, are recognized in profit or loss.
- Amendments to IAS 37: Provision, Contingent Liabilities Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’ that can either be incremental costs of fulfilling the contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU)
  - IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
  - IFRS 9 – The amendment clarifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, are to be included when applying the ’10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
  - IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor due to possible confusion that might arise because of how lease incentives are illustrated in that example.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- IFRS 17: Insurance contracts and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023, with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfilment value instead of historical costs and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts as of 1 January 2023.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) help to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Newly IAS 1 will require entities to disclose their material accounting policies rather than their significant accounting policies.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) that replace definition of a change in accounting estimates is with a definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates

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

Other new International Financial Reporting Standards and Interpretations not yet due

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Associates

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

(iii) Joint ventures

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

(iv) Consolidation scope

There are 64 companies included in the consolidation as at 31 December 2020 (2019: 65). All fully consolidated companies prepared their annual financial statements at 31 December 2020. The companies are listed in Note 48. Group entities and this list is based on the ownership hierarchy.

(v) Transactions eliminated on consolidation

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

(vi) Acquisition method of accounting
Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

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

(ix) Unification of accounting principles
The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and agree with the principles applied by the Parent Company.

(b) Foreign currency

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

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

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

Change in the functional currency of J&T FINANCE GROUP SE
Following the impairment of Poštová banka a.s. at the end of 2019 reflected in decreasing share of Poštová banka, a.s. on total operations of the Group, the increasing importance of Czech National Bank as significant authority (e.g. for distribution of dividends and

capital adequacy monitoring) and role of other competitive forces in the Czech Republic (e.g. tax and labor market regulation) where the headquarters of J&T FINANCE GROUP SE are located, the parent company's functional currency changed from EUR to CZK as of 1 January 2020 as a result of a detailed analysis. The change in functional currency applies only to the parent company J&T FINANCE GROUP SE, as there is no concept of functional currency on group level. Nonetheless, the presentation currency of consolidated financial statement of the Group remains EUR. The main reasons are consistency and comparability of financial information presented and significant proportion of investors and business partners that operate in international environment

(ii) Financial statements of foreign operations

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

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

(c) Financial instruments

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

(i) Classification

Financial assets

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

The classification of debt instruments is determined based on:

a) The business model under which the asset is held, and
b) The contractual cash flow characteristics of the instrument.

The Group makes an assessment of the objectives of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Group considers information such as the stated policies and objectives for the portfolio and the operation of those policies, the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed, how managers of the business are compensated, or the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

The Group defines business models as follows:
- "Hold and collect"
- "Hold, collect and sell"
- "Mandatorily at fair value"
- "Trading"
- "Fair value option"

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

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

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

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

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

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

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

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

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

   i) Debt instruments meeting the SPPI test within the business model "Hold, collect and sell"
      Under this accounting treatment ECL are recognized in profit or loss and the changes in the fair value of the instrument are recognized in OCI. FX differences in relation to the amortised cost, including impairment, are recognized in profit or loss. Interest revenues calculated using EIR are recognized in profit or loss.

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

Liabilities are classified and measured at amortized cost, with the exception of:
- Financial liabilities held for trading including derivatives – these are measured at FVTPL;
- Financial liabilities that use the option to be measured at FVTPL at acquisition – designated at FVTPL.

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

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

31 December 2020

in thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	–	–	–	–	1,670,876	1,670,876
Financial assets for trading	16.1	385,720	–	–	–	–	385,720
Investment securities measured at fair value through profit or loss	18	402,268	–	–	–	–	402,268
Investment securities measured at fair value through other comprehensive income	19	–	–	694,041	27,538	–	721,579
Investment securities at amortised cost	20	–	–	–	–	396,362	396,362
Loans and advances to banks	22	–	–	–	–	324,698	324,698
Loans and advances to customers	23	–	–	–	–	7,160,144	7,160,144
Trade receivables and other financial assets under risk management	25	–	–	–	–	72,018	72,018
Total financial assets		**787,988**	**–**	**694,041**	**27,538**	**9,624,098**	**11,133,665**
Trading liabilities	16.2	29,261	–	–	–	–	29,261
Deposits and loans from banks	31	–	–	–	–	191,270	191,270
Deposits and loans from customers	32	–	–	–	–	8,868,600	8,868,600
Debt securities issued	33	–	–	–	–	445,770	445,770
Subordinated debt	34	–	–	–	–	8,546	8,546
Other financial liabilities under risk management	35	–	–	–	–	473,276	473,276
Total financial liabilities		**29,261**	**–**	**–**	**–**	**9,987,462**	**10,016,723**

31 December 2019

in thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instrments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	—	—	—	—	2,479,300	2,479,300
Financial assets for trading	16.1	164,655	—	—	—	—	164,655
Investment securities measured at fair value through profit or loss	18	330,852	—	—	—	—	330,852
Investment securities measured at fair value through other comprehensive income	19	—	—	819,426	28,655	—	848,081
Investment securities at amortised cost	20	—	—	—	—	554,315	554,315
Loans and advances to banks	22	—	—	—	—	331,561	331,561
Loans and advances to customers	23	—	—	—	—	5,774,720	5,774,720
Trade receivables and other financial assets under risk management	25	—	—	—	—	60,107	60,107
Total financial assets		**495,507**	**—**	**819,426**	**28,655**	**9,200,003**	**10,543,591**
Trading liabilities	16.2	27,390	—	—	—	—	27,390
Deposits and loans from banks	31	—	—	—	—	313,878	313,878
Deposits and loans from customers	32	—	—	—	—	8,011,086	8,011,086
Debt securities issued	33	—	—	—	—	458,545	458,545
Subordinated debt	34	—	—	—	—	24,999	24,999
Other financial liabilities under risk management	35	—	—	—	—	435,859	435,859
Total financial liabilities		**27,390**	**—**	**—**	**—**	**9,244,367**	**9,271,757**

(ii) Recognition

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

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

(iii) Measurement

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

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

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

(iv) Fair value measurement principles

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.
The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in Note 40. Fair value information.

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

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

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

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

(v) Gains and losses on subsequent measurement

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

(vi) Derecognition

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

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

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

(vii) Hedge accounting

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

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

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

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

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

The Group uses fair value hedge to cover the foreign currency exposure to changes in the fair value of investment securities at fair value through other comprehensive income over the hedging period. The Group uses currency forwards as hedging instruments. Furthermore, the Group uses hedging derivatives to hedge the fair value of fixed income bonds denominated in Euros. The Group entered into interest rate swaps to hedge the changes in fair value caused by changes in interest rates. The Group hedges as well the interest rate risk faced by a portfolio of fixed rate loans by the use of interest rate swaps.

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

(viii) Embedded derivatives

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

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

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

(d) Cash and cash equivalents

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

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

(e) Loans and advances to banks and customers

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

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

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

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

(f) Sale and repurchase agreements

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

(g) Offsetting

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

(h) Impairment

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

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

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

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

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

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

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

Stage 2 (lifetime ECL not credit-impaired)
This stage is applicable when the credit risk has increased significantly since initial recognition of the financial asset, but the asset is not credit-impaired. Lifetime ECLs are calculated for this stage, i.e. ECLs that result from all possible default events over the expected life of a financial instrument. Interest revenue from these assets is calculated from the GCA.

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

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

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

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

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

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

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

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

Qualitative factors considered in the assessment:
- The nature of the project being financed has changed with a negative impact on the debtor's ability to generate cash flow,
- The debtor does not meet non-financial contractual obligations for more than six months.

Quantitative factors considered in the assessment:
Credit risk deterioration is considered on the basis of a change in rating since initial recognition. The current rating is compared with the rating assigned at the time of initial recognition. In its major subsidiaries the Group uses its own internal rating models and a transition matrix in order to determine a significant increase in credit risk (based on movements between the grades, i.e. rating deterioration). The Group uses an internal rating system with 12 rating grades, the 13th grade being referred to as default:

Current rating →

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

Signs of default
To determine whether a financial asset is in default, the Group assesses the common signs of default listed below:
- The situation when the Group filed a petition for declaring the bankruptcy of the debtor,
- The situation when the debtor has applied for bankruptcy announcement,
- The situation when the bankruptcy was announced,
- The debtor has entered or intends to enter into liquidation,
- The court has ruled that the debtor (legal person) was not founded (does not exist) or the debtor (natural person) has died,
- The final judgment of the court or administrative authority was ordered to enforce the decision to sell the debtor's assets or execute the debtor's assets,
- The situation when the debtor`s liability is overdue for more than 90 days,
- The situation when the receivable is forced to be re-structuralized,
- It is proven that more than 20% of the funds provided to the debtor by the Group are used by the debtor for another purpose than stated in the contract.

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

In addition to defaulted loans being purchased, POCI may arise as a result of the restructuring of a borrower in financial difficulties that lead to substantial changes to the loan conditions, resulting into derecognition of the original assets and (new) recognition of the modified asset. For those financial assets, the Group applies the credit-adjusted effective interest rate from initial recognition.

The credit-adjusted effective interest rate represents the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

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

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

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

Determination of probability of default (PD)

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

The calculation of PD applied by the Group is divided into 2 steps:
- Calculation of one-year PDs as the long-term average of observed failure rates,
- Calculation of multi-annual (cumulative) PDs.

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

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

Internal rating	External rating
1	A
2	BBB
3	BBB-
4	BB+
5	BB
6	BB-
7	B+

Internal rating	External rating
8	B
9	B-
10	CCC+
11	CCC
12	CCC-
13	D

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

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

Determination of loss given default (LGD)

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

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

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

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

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

Determination of Exposure at default (EAD)

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

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

Forward looking information

Due to the nature of the Group's portfolio, the Group uses publicly available data external rating agencies to derive PD. Published TTC (through the cycle) and PIT (point in time) matrices derived from long-term time-series of defaults of companies on the US market are statistically adjusted and further adjusted by the Group using the FLI indicator – Z-Component. Using the Z-Component, the influence of macroeconomic variables of individual countries is transferred to the respective PIT matrices. Among the considered macroeconomic variables were, among others, real GDP, unemployment, inflation, government debt, etc. After taking into account several macroeconomic scenarios, the relationship for the amount of the Z-Component and the development of GDP was estimated as the most appropriate. This relationship is used to predict the PD for a given country against which the Group records credit risk.

Due to the fact that the model for determining the Z component is not calibrated on extreme GDP declines (never occurred in the history of observations), which are predicted by relevant institutions for 2020 and 2021, the Z components generated by the model (based on extreme negative GDP declines) were At the 5% level of significance, tested whether they meet the condition of normality, symmetry or do not produce "fat-tails". The Shapiro-Wilk normality test was used for testing, as it is recommended for low numbers of observations. The test results show that the Z components do not correspond to the normal distribution, symmetry and generate "fat-tails". Based on these characteristics of the Z component of the component, the Group's management "capped" the output of the Z component of the component to a threshold value of the Z component for which the model meets the input assumption of normality. The group performs the transformation of the Z component to match the normal distribution. Without this transformation, the model would provide erroneous values.

The "capped" value of the Z component for 2020 is -3.7 (back-calculated value corresponding to the decline in GDP of the Czech Republic of about -6.3%, for other countries see the table below), for 2021 according to the model without restrictions. The current situation in 2020 is affected by the COVID-19 pandemic, to which the governments of individual countries have responded by supporting economies. These artificially created subsidies delay the manifestations of companies' defaults at the time of their actual occurrence a few months later (depending on the duration of the aid or relief). Due to the realization of these impacts on the PD, the Group took into account the effect of the delay. With the help of weight, the influence of the macroeconomic environment is reflected "more fairly" in the model not only in a given year, but also in the following year. The group weighs the PIT matrix as follows: 75% PIT matrix 2020 + 25% PIT matrix 2021.

Z-Component		CZ	SK	CRO	AU	Other	GB	PL	UA
Source of prediction		National bank – scenario for on-going Pandemia	National bank	IMF	IMF	OECD	National bank	OECD	IMF
Z-Component prior to cap	Prediction 2020	-5.5	-5.61	-4.92	-4.15	-4.47	-7.56	-5.22	-4.26
	GDP 2020	-10.1	-10.3	-9	-7	-8	-14	-10	-7.7
Z-Component used for ECL as at 31. 12. 2020	Prediction 2020	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
	GDP 2020	-6.3	-6.2	-6.4	-6	-6.4	-5.9	-6.8	-6.6
	Prediction 2021	-0.97	1.47	-0.01	0.09	-0.86	4.08	-1.34	-0.44
	GDP 2021	3.2	8.4	4.9	4.5	2.8	15	2.4	3.6

Presentation of allowance for ECL in the statement of financial position

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

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

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

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

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

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

A discontinued operation is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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

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

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

(j) Property, plant and equipment

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

(k) Intangible assets

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

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

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

(ii) Software and other intangible assets

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

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

(iii) Amortisation

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

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

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

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

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

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

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

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

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

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

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

(o) Employee benefits
For termination employee benefits, a provision is recognised for the amount expected to be paid under long or short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service

provided by the employee and the obligation can be estimated reliably. The benefit is classified as short term, if and only if the whole benefit category will be settled within one year; otherwise, it is disclosed as long term.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

(p) Financial guarantees and loan commitments

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

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

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

(q) Trade liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(r) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(s) Fee and commission income and expense

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

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

(t) Financial markets, net result

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

(u) Rental income

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

(v) Income tax

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

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

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

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

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

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

(w) Leases

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

(i) Group as lessee

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

Lease term

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

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

Measurement

a) Right-of-Use

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:
- Initial measurement of the lease liability (see below);
- Prepaid lease payments;
- Initial direct costs;
- Estimated costs to dismantle, remove or restore the asset;
- Less lease incentives received.

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

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

b) Lease liability

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

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

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. Variable payments that are not based on an index and were not included in the measurement of the lease liability are recognized as an expense.
Lease liabilities are included under "Other liabilities" caption in the statement of financial position.

Short-term leases and leases of low-value assets

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

Modification of lease contract

The Group accounts for a lease modification as a separate lease if both:
a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

Deferred tax resulting from IFRS 16

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

(ii) Group as lessor

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

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

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

(x) Revenue from goods sold and services rendered

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

(y) Dividends

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

(z) Operating segments

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

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

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

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

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

(aa) Changes in accounting policies

There were no changes in accounting policies neither in 2019 nor in 2020, except for changes resulting from possible modifications of International Financial Reporting Standards (IFRS) as described in section 2.

4. Critical accounting estimates and assumptions

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

4.1. Financial instruments

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

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

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

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

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

31 December 2020

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	120,430	0.5% - 5.0%	Increase would result in a lower fair value.
		Risk-free rate		(1.0)% - 1.5%	Increase would result in a lower fair value.
Shares and equity instruments	Discounted cash flow	Discount rate	15,204	7.3% - 10%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2% - 3.5%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	66,083	75 – 4,805 EUR/m^2	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	60,352	13 – 1,416 EUR/m^2	Increase would result in a higher fair value.

31 December 2019

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	98,675	0.5% - 4.0%	Increase would result in a lower fair value.
		Risk-free rate		(0.5)% - 2.5%	Increase would result in a lower fair value.
Shares and equity instruments	Discounted cash flow	Discount rate	6,626	7.7% - 14.6%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	69,482	327 – 3,136 EUR/m^2	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	63,120	12 – 1,417 EUR/m^2	Increase would result in a higher fair value.

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

31 December 2020

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(6,636)
	Decrease in credit spread by 1%	7 141
	Increase in risk-free rate by 1%	(5,648)
	Decrease in risk-free rate by 1%	6,009
Shares and equity instruments	Increase in discount rate by 1%	(80)
	Decrease in discount rate by 1%	114
	Increase in EBITDA by 5%	28
	Decrease in EBITDA by 5%	(28)
Investment property (buildings)	Increase in price per sq. m by 15%	9,912
	Decrease in price per sq. m by 15%	(9,912)
Investment property (land)	Increase in price per sq. m by 15%	9,053
	Decrease in price per sq. m by 15%	(9,053)

31 December 2019

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(6,226)
	Decrease in credit spread by 1%	6,749
	Increase in risk-free rate by 1%	(3,533)
	Decrease in risk-free rate by 1%	3,710
Shares and equity instruments	Increase in discount rate by 1%	(41)
	Decrease in discount rate by 1%	57
	Increase in EBITDA by 5%	17
	Decrease in EBITDA by 5%	(17)
Investment property (buildings)	Increase in price per sq. m by 15%	10,422
	Decrease in price per sq. m by 15%	(10,422)
Investment property (land)	Increase in price per sq. m by 15%	9,468
	Decrease in price per sq. m by 15%	(9,468)

For more information, refer to the following notes:
- Note 16. Financial assets for trading and trading liabilities
- Note 18. Investment securities measured at fair value through profit or loss
- Note 19. Investment securities at fair value through other comprehensive income
- Note 28. Investment property

4.2. Business combinations and purchase price allocations

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

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

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

There were the following acquisitions throughout the year 2020:
On 24 January Colorizo Investment, a.s. acquired 50% share in CI Joint Venture s.r.o.
On 6 March 2020 J&T MINORITIES PORTFOLIO LIMITED acquired 49% share in Narcissus s.r.o.
On 4 May 2020 J&T Mezzanine, a.s. acquired 50% share in JTH Vision, s. r. o.
On 10 November 2020 the Poštová banka, a.s. acquired 100% share in Cards&Co, a. s. and DanubePay, a.s.
On 10 December 2020 J&T Leasingová společnost, a.s. acquired 100% share in Rentalit s.r.o. The Group does not present the detailed summary of the acquisition in section 7.1 due to insignificant volume of the transaction.
On 18 December 2020 J&T BANKA, a.s. acquired 100% in Rustonka Development II s.r.o. This transaction was treated as asset acquisition due to the fact that the company's net assets represents a single major asset (premises where the Group has its headquarters) and the company's operations do not meet the definition of business in terms of IFRS 3.
On 21 December 2020 Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. acquired 100% share in RDF International, spol. s r.o. The Group does not present the detailed summary of the acquisition in section 7.1 due to insignificant volume of the transaction.

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

There were the following acquisitions throughout the year 2019:
On 4 April 2019 the Group acquired Bankhaus Erbe a.o. that merged with J&T Bank, a.o. as of 10 July 2019.
On 23 April 2019 the Group acquired a 50% share in OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.
On 2 October 2019 J&T Bank, a.o. acquired a 100% share in Moskovskij Neftechnimiceskij Bank.

4.3. Goodwill and impairment testing

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

Fair value measurements for impairment testing purposes were categorized as a Level 3 measurement based on the inputs used in the valuation technique. 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.

Poštová banka, a.s.

Upon acquisition of Poštová banka, a.s. and its subsidiaries (Poštová banka Group) goodwill in amount of EUR 20,033 thousand was recognized. The goodwill was written off and the fair value adjustment resulting from the acquisition was fully impaired in 2019 when the Group identified impairment loss in the net amount of EUR 55,187 thousand (incl. release of related deferred tax liabilities and also goodwill write-off in the amount of EUR 20,033) as a result of the impairment test described below. Due to full impairment of the above mentioned assets in 2019, no additional adjustments were booked in 2020.

As at 31 December 2019 the recoverable amount EUR 628,085 thousand of the Poštová banka Group cash generating unit, with a carrying amount of EUR 683,272 thousand (share controlled by the Group) was determined as the weighted average of the Discounted cash flow and Price to book multiple methods. The cash flows for the Discounted cash flow method were derived from Poštová banka Group's long-term business plan, the key assumptions being the forecast of net interest income and loans provided to customers, and these were applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2.0%. Expected future cash flows were discounted using a Cost of Equity of 5.00%. The Price to book ratio of 1.01% was derived from market data for a comparative peer group of European banks available as at 31 December 2019.

Wine activities

The acquisition of the French winery Chateau Teyssier (Société civile) and its distribution network through the purchase of a 100% share in OUTSIDER LIMITED and an 80% share in SAXONWORLD LIMITED resulted into recognition of goodwill in the amount of EUR 3,606 thousand. The goodwill relates to the cash generating unit represented by OUTSIDER LIMITED, Chateau Teyssier (Société civile), CT Domaines, SAXONWORLD LIMITED and World's End[1]. The recoverable amount of this cash generating unit was calculated using the comparative sales method that compares the property (prices of winery land in particular) to other properties with similar characteristics that have sold recently. As at 31 December 2020 the recoverable amount exceeds the carrying value of this CGU in the amount of EUR 38,717 thousand for the share controlled by the Group (2019: EUR 33,204 thousand). There was no impairment loss identified as a result of the impairment test.

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

Amico Finance, a.s.
On 26 October 2018 Poštová banka, a.s. bought a 100% share in Amico Finance, a.s. The business activities of Amico Finance, a.s. focus primarily on consumer loan financing. The Group recognized goodwill in the amount of EUR 2,788 thousand in connection with this acquisition. The carrying amount of goodwill was tested for impairment at the statement of financial position date as part of the cash generating unit represented by the entity Amico Finance, a.s. There was no impairment loss identified as a result of the impairment test. The recoverable amount was calculated using Discounted cash flow approach. The cash flows for this method were derived from the 5-year business plan. The discount rate was calculated using Capital Asset Pricing Model and amounts to 8.37% (8.15% in 2019).

Cards&Co, a. s. a DanubePay, a. s.
On 10 November 2020 Poštová banka, a.s. bought a 100% share in Cards&Co, a. s. and DanubePay, a.s. The business activities focus primarily on processing of payments. The Group recognized goodwill in the amount of EUR 3,884 thousand in connection with this acquisition. The carrying amount of goodwill was tested for impairment at the statement of financial position date as part of the cash generating unit represented by the entity Cards&Co, a. s. and DanubePay, a.s. There was no impairment loss identified as a result of the impairment test. The recoverable amount was calculated using Discounted cash flow approach. The cash flows for this method were derived from the 5-year business plan. The discount rate was calculated using Capital Asset Pricing Model and amounts to 10.39%.

4.4. Determination of control over investment funds

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) indicate that the Group controls an investment fund. The Group acts as fund manager for a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases, except for J&T REALITY otevřený podílový fond (the Group owns 88.88% of investment certificates and manages the fund through J&T INVESTIČNÍ SPOLEČNOST, a.s.) and the funds further described below.

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

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

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

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

5. COVID-19 pandemic consequences

The year 2020 was significantly influenced by the sudden spread of COVID-19, which the World Health Organization (WHO) confirmed as a global pandemic on 11 March 2020. In response to the health risks and the rapid spread of the virus, local governments have introduced series of restrictive measures. The free movement of people was reduced to what the respective governments considered strictly necessary.

Most businesses (with exceptions such as grocery stores or pharmacies) were forced to close. Likewise, accommodation and restaurant facilities had to interrupt operations in order to prevent the gathering of larger groups of citizens. Teaching at schools was interrupted. Subsequently, in May and June these restrictions were gradually lifted.

The measures introduced have had a negative impact on the majority of markets without sector or geographical differentiation. As at 21 March 2020, the US stock market (as measured by the S&P 500 index) fell by more than 30% compared to its peak at the end of February of the same year. The Prague Stock Exchange lost over 35% to the highs of the year 2020, at the same date and recovered since.

Despite extensive fiscal and monetary incentives presented by local governments and monetary authorities, the outlook for the next months and the overall impact of the COVID-19 pandemic remains unclear and uncertainty remains a determining factor in market developments.

Measures implemented by the Group
The Group closely monitors the development of the virus, as well as government regulations and recommendations, and keeps its employees regularly informed. The Group has introduced several measures to protect employees' health while maintaining the Group's operations:
- Employees whose work was not necessarily tied to a workplace in the Group's premises were ordered to work from home. The Group provided these employees with the necessary equipment to perform their work.
- Employees who were not allowed to work from home were divided into two groups, one of which was transferred to a backup workplace.
- Transport and protective equipment were provided for employees working on the Group's premises.

The Group has no restrictions on the availability of services or products, among other things, through increased support for digital and telecommunications channels that allow it to stay in touch with its clients.

Impact on the Group's operations
The Group regularly communicates the situation with its clients and informs them about developments on the financial markets through news published on the Group's website.

Following the announcement of the coronavirus pandemic by the World Health Organization on 11 March 2020, the Group reviewed the portfolio of significant loans, particularly in the affected sectors, to assess the status of individual clients so that initial estimates of the crisis's impact on the Group's portfolio could be prepared from the outset. The clients most affected by the situation provided current and detailed information on their status and future outlook at regular intervals, and during the year the client classification was adjusted and the impact of the crisis on the Group's portfolio was updated.

Clients took advantage of the situation on the capital markets, which stimulated their increased interest in investing in the stock markets. The mentioned interest of clients was also reflected in the amount of margin trades.

The restrictive government measures in response to the pandemic have significantly affected loan portfolios of all financial institutions in the market. The Group's response to the situation gradually developed, at first the Group essentially suspended the provision of new loans, but over time the situation began to return to normal. However, within some sectors, the Group has tightened its assessment (e.g. a more detailed analysis of variable and fixed costs; a more detailed analysis of working capital quality; stress scenarios with regard to the length and severity of measures against the spread of the COVID-19 pandemic, etc.). Nonetheless, there has been no significant change in credit risk management process. In 2020, the Group performed standard updates in the area of LGD, FLI and SICR. Such updates were mainly about including more current data into the models. The ECL sensitivity analysis of PD, LGD and FLI is presented in Note 43.1

The Group also took into account the approaches of other banking market participants and the opinions, recommendations and regulatory measures communicated by the regulators, such as opt-in postponement of instalments. Total exposure to clients who requested postponements of instalments in connection with the pandemic and its effects amounts to EUR 655,623 thousand. In addition to deferred payments, the clients also requested the waiver of certain credit terms, especially financial covenants monitoring their current performance or indebtedness. Deferrals of repayments and other reliefs provided had an impact on the classification of clients, where part of the clients were transferred to stage 2 or 3 for the purposes of ECL calculation. Nonetheless, the concessions given did not automatically lead to the assessment of the exposure as significant increase in credit risk (SICR). Staging for such loans was assessed on individual basis according to the actual situation of the client. On the other hand, retail clients of Postova banka who asked for postponement of instalment repayments were automatically transferred to stage 2, as they are assessed on portfolio basis. The most affected by the effects of the COVID-19 pandemic are clients from the following sectors - the automotive industry, real estate (specifically shopping centres), tourism and related services. The clients could also participate in the government loan programs. However, they were used by the Group's clients only to a minimal extent and the overall support was thus insignificant.

The Group continues monitoring and evaluating the quality of its loan portfolio in accordance with the accounting policies and risk management policies as described in Note 3 and Note 43.

The Group has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. In general, liquid assets held by the Group include deposits with the central bank, short-term deposits with financial institutions and highly liquid government and corporate bonds, more information in Note 15 and 22. The Group's strategic objective is to maintain stable liquidity and to meet regulatory and internal requirements. Liquidity coverage ratio is calculated as high-quality liquid assets over total net cash outflows over the next 30 calendar days' period and exceeds 100%. The Group strives to diversify its sources of funding to reduce the risk of loss of a particular source and avoid difficulties. The Group liquidity position is presented in Note 43.2 Liquidity risk.

Volatility in financial markets has an impact on the level of market risks to which the Group has been exposed. Increased volatility of market variables is reflected in increased market risk, for the coverage of which the Group has allocated a larger volume of marginal capital, at the same time the Group has automatically adjusted its limits (limits for individual currencies, securities, etc.). The Group also reflected this development in its internal stress scenarios.

The Group is adequately capitalized, the total regulatory capital ratio amounts to 15.75% (2019: 17.55%). For more information see Note 43.5. The Group complies with all limits set by the Czech National Bank as well as with its internal limits.

According to the information available to the Group's management at the date of issue of the financial statements, the situation mentioned above does not affect the going concern assumption on the basis of which these financial statements have been prepared. Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. Management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

6. Operating segments

6.1. Consolidated Income Statement by operating segments

For the year ended 31 December 2020

in thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Interest income calculated using effective interest rate method	214,755	163,197	14,326	3,307	5,684	401,269
Other interest income	5,080	(2,324)	543	–	–	3,299
Interest expense	(73,572)	(14,179)	(5,129)	(721)	(3)	(93,604)
Net interest income	**146,263**	**146,694**	**9,740**	**2,586**	**5,681**	**310,964**
Fee and commission income	55,116	83,938	1,008	342	687	141,091
Fee and commission expense	(11,869)	(29,562)	(386)	(91)	(106)	(42,014)
Net fee and commission income	**43,247**	**54,376**	**622**	**251**	**581**	**99,077**
Financial markets, net result	30,490	2,285	16,408	382	(65)	49,500
Gain on a bargain purchase	137	–	–	–	1	138
Other operating income	5,893	31,925	1,841	326	4,938	44,923
Total income	**226,030**	**235,280**	**28,611**	**3,545**	**11,136**	**504,602**
Personnel expenses	(50,971)	(58,482)	(5,640)	(2,138)	(2,054)	(119,285)
Depreciation and amortisation	(9,062)	(24,306)	(624)	(854)	(1,421)	(36,267)
Impairment of property, plant and equipment and intangible assets	–	(4,517)	–	(14)	–	(4,531)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	(73,403)	(45,135)	(1,592)	(533)	(2,796)	(123,459)
Net impairment gains / (losses) of financial assets except loans, loan commitments and financial guarantees	(3,659)	545	90	201	–	(2,823)
Other operating expenses	(39,831)	(63,305)	(4,098)	(1,451)	(4,596)	(113,281)
Other operating non-cash expenses	(944)	(11,343)	(123)	(742)	(1,411)	(14,563)
Total expenses	**(177,870)**	**(206,543)**	**(11,987)**	**(5,531)**	**(12,278)**	**(414,209)**
Profit from operations	**48,160**	**28,737**	**16,624**	**(1,986)**	**(1,142)**	**90,393**
Share of profit from equity accounted investees	6,371	–	–	–	5,328	11,699
Profit before tax	**54,531**	**28,737**	**16,624**	**(1,986)**	**4,186**	**102,092**
Income tax expense	(14,864)	(7,638)	(515)	(57)	(12)	(23,086)
Segment result	**39,667**	**21,099**	**16,109**	**(2,043)**	**4,174**	**79,006**

For the year ended 31 December 2019

in thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Interest income calculated using effective interest rate method	226,812	175,320	14,293	3,937	5,583	425,945
Other interest income	4,516	(2,189)	650	120	—	3,097
Interest expense	(72,087)	(19,236)	(6,744)	(1,318)	(2)	(99,387)
Net interest income	**159,241**	**153,895**	**8,199**	**2,739**	**5,581**	**329,655**
Fee and commission income	57,109	75,990	1,386	610	917	136,012
Fee and commission expense	(9,270)	(28,880)	(436)	(107)	(161)	(38,854)
Net fee and commission income	**47,839**	**47,110**	**950**	**503**	**756**	**97,158**
Financial markets, net result	59,312	12,849	(6,938)	1,039	606	66,868
Gain on a bargain purchase	—	—	5,303	—	—	5,303
Other operating income	10,171	39,289	2,352	232	5,701	57,745
Total income	**276,563**	**253,143**	**9,866**	**4,513**	**12,644**	**556,729**
Personnel expenses	(57,799)	(68,712)	(7,903)	(2,399)	(2,322)	(139,135)
Depreciation and amortisation	(9,799)	(32,880)	(691)	(893)	(1,219)	(45,482)
Goodwill impairment	—	(20,033)	—	—	—	(20,033)
Impairment of property, plant and equipment and intangible assets	—	(47,636)	—	(15)	—	(47,651)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	31,656	(23,650)	(90)	274	—	8,190
Net impairment gains / (losses) of financial assets except loans, loan commitments and financial guarantees	(1,318)	(5,293)	240	17	—	(6,354)
Other operating expenses	(35,536)	(74,207)	(5,521)	(1,629)	(4,200)	(121,093)
Other operating non-cash expenses	(3,250)	(21,716)	(448)	(4)	—	(25,418)
Total expenses	**(76,046)**	**(294,127)**	**(14,413)**	**(4,649)**	**(7,741)**	**(396,976)**
Profit from operations	**200,517**	**(40,984)**	**(4,547)**	**(136)**	**4,903**	**159,753**
Share of profit from equity accounted investees	(20)	—	—	—	5,006	4,986
Profit before tax	**200,497**	**(40,984)**	**(4,547)**	**(136)**	**9,909**	**164,739**
Income tax expense	(34,646)	(4,542)	(1,101)	(21)	(323)	(40,633)
Segment result	**165,851**	**(45,526)**	**(5,648)**	**(157)**	**9,586**	**124,106**

6.2. Consolidated Statement of Financial Position by operating segments

31 December 2020

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

31 December 2019

in thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Assets						
Cash and cash equivalents	2,279,905	124,194	43,037	29,331	2,833	2,479,300
Financial assets for trading	139,047	1,021	22,552	2,035	—	164,655
Hedging derivatives	523	—	—	—	—	523
Investment securities measured at fair value through profit or loss	186,830	137,575	1,197	4,689	561	330,852
Investment securities at fair value through other comprehensive income	129,789	545,006	117,587	37,553	18,146	848,081
Investment securities at amortised cost	—	543,011	11,304	—	—	554,315
Disposal group held for sale	2,539	—	798	2,466	—	5,803
Loans and advances to banks	35,322	283,700	3,938	8,582	19	331,561
Loans and advances to customers	3,085,146	2,463,105	103,988	51,549	70,932	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	1,965	—	—	—	1,965
Trade receivables and other assets	37,024	49,385	2,665	339	16,266	105,679
Current tax assets	108	1,652	995	2	4	2,761
Investments in equity accounted investees	21,105	137	—	—	31,287	52,529
Investment property	3,777	120,886	7,825	114	—	132,602
Intangible assets	9,940	41,006	294	1,075	3,606	55,921
Property, plant and equipment	28,068	98,444	16,627	2,099	48,000	193,238
Deferred tax assets	12,448	21,060	345	94	—	33,947
Total segment assets	**5,971,571**	**4,432,147**	**333,152**	**139,928**	**191,654**	**11,068,452**
Liabilities						
Trading liabilities	23,313	3,968	106	—	3	27,390
Hedging derivatives	—	9,420	—	—	—	9,420
Deposits and loans from banks	266,203	30,802	15,652	1,221	—	313,878
Deposits and loans from customers	4,113,623	3,617,300	165,934	111,659	2,570	8,011,086
Debt securities issued	307,957	150,588	—	—	—	458,545
Subordinated debt	24,403	—	—	596	—	24,999
Other liabilities	344,460	71,869	14,841	4,730	5,719	441,619
Current tax liability	10,947	1,137	16	—	36	12,136
Provisions	3,177	26,602	106	203	—	30,088
Deferred tax liabilities	219	1,899	4,080	—	—	6,198
Total segment liabilities	**5,094,302**	**3,913,585**	**200,735**	**118,409**	**8,328**	**9,335,359**

6.3. Revenues by geographical location of customers

For the year ended 31 December 2020

in thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Cyprus	Other	Total
Interest income calculated using effective interest rate method	91,234	176,344	14,524	8,437	50,376	60,354	401,269
Other interest income	3,094	(1,207)	341	—	63	1,008	3,299
Interest expense	(53,200)	(27,519)	(4,883)	(625)	(138)	(7,239)	(93,604)
Net interest income	**41,128**	**147,618**	**9,982**	**7,812**	**50,301**	**54,123**	**310,964**
Fee and commission income	31,932	91,044	1,027	278	3,440	13,370	141,091
Fee and commission expense	(6,491)	(30,913)	(357)	(82)	(698)	(3,473)	(42,014)
Net fee and commission income	**25,441**	**60,131**	**670**	**196**	**2,742**	**9,897**	**99,077**
Financial markets, net result	31,625	6,885	16,556	(3,830)	(4,919)	3,183	49,500
Gain on a bargain purchase	137	—	—	—	—	1	138
Other operating income	5,837	29,891	1,702	397	1,104	5,992	44,923
Total income	**104,168**	**244,525**	**28,910**	**4,575**	**49,228**	**73,196**	**504,602**

For the year ended 31 December 2019

in thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Cyprus	Other	Total
Interest income calculated using effective interest rate method	121,560	179,226	13,187	8,156	56,889	46,927	425,945
Other interest income	1,769	(622)	588	120	201	1,041	3,097
Interest expense	(55,159)	(27,542)	(6,128)	(1,128)	(22)	(9,408)	(99,387)
Net interest income	**68,170**	**151,062**	**7,647**	**7,148**	**57,068**	**38,560**	**329,655**
Fee and commission income	37,615	83,291	1,629	533	3,281	9,663	136,012
Fee and commission expense	(7,768)	(29,719)	(398)	(95)	(357)	(517)	(38,854)
Net fee and commission income	**29,847**	**53,572**	**1,231**	**438**	**2,924**	**9,146**	**97,158**
Financial markets, net result	(6,777)	30,715	(2,417)	1,763	25,214	18,370	66,868
Gain on a bargain purchase	—	—	5,303	—	—	—	5,303
Other operating income	5,780	32,315	1,603	277	2,976	14,794	57,745
Total income	**97,020**	**267,664**	**13,367**	**9,626**	**88,182**	**80,870**	**556,729**

The geographical area Other comprises revenue items primarily from Germany in 2020 and Malta in 2019.

7. Acquisitions and disposals

7.1. Acquisition and establishment of subsidiaries

(a) Acquisition of subsidiaries

In 2020 the Group acquired the following subsidiaries:

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

In 2019 the Group acquired the following subsidiaries:

in thousands of EUR	Date of acquisition	Consideration transferred	Cash outflow	Group's interest after acquisition (%)
Bankhaus Erbe a.o.	4.4.2019	7,283	7,283	100.00
Moskovskij Neftechnimiceskij Bank	2.10.2019	10,601	7,516	100.00
Total	**–**	**17,884**	**14,799**	**–**

(b) Establishment of subsidiaries

In 2020 the Group established no subsidiaries.

In 2019 the Group established the following:

in thousands of EUR	Date of establishment	Capital contributed	Group's interest after establishment (%)
Colorizo Investment, a.s.	18.4.2019	78	100.00
ARITIMA, a.s.	19.6.2019	25	100.00
SPERIDA, a.s.	20.6.2019	25	100.00
J&T INVESTMENTS SICAV, a.s.	23.12.2019	4	100.00

(c) Effect of acquisitions

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

in thousands of EUR	Cards&Co, a. s. a DanubePay, a. s.	J&T VENTURES I uzavřený podílový fond	J&T DIVIDEND Fund[2]	Other entities	Total
Cash and cash equivalents	140	3,283	1,984	–	5,407
Investment securities measured at fair value through profit or loss	–	6,350	–	–	6,350
Investment securities measured at fair value through other comprehensive income	–	–	9,804	1,421	11,225
Loans and advances to customers	–	327	–	–	327
Trade receivables and other assets	871	–	22	–	893
Current tax assets	–	20	–	–	20
Intangible assets	4,397	–	–	–	4,397
Property, plant and equipment	533	–	–	–	533
Deposits and loans from banks	(6,752)	–	–	–	(6,752)
Other liabilities	(1,103)	(965)	(53)	–	(2,121)
Deferred tax liabilities	–	(128)	–	–	(128)
Non-controlling interests	–	(521)	(5,082)	–	(5,603)
Net identifiable assets and liabilities	**(1,914)**	**8,366**	**6,675**	**1,421**	**14,548**
Goodwill on acquisition of new subsidiaries	3,884	–	–	–	3,884
Gain on bargain purchase	–	(137)	(1)	–	(138)
Consideration transferred	**1,970**	**8,229**	**6,674**	**1,421**	**18,294**
Consideration paid, satisfied in cash	(1,970)	–	–	(1,421)	(3,391)
Cash acquired	140	3,283	1,984	–	5,407
Net cash inflow (outflow)	**(1,830)**	**3,283**	**1,984**	**(1,421)**	**2,016**
Profit (loss) since acquisition date	(25)	137	1	–	113
Profit (loss) of the acquired entity for all of 2020	(1,035)	(206)	248	(1,254)	(2,247)
Turnover of the acquired entity for all of 2020	3,348	29	–	(44)	3,333

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

The acquisitions of new subsidiaries in 2019 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

in thousands of EUR	Bankhaus Erbe a.o.[3]	Moskovskij Neftechnimiceskij Bank	Total
Cash and cash equivalents	39,350	32,432	71,782
Financial assets for trading	–	21,590	21,590
Investment securities at amortised cost	8,325	2,539	10,864
Disposal group held for sale	–	88	88
Loans and advances to banks	280	524	804
Loans and advances to customers	1,135	22,682	23,817
Trade receivables and other assets	235	978	1,213
Current tax assets	114	42	156
Investment property	–	1,988	1,988
Property, plant and equipment	–	3,237	3,237
Deferred tax assets	–	372	372
Deposits and loans from banks	–	(1,263)	(1,263)
Deposits and loans from customers	(35,773)	(68,947)	(104,720)
Debt securities issued	–	(138)	(138)
Subordinated debt	(4,088)	(1,254)	(5,342)
Other liabilities	(489)	(694)	(1,183)
Provisions	–	(78)	(78)
Net identifiable assets and liabilities	**9,089**	**14,098**	**23,187**
Gain on bargain purchase	(1,806)	(3,497)	(5,303)
Cost of acquisition	**7,283**	**10,601**	**17,884**
Consideration paid, satisfied in cash	(7,283)	(7,516)	(14,799)
Cash acquired	39,350	32,432	71,782
Net cash inflow (outflow)	**32,067**	**24,916**	**56,983**
Profit (loss) since acquisition date	1,350	15	1,365
Profit (loss) of the acquired entity for all of 2019	(1,772)	(1,744)	(3,516)
Turnover of the acquired entity for all of 2019	(291)	6,386	6,095

[3] As of 10 July 2019 Bankhaus Erbe a.o. merged with J&T Bank, a.o.

7.2. Disposals

(a) Disposals of subsidiaries

The following disposals occurred in 2020 and in 2019:

31 December 2020

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

31. prosince 2019

in thousands of EUR	Date of disposal	Sale price/ Other values acquired	Cash outflow	Gain (loss) on disposal/ liquidation
J&T Global Finance V., s. r. o. v likvidácii	31.7.2019	–	(251)	(267)
Total		**–**	**(251)**	**(267)**

(b) Effect of disposals

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

Effect of disposals in 2020

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

Effect of disposals in 2019

in thousands of EUR	J&T Global Finance V., s. r. o. v likvidácii
Cash and cash equivalents	251
Current tax assets	22
Trade payables and other liabilities	(6)
Net assets and liabilities	**267**
Sales price	–
Other values acquired	–
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	–
Gain (loss) on disposal	**(267)**
Consideration received, satisfied in cash	–
Cash disposed of	(251)
Net cash outflow	**(251)**

8. Net interest income

in thousands of EUR	2020	2019
Interest income calculated using effective interest rate		
Loans and advances to banks and customers	348,047	330,128
Bonds and other securities	24,906	31,598
Repo transactions	3,974	5,098
Bills of exchange	1,020	215
Receivables from central banks	19,005	55,378
Other	4,317	3,528
Total interest income using effective interest rate	**401,269**	**425,945**
Interest income according to classes of instruments:		
Financial instruments measured at amortised cost	382,731	404,662
Financial instruments measured at FVOCI	18,538	21,283
Total interest income using effective interest rate	**401,269**	**425,945**
Financial assets for trading	5,624	4,566
Investment securities measured at fair value through profit or loss	—	720
Hedging derivatives - interest rate risk	(2,325)	(2,189)
Total other interest income	**3,299**	**3,097**
Total interest income	**404,568**	**429,042**
Interest expense		
Deposits and loans from banks and customers	(70,461)	(69,552)
Bonds and other securities	(18,492)	(22,541)
Bills of Exchange	(4)	(31)
Repo transactions	(977)	(1,618)
Lease liabilities	(832)	(775)
Other	(2,838)	(4,870)
Total interest expense	**(93,604)**	**(99,387)**
Interest expense according to classes of instruments:		
Financial instruments measured at amortised cost	(93,604)	(99,337)
Financial instruments measured at FVTPL	—	(50)
Total interest expense	**(93,604)**	**(99,387)**
Total net interest income	**310,964**	**329,655**

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

Other interest income of EUR 4,317 thousand includes a negative interest on Deposits and loans from banks of EUR 1,342 thousand (2019: EUR 525 thousand).

9. Net fee and commission income

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

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

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

Disaggregation of fee and commission income from contracts with customers

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

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

in thousands of EUR	2019	Reportable segments Czech Republic	Reportable segments Slovakia	Reportable segments Other[4]
Fee and commission income				
Fees on administration and payment transactions	34,766	4,612	28,552	1,602
Fees on assets under management	34,213	13,792	20,122	299
Fees on financial instrument operations	12,358	12,352	6	–
Fees on clearing and settlement	12,348	–	12,348	–
Fees on bond issues	19,357	19,357	–	–
Fees on custody, administration and depositing of valuables	4,282	1,919	2,316	47
Fees on promises and guarantees	2,476	1,735	323	418
Intermediation fees	620	23	537	60
Other fees and commission income	15,592	3,319	11,786	487
Total fee and commission income	**136,012**	**57,109**	**75,990**	**2,913**
Fee and commission expense	**–**			
Fees on clearing and settlement	(18,886)	–	(18,862)	(24)
Fees on financial instrument operations	(6,232)	(6,035)	(103)	(94)
Intermediation fees	(3,919)	–	(3,913)	(6)
Fees on payment transactions	(1,363)	(789)	(168)	(406)
Other fees and commission expenses	(8,454)	(2,446)	(5,834)	(174)
Total fee and commission expense	**(38,854)**	**(9,270)**	**(28,880)**	**(704)**
Total net fee and commission income	**97,158**	**47,839**	**47,110**	**2,209**

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

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

10. Financial markets, net result

in thousands of EUR	2020	2019
Net gains (losses) from financial instruments held for trading	63,112	14,657
– derivatives	60,561	5,646
– equity instruments	840	4,104
– debt instruments	1,711	4,907
Net gains (losses) from non-trading financial assets mandatorily measured at FVTPL	10,310	49,257
Net gains (losses) from financial instruments measured at FVOCI	1,794	2,926
– dividend income from equity instruments measured at FVOCI	597	675
– sale of debt instruments	1,197	2,251
Net gain/(loss) arising from derecognition of financial assets measured at amortised cost	(172)	(2,009)
Net gains (losses) resulting from hedge accounting	21	47
– hedged items	1,871	3,037
– hedging items	(1,850)	(2,990)
Exchange rate gains (losses)	(25,565)	1,990
Total financial markets, net result	**49,500**	**66,868**

The Group recorded a loss amounting to EUR 172 thousand (2019: EUR 2,009 thousand) arising from derecognition of financial assets measured at amortised cost due to substantial modification.

11. Other operating income

in thousands of EUR	2020	2019
Revenues from services and consulting (IFRS 15)	15,933	27,198
Revenues (premium) of insurance companies	10,324	10,106
Rental income (IFRS 16)	5,377	5,090
Goods sold (IFRS 15)	4,594	5,457
Income from operating leases	500	2,109
Gain on disposal of property, plant and equipment and intangible assets, net (IFRS 15)	314	1,268
Change in impairment of receivables	—	1,472
Other income (IFRS 15)	7,881	5,045
Total other operating income	**44,923**	**57,745**

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

12. Personnel expenses

in thousands of EUR	2020	2019
Wages and salaries	(88,169)	(106,123)
Compulsory social security contributions	(25,745)	(28,366)
Other social expenses	(5,371)	(4,646)
Total personnel expenses	**(119,285)**	**(139,135)**

The weighted average number of employees during 2020 was 2,794 (2019: 3,051), out of which executives represent 169 employees (2019: 186).

13. Other operating expenses

in thousands of EUR	2020	2019
Advertising expenses	(14,002)	(18,629)
Repairs and maintenance expenses	(12,782)	(12,979)
Special fee paid by financial institutions (bank levy)	(9,280)	(9,145)
Administrative expenses	(8,715)	(8,860)
Communication expenses	(8,344)	(7,621)
Consulting expenses	(8,009)	(8,479)
Change in fair value of investment property, net (Note 28)	(7,010)	(10,208)
Mandatory fees paid by financial institutions (deposit insurance scheme, resolution fund, guarantee fund for traders with securities)	(6,563)	(7,363)
Sponsoring and gifts	(6,054)	(2,989)
Rental expenses classified as service	(4,182)	(3,137)
Materials	(3,846)	(5,885)
Insurance technical provisions	(3,477)	(2,829)
Insurance claims paid, net	(3,476)	(3,172)
Short-term leases	(2,881)	(2,916)
Variable lease payments	(2,377)	(2,464)
Property and other taxes	(2,223)	(3,838)
Creation and reversal of provisions	(1,846)	(567)
Costs related to the operation of the hotel	(1,755)	(2,978)
Low-value asset leases	(1,618)	(1,164)
Change in impairment of other assets	(1,516)	(570)
Energy	(1,483)	(1,647)
Outsourcing	(874)	(808)
Transport and accommodation, travel expenses	(787)	(2,403)
Change in impairment of other receivables	(578)	—
Training, courses and conferences	(572)	(1,361)
Contractual penalties	(108)	(84)
Loss on the disposal of subsidiaries (Note 7.2)	(13)	(267)
Receivables written-off, net	—	(11,143)
Other operating expenses	(13,473)	(13,005)
Total other operating expenses	**(127,844)**	**(146,511)**

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

14. Income tax

in thousands of EUR	2020	2019
Current tax expense		
Current year	(34,176)	(53,684)
Adjustments for prior periods	78	1 121
Withheld on interest	(16)	(65)
Total	**(34,114)**	**(52,628)**
Deferred tax income (expense)		
Origination and reversal of temporary differences	11,028	11,995
Change in tax rate	–	–
Total	**11,028**	**11,995**
Total income tax expense	**(23,086)**	**(40,633)**

The corporate income tax rate in the Czech Republic for 2020 and 2019 is 19%. The corporate income tax rate in Slovakia for 2020 and 2019 is 21%. The corporate income tax rate in Russia for 2020 and 2019 is 20%. The corporate income tax rate in Croatia for 2020 and 2019 is 18%.

(i) Reconciliation of the effective tax rate

in thousands of EUR	2020	2020	2019	2019
Profit before tax		**102,092**		**164,739**
Income tax at 19% (2019: 19%)	(19.0)%	(19,397)	(19.0)%	(31,300)
Effect of tax rates in foreign jurisdictions	0.1%	128	0.3%	509
Non-deductible expenses	(32.3)%	(32,980)	(17.6)%	(29,076)
Non-taxable income	29.2%	29,782	12.9%	21,200
Tax withheld on interest	(0.0)%	(16)	0.0%	(65)
Recognition of previously unrecognised tax losses	0.1%	113	0.0%	9
Current year tax losses for which no deferred tax asset was recognised	(0.8)%	(805)	(1.8)%	(2,937)
Deferred tax – current period adjustment for DT recognized in prior period	0.1%	78	(0.1)%	(94)
Tax charges over provided in prior years	0.0%	11	0.7%	1 121
Total income tax expense	**(22.6)%**	**(23,086)**	**(24.6)%**	**(40,633)**

(ii) Income tax recognized in other comprehensive income

in thousands of EUR	2020 Před zdaněním	2020 Daňové zvýhodnění	2020 Po zdanění	2019 Před zdaněním	2019 Daňový náklad	2019 Po zdanění
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	(78,658)	(472)	(79,130)	23,469	—	23,469
Debt instruments measured at fair value through other comprehensive income - Net change in fair value[5]	4,360	(685)	3,675	1,551	127	1,678
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss	(857)	182	(675)	(24)	5	(19)
Share of other comprehensive income of equity accounted investees	(3,646)	—	(3,646)	578	—	578
Other comprehensive income - items that will not be reclassified subsequently to profit or loss						
Equity instruments measured at fair value through other comprehensive income - Net change in fair value	(1,632)	235	(1,397)	1,284	(259)	1,025
Total	**(80,433)**	**(740)**	**(81,173)**	**26,858**	**(127)**	**26,731**

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

(iii) Movements in deferred tax balances during the year

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

in thousands of EUR	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquired in business combina-tions	Foreign exchange translation differences	Disposals	Balance as at 31 December 2019
Property, plant and equipment	1,632	(372)	–	(84)	(9)	–	1,167
Intangible assets	(12,079)	12,134	–	–	(3)	–	52
Investment property	(2,248)	45	–	260	(290)	–	(2,233)
Leases (IFRS 16)	–	41	–	–	–	–	41
Impairment of trade receivables and other assets	70	42	–	–	1	–	113
Investment securities at fair value through other comprehensive income	(1,616)	847	(127)	–	(81)	–	(977)
Investment securities at amortised cost	(1,969)	840	–	–	1	–	(1,128)
Employee benefits (IAS 19)	1,083	732	–	3	21	–	1,839
Unpaid interest, net	(68)	63	–	–	–	–	(5)
Financial assets at fair value through profit or loss	(302)	(12)	–	–	(42)	–	(356)
Loans and advances	18,070	(4,407)	–	77	(213)	–	13,527
Provisions	1,777	(651)	–	–	9	–	1,135
Derivatives	153	(168)	–	–	15	–	–
Tax losses	1,319	(33)	–	108	181	(50)	1,525
Other temporary differences	9,980	2,894	–	8	117	50	13,049
Total	**15,802**	**11,995**	**(127)**	**372**	**(293)**	**–**	**27,749**

15. Cash and cash equivalents

in thousands of EUR	31 December 2020	31 December 2019
Cash and cash equivalents		
Cash on hand	54,772	71,985
Current accounts at central banks	81,874	35,588
Term deposits to central banks of three months or less	–	35,045
Current accounts with banks	66,580	100,705
Loans and advances with original maturities of three months or less	16,215	23,057
Loans in reverse repurchase agreements (refer to Note 24.2)	1,451,536	2,213,179
Less impairment loss allowance (refer to Note 26 (a))	(101)	(259)
Total cash and cash equivalents	**1,670,876**	**2,479,300**

16. Financial assets for trading and trading liabilities

16.1. Financial assets for trading

in thousands of EUR	31 December 2020	31 December 2019
Non-derivative financial assets for trading		
Bonds	319,789	106,482
Shares	13,143	12,354
Investment funds units	11,028	182
Total non-derivative financial assets for trading	**343,960**	**119,018**
Trading derivatives		
Currency contracts	40,344	44,720
Option contracts for share purchase	1,340	716
Option contracts for commodity purchase	44	122
Interest rate swaps	32	79
Total trading derivatives	**41,760**	**45,637**
Total financial assets for trading	**385,720**	**164,655**

Bonds for trading as at 31 December 2020 comprise mainly government bonds, which represent 79% (31 December 2019: 23%) and corporate bonds, which represent 17% of the balance (31 December 2019: 60%).

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

As at 31 December 2020 financial assets for trading in the amount of EUR 8 thousand were subject to pledge (31 December 2019: nil).

(i) Fair value measurement of financial assets for trading

As at 31 December 2020

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

As at 31 December 2019

in thousands of EUR	Shares	Bonds	Investment funds units	Total
Fair value of non-derivative financial assets for trading				
Level 1 – quoted market prices	11,238	41,883	–	53,121
Level 2 – derived from quoted prices	1,014	62,319	182	63,515
Level 3 – calculated using valuation techniques	102	2,280	–	2,382
Total	**12,354**	**106,482**	**182**	**119,018**
Fair value of trading derivatives				
Level 2 – derived from quoted prices				45,637
Total				**45,637**
Total financial assets for trading				**164,655**

(ii) Detail of fair value measurement in Level 3

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

in thousands of EUR	Shares	Bonds	Total
Balance as at 1 January 2020	**102**	**2,280**	**2,382**
Total gains (losses) recognized in profit or loss	55	(574)	(519)
Additions	5	13,565	13,570
Disposals	–	(6,546)	(6,546)
Transfer to Level 2	–	(210)	(210)
Transfer from Level 1	–	5,232	5,232
Transfer from Level 2	–	5,090	5,090
Interest income less interest received	–	129	129
Effect of movements in foreign exchange	(3)	61	58
Balance as at 31 December 2020	**159**	**19,027**	**19,186**

in thousands of EUR	Shares	Bonds	Total
Balance as at 1 January 2019	**99**	**1,548**	**1,647**
Total gains (losses) recognized in profit or loss	2	(1)	1
Additions	–	221	221
Disposals	(1)	–	(1)
Transfer to Level 2	–	(1,542)	(1,542)
Transfer from Level 1	–	2,028	2,028
Interest income less interest received	–	–	–
Effect of movements in foreign exchange	2	26	28
Balance as at 31 December 2019	**102**	**2,280**	**2,382**

Based on changes in market conditions for some financial instruments, observable market inputs for these instruments became available as at 31 December 2020. Bonds amounting to EUR 210 thousand (31 December 2019: EUR 1,542 thousand) were therefore transferred from Level 3 to Level 2. Market prices for some instruments became available as at 31 December 2020. Shares of EUR 2,667 thousand (31 December 2019: nil) and bonds of EUR 637 thousand (31 December 2019: EUR 1,284 thousand) were transferred from Level 2 to Level 1.

On the other hand, as sufficient information for measuring the fair values based on market prices were not available as at 31 December 2020, bonds amounting to EUR 5,232 thousand (31 December 2019: EUR 2,028 thousand) were transferred from Level 1 to Level 3. Bonds amounting to EUR 4.846 thousand (31 December 2019: EUR 9,943 thousand) were transferred from Level 1 to Level 2. As for some instruments observable market inputs were not available as at 31 December 2020, bonds amounting to EUR 5,090 thousand (31 December 2019: nil) were transferred from Level 2 to Level 3.

16.2. Trading liabilities

in thousands of EUR	31 December 2020	31 December 2019
Non-derivative trading liabilities		
Other trading liabilities	1,137	999
Total non-derivative trading liabilities	**1,137**	**999**
Trading derivatives		
Forward currency contracts	26,023	24,102
Cross currency swaps	2,062	2,033
Interest rate swaps	39	—
Commodity derivatives	—	256
Total trading derivatives	**28,124**	**26,391**
Total trading liabilities	**29,261**	**27,390**

Fair value measurement of trading liabilities

in thousands of EUR	31 December 2020	31 December 2019
Fair value of non-derivative trading liabilities		
Level 1 – quoted market prices	1,137	—
Level 2 – derived from quoted prices	—	999
Total	**1,137**	**999**
Fair value of trading derivatives		
Level 2 – derived from quoted prices	28,124	26,391
Total	**28,124**	**26,391**
Total trading liabilities	**29,261**	**27,390**

There were no transfers of trading liabilities between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

17. Hedging derivatives

in thousands of EUR	31 December 2020	31 December 2019
Hedging derivatives (assets)		
Forward currency contracts	11,555	523
Total hedging derivatives (assets)	**11,555**	**523**
Hedging derivatives (liabilities)		
Interest rate swaps	10,318	9,420
Total hedging derivatives (liabilities)	**10,318**	**9,420**

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

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

(a) Fair value hedges

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

Fair value hedge

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

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

Hedged item

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

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

Fair value hedge

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

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

Hedged item

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

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

Fair value hedge

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

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

Hedged item

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

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

As at 31 December 2019 the balances of the fair value hedges were as follows:

Fair value hedge

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item debt instruments at FVOCI with fixed interest rate	X	X	—	(7,183)
Interest rate swap				
Maturity less than 3 months	—	—	X	X
Maturity 3 months - 1 year	69,500	(69,500)	X	X
Maturity 1 - 5 years	142,110	(142,110)	X	X
Maturity more than 5 years	42,366	(42,366)	X	X

in thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Hedged item debt instruments at FVOCI with fixed interest rate	Hedging derivatives (liabilities)	(2,027)	—	n/a

Hedged item

in thousands of EUR	Carrying amount Assets	Carrying amount Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities
Debt instruments at FVOCI with fixed interest rate	277,130	—	4,388	—

in thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Debt instruments at FVOCI with fixed interest rate	Investment securities at FVOCI	2,027	—

Fair value hedge

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item loans to customers with fixed interest rate	X	X	–	(2,237)
Interest rate swap				
Maturity less than 3 months	–	–	X	X
Maturity 3 months - 1 year	–	–	X	X
Maturity 1 - 5 years	93,400	(93,400)	X	X
Maturity more than 5 years	–	–	X	X

in thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Hedged item loans to customers with fixed interest rate	Hedging derivatives (liabilities)	(1,047)	49	Financial markets, net result

Hedged item

in thousands of EUR	Carrying amount Assets	Carrying amount Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities
Loans to customers with fixed interest rate	184,064	–	1,965	–

in thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Loans to customers with fixed interest rate	Loans and advances to customers	1,096	–

Fair value hedge

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item equity instruments at FVOCI	X	X	523	—
Currency swap				
Maturity less than 3 months	—	—	X	X
Maturity 3 months - 1 year	—	—	X	X
Maturity 1 - 5 years	22,438	(21,002)	X	X
Maturity more than 5 years	—	—	X	X

in thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Hedged item equity instruments at FVOCI	Hedging derivatives (assets)	27	—	n/a

Hedged item

in thousands of EUR	Carrying amount Assets	Carrying amount Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities
Equity instruments at FVOCI	6,249	—	34	—

in thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Equity instruments at FVOCI	Investment securities at FVOCI	(27)	—

(b) Net investment hedges

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

Net investment hedge

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

Hedged item

in thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instru-ment recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
All net foreign investments in EUR	Hedging derivatives (assets)	(25,551)	(25,551)	–	n/a	–	n/a

Hedged item

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

There were no net investment hedges as at 31 December 2019.

Fair value measurement of hedging derivative assets and liabilities

in thousands of EUR	31 December 2020	31 December 2019
Fair value of hedging derivative assets		
Level 2 – derived from quoted prices	11,555	523
Total	**11,555**	**523**
Fair value of hedging derivative liabilities		
Level 2 – derived from quoted prices	10,318	9,420
Total	**10,318**	**9,420**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

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

in thousands of EUR	31. prosince 2020	31. prosince 2019
Shares and other equity instruments	17,149	6,725
Bonds	7,785	—
Investment funds units	377,334	324,127
Investment securities mandatorily at fair value through profit or loss	**402,268**	**330,852**
Bonds	—	—
Investment securities designated at fair value through profit or loss	**—**	**—**
Total investment securities measured at fair value through profit or loss	**402,268**	**330,852**

Investment securities mandatorily at fair value through profit or loss comprise primarily shares and investment fund units as at 31 December 2020 and 31 December 2019. Investment fund units as at 31 December 2020 and 31 December 2019 comprise primarily funds that focus on real estate development and investments into a mix of shares and debt instruments of global firms and exchange traded funds.

As at 31 December 2020 there are no pledged investment securities at FVTPL (2019: nil).

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

Investment securities mandatorily at fair value through profit or loss

As at 31 December 2020

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

As at 31 December 2019

in thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	1,197	—	5,251	6,448
Level 2 – derived from quoted prices	5,528	—	287,098	292,626
Level 3 – calculated using valuation techniques	—	—	31,778	31,778
Total	**6,725**	**—**	**324,127**	**330,852**

(ii) Detail of fair value measurement in Level 3

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

Investment securities mandatorily at fair value through profit or loss

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

in thousands of EUR	Shares	Investment funds units	Total
Balance at 1 January 2019	**1,909**	**29,798**	**31,707**
Total gains recognized in profit or loss	—	2,837	2,837
Transfer to Level 1	—	(428)	(428)
Transfer to Level 2	—	(5,223)	(5,223)
Additions	—	4,896	4,896
Disposals	(1 909)	(192)	(2,101)
Effect of movements in foreign exchange	—	90	90
Balance at 31 December 2019	**—**	**31,778**	**31,778**

There were no transfers of investment securities mandatorily at fair value through profit or loss between the levels of fair value hierarchy during 2020.

During 2019 sufficient information for measuring the fair values based on observable market inputs became available for some securities and thus allotment certificates amounting EUR 5,223 thousand transferred from Level 3 to Level 2. Based on changes in market conditions for some financial instruments, market prices for these instruments became available as at 31 December 2029. Allotment certificates amounting to EUR 428 thousand were therefore transferred from Level 3 to Level 1 as at that date. On the other hand as for some instruments observable market inputs have become available instead of quoted market prices as at 31 December 2019, allotment certificates totalling EUR 1,993 thousand were transferred from Level 1 to Level 2.

Investment securities designated at fair value through profit or loss

In 2020 and 2019 there were no investments securities designated at FVTPL in Level 3 of the fair value hierarchy.

There were no transfers of investment securities designated at fair value through profit or loss between the levels of the fair value hierarchy during 2020 and 2019.

19. Investment securities at fair value through other comprehensive income

in thousands of EUR	31 December 2020	31 December 2019
Shares and other equity instruments	27,535	28,652
Bonds (for impairment details refer to Note 26 (f))	694,041	819,426
Investments funds units	3	3
Total investment securities at fair value through other comprehensive income	**721,579**	**848,081**

Investment securities at fair value through other comprehensive income comprise primarily bonds, out of which the majority is represented by government bonds (52%) and corporate bonds (31%) as at 31 December 2020 (2019: government bonds 48% and corporate bonds 32%).

The maturity of the bonds is between 2021 and 2040. Bonds with maturity in 2040 are in amount of EUR 1,460 thousand (2019: maturity in 2034 EUR 4,834 thousand).

Shares as at 31 December 2020 comprise primarily corporate shares (77%), the remainder are shares of financial institutions (2019: corporate shares 73%, the remainder financial institutions).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December 2020 pledged investment securities at FVOCI amounted to EUR 42,291 thousand (2019: EUR 37,426 thousand).

(i) Equity investment securities at fair value through other comprehensive income

Equity investment securities at fair value through other comprehensive income comprise the following individually significant securities with corresponding dividend income recognised during the relevant period (listed major investments in terms of industry sector):

in thousands of EUR	31 December 2020 Fair value	31 December 2020 Dividend income	31 December 2019 Fair value	31 December 2019 Dividend income
Energy sector	6,476	360	6,585	262
Leasure industry	6,275	—	6,468	—
Other	14,787	237	15,602	413
Total	**27,538**	**597**	**28,655**	**675**

During the year 2020 equity investment securities at fair value of EUR 80 thousand were derecognised (2019: EUR 53 thousand). The cumulative loss on disposal totalled EUR 12 thousand (2019: loss of EUR 2 thousand).

During the year 2020 the cumulative loss totalling EUR 52 thousand (2019: gain of EUR 23 thousand) was transferred within equity from other comprehensive income to retained earnings.

(ii) Fair value measurement of investment securities at fair value through other comprehensive income

31 December 2020

in thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	6,476	523,719	–	530,195
Level 2 – derived from quoted prices	12,363	68,919	–	81,282
Level 3 – calculated using valuation techniques	8,696	101,403	3	110,102
Total	**27,535**	**694,041**	**3**	**721,579**

31 December 2019

in thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	7,855	605,128	–	612,983
Level 2 – derived from quoted prices	14,273	117,903	–	132,176
Level 3 – calculated using valuation techniques	6,524	96,395	3	102,922
Total	**28,652**	**819,426**	**3**	**848,081**

(iii) Detail of fair value measurement in Level 3

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

in thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Balance as at 1 January 2020	**6,524**	**96,395**	**3**	**102,922**
Total gains (losses) recognised in other comprehensive income	–	(1)	–	(1)
Total gains for the period recognized in profit or loss	194	2,846	–	3,040
Additions	2,074	–	–	2,074
Disposals	(78)	(24,803)	–	(24,881)
Interest income less interest received	–	(22)	–	(22)
Transfer from Level 1	–	12,846	–	12,846
Transfer from Level 2	–	19,348	–	19,348
Transfer to Level 2	–	(3,020)	–	(3,020)
Effect of movements in foreign exchange	(18)	(2,186)	–	(2,204)
Balance as at 31 December 2020	**8,696**	**101,403**	**3**	**110,102**

in thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Balance as at 1 January 2019	**6,518**	**106,984**	**3**	**113,505**
Total gains (losses) recognized in other comprehensive income	(3)	31	–	28
Total gains for the period recognised in profit or loss	–	7	–	7
Additions	62	–	–	62
Disposals	(194)	(10,267)	–	(10,461)
Interest income less interest received	–	(5)	–	(5)
Effect of movements in foreign exchange	141	(355)	–	(214)
Balance as at 31 December 2019	**6,524**	**96,395**	**3**	**102,922**

Based on changes in market conditions for some financial instruments market prices were not available as at 31 December 2020, bonds totalling EUR 12,846 thousand were transferred from Level 1 to Level 3 (31 December 2019: nil), shares totalling EUR 1,189 thousand (31 December 2019: nil) and bonds totalling EUR 20,178 thousand (31 December 2019: EUR 89,940 thousand) were transferred from Level 1 to Level 2. Also for some bond observable market inputs were not available as at 31 December 2020 and thus those of EUR 19,348 thousand were transferred from Level 2 to Level 3 (31 December 2019: nil).

On the other hand, due to changes in market conditions for some instruments, market prices from the active market became available and bonds amounting to EUR 23,046 thousand were therefore transferred from Level 2 to Level 1 (31 December 2019: bonds - nil, shares - EUR 1,270 thousand). There were no other transfers between the levels in 2020 and 2019.

The majority (55%) of the bonds presented under Level 3 (2019: 69%) comprise bonds of an issuer owning real estate properties (mainly land).

20. Investment securities at amortised cost

in thousands of EUR	31 December 2020	31 December 2019
Slovak government bonds	230,922	374,117
Government bonds of other European Union countries	70,476	72,247
Financial institution and corporate bonds	100,632	112,671
Bills of exchange	2,167	3,011
Less impairment loss allowance (refer to Note 26 (b))	(7,835)	(7,731)
Total investment securities at amortised cost	**396,362**	**554,315**

Government bonds represent 77% of the total of bonds at amortised cost as at 31 December 2020 (2019: 80%). A further 15% of the bond portfolio are corporate bonds (2019: 14%).

The maturity of the bonds is between 2021 and 2046. Bonds with maturity in 2046 are of EUR 988 thousand (2019: maturity in 2046 EUR 988 thousand).

Pledged investment securities at amortised cost total EUR 298,644 thousand as at 31 December 2020 (2019: EUR 187,260 thousand).

For expected credit losses relating to investment securities at amortised cost refer to Note 26 (b).

21. Disposal group held for sale

in thousands of EUR	31 December 2020	31 December 2019
Cash and cash equivalents	1,984	–
Disposal group held for sale	12,263	2,539
Trade receivables and other assets	22	–
Property, plant and equipment	5,864	3,264
Total assets	**20,133**	**5,803**
Other liabilities	24	–
Total liabilities	**24**	**–**

The Group did not recognize any cumulative income or expense accumulated in other comprehensive income relating to the disposal group held for sale as at 31 December 2020 nor 31 December 2019.

Property, plant and equipment is represented by collateralized assets provided to secure loan receivables and taken over by the Group. Such assets are expected to be sold within one year to satisfy receivables from the defaulted loans.

The disposal group held for sale consist of J&T Ostravice Active Life UPF, which was acquired exclusively with a view to its subsequent disposal. The sale of J&T Ostravice Active Life UPF was delayed by the approval process of the land plan, which is out of the Group's control.

During the year 2020, the Group acquired J&T DIVIDEND Fund which was purchased with a view of sale during 2021.

22. Loans and advances to banks

in thousands of EUR	31 December 2020	31 December 2019
Obligatory minimum reserves deposited in central banks	315,625	329,652
Term deposits	63	63
Other	9,096	2,030
Less impairment loss allowance (refer to Note 26 (c))	(86)	(184)
Net loans and advances to banks at amortised cost	**324,698**	**331,561**

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., Poštová banka, a.s. and J&T Banka d.d. under regulations of the relevant regulatory authorities.

The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning.

The obligatory minimum reserve for J&T Bank, a.o. is calculated as 4.75% of nonresidents' corporate deposits denominated in RUB; as 8% of nonresidents' corporate deposits denominated in foreign currency; as 4.75% of residents' individual deposits denominated in RUB; as 8% of residents' individual deposits denominated in foreign currency; as 4.75% of other liabilities in RUB and as 8% of other liabilities in foreign currency minus average balances of deposits and accrued interest multiplied by 0.8. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest.

The amount of set minimum reserve of Poštová banka, a.s. depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for the calculation of the compulsory minimum reserve, the reserve is interest earning.

The obligatory minimum reserve for J&T Banka d.d. is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities excluding balances with specified banks. The obligatory reserve is calculated as 9% of the above and is not bearing any interest.

23. Loans and advances to customers

in thousands of EUR	31 December 2020	31 December 2019
Loans and advances to customers	7,079,742	5,734,614
Overdrafts	332,923	220,633
Debt securities	11,671	3,772
Loans in reverse repurchase agreements (Note 24.2)	96,106	89,379
Other loans and advances	61,393	54,566
Less allowance for impairment of loans (refer to Note 26 (d))	(421,691)	(328,244)
Net loans and advances to customers at amortised cost	**7,160,144**	**5,774,720**
Loans and advances to customers at FVTPL mandatorily	—	—
Loans and advances to customers at FVTPL	**—**	**—**
Total net loans and advances to customers	**7,160,144**	**5,774,720**

In 2020 the Group had loans to four customers with an aggregated balance of EUR 1,192,664 thousand (2019: four customers with an aggregated balance of EUR 579,422 thousand).

The amount of non-interest bearing loans as at 31 December 2020 totalled EUR 14,566 thousand (2019: EUR 4,172 thousand). Receivables from these loans are fully provided for.

Other loans and advances include loans from finance leases in the amount of EUR 26,398 thousand (2019: EUR 21,042 thousand) analysed in Note 42.2. Leases as lessor.

24. Repurchase and resale agreements

24.1. Repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price, plus interest at a predetermined rate. As at 31 December 2020 and 2019, total assets sold under repurchase agreement were as follows::

31 December 2020

in thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 32)	**8**	**8**	**8**
– maturity up to 1 month	–	–	–
– maturity 1-6 months	8	8	8
– maturity 6-12 months	–	–	–
Loans and advances from banks (Note 31)	**4,785**	**4,543**	**4,549**
– maturity up to 1 month	4,785	4,543	4,549
Total	**4,793**	**4,551**	**4,557**

31 December 2019

in thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 32)	**522**	**467**	**469**
– maturity up to 1 month	101	104	105
– maturity 1-6 months	–	–	–
– maturity 6-12 months	421	363	364
Loans and advances from banks (Note 31)	**183,400**	**174,249**	**174,279**
– maturity up to 1 month	183,400	174,249	174,279
Total	**183,922**	**174,716**	**174,748**

24.2. Reverse repurchase agreements

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2020 and 2019, total assets purchased subject to agreements to resell them were as follows:

31 December 2020

in thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 23)	**153,236**	**96,106**	**96,537**
– maturity up to 1 month	67,860	43,671	43,775
– maturity 1-6 months	85,376	52,435	52,762
Cash and cash equivalents (Note 15)	1,426,461	1,451,536	1,451,637
– maturity up to 1 month	1,426,461	1,451,536	1,451,637
Total	**1,579,697**	**1,547,642**	**1,548,174**

31 December 2019

in thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 23)	**152,273**	**89,379**	**89,771**
– maturity up to 1 month	57,981	32,729	32,822
– maturity 1-6 months	94,292	56,650	56,949
Cash and cash equivalents (Note 15)	**2,185,667**	**2,213,179**	**2,213,974**
– maturity up to 1 month	2,185,667	2,213,179	2,213,974
Total	**2,337,940**	**2,302,558**	**2,303,745**

Loans and advances to banks with an original maturity up to three months are disclosed as cash and cash equivalents.

25. Trade receivables and other assets

in thousands of EUR	31 December 2020	31 December 2019
Purchased receivables	81	1,221
– gross	902	1,856
– allowance	(821)	(635)
Trade receivables	27,366	27,372
– gross	32,969	33,722
– allowance	(5,603)	(6,350)
Securities settlement balances	25,625	11,163
Expected proceeds from liquidation	—	—
– gross	9,606	9,559
– allowance	(9,606)	(9,559)
Receivables from insurance and reinsurance	416	637
– gross	713	943
– allowance	(297)	(306)
Other receivables	18,530	17,876
– gross	20,768	19,334
– allowance	(2,238)	(1,458)
Total receivables presented under risk management at amortised cost (refer to Note 43)	**72,018**	**60,107**
Prepayments	20,565	15,560
Advance payments	13,613	18,834
– gross	13,613	18,834
– allowance	—	—
Other tax receivables	970	1,838
Inventories	12,232	9,729
Other	2,092	1,449
– gross	2,145	1,528
– allowance	(53)	(79)
Total non-financial receivables and other assets	**49,472**	**45,572**
Total trade receivables and other assets	**121,490**	**105,679**

Other receivables include other individually insignificant items, such as collateral received for the purposes of derivative trading.

For details on ECL refer to Note 26 (e).

26. Amounts arising from expected credit losses (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance and provisions by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (h).

(a) Cash and cash equivalents at amortised cost

in thousands of EUR	2020 12-month ECL	2019 12-month ECL
Balance as at 1 January	**259**	**245**
Net remeasurement of loss allowance	1	6
New financial assets originated or purchased	23	25
Net decrease in cash and cash equivalents	(179)	(65)
Foreign exchange and other movements	(3)	48
Balance as at 31 December (refer to Note 15)	**101**	**259**

(b) Investment securities at amortised cost

in thousands of EUR	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Total	2019 12-month ECL	2019 Lifetime ECL not credit-impaired	2019 Total
Balance as at 1 January	**159**	**7,572**	**7,731**	**2,445**	**—**	**2,445**
Transfer to lifetime ECL not credit -impaired	—	—	—	(2,700)	2,700	—
Net remeasurement of loss allowance	(44)	198	154	449	4,683	5,132
New financial assets originated or purchased	15	—	15	68	—	68
Derecognition	(22)	—	(22)	(107)	(10)	(117)
Foreign exchange and other movements	(14)	(29)	(43)	4	199	203
Balance as at 31 December (refer to Note 20)	**94**	**7,741**	**7,835**	**159**	**7,572**	**7,731**

(c) Loans and advances to banks at amortised cost

in thousands of EUR	2020 12-month ECL	2019 12-month ECL
Balance as at 1 January	**184**	**188**
Net remeasurement of loss allowance	(11)	12
New financial assets originated or purchased	—	103
Derecognition	(79)	(74)
Effect of movements in foreign exchange	(8)	(45)
Balance as at 31 December (refer to Note 22)	**86**	**184**

(d) Loans and advances to customers at amortised cost

2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased creditimpaired	Total
Balance as at 1 January	**44,388**	**29,222**	**233,051**	**21,583**	**328,244**
Transfer to 12-month ECL	19,829	(19,270)	(559)	–	–
Transfer to lifetime ECL not credit-impaired	(18,878)	20,371	(1,493)	–	–
Transfer to lifetime ECL credit-impaired	(3,112)	(20,849)	23,936	25	–
Net remeasurement of loss allowance	27,554	53,149	65,963	(5,676)	140,990
Unwinding of interest	–	–	2,937	191	3,128
New financial assets originated or purchased	20,579	–	–	33	20,612
Derecognition	(6,408)	(4,099)	(40,681)	(46)	(51,234)
Write-offs and use	–	–	(26,712)	(287)	(26,999)
Changes due to modification without derecognition (net)	2,696	230	8,654	(48)	11,532
Effect of movements in foreign exchange	(1,022)	142	(2,796)	(906)	(4,582)
Balance as at 31 December (refer to Note 23)	**85,626**	**58,896**	**262,300**	**14,869**	**421,691**

2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased creditimpaired	Total
Balance as at 1 January	**45,576**	**30,021**	**287,037**	**1,216**	**363,850**
Transfer to 12-month ECL	20,032	(19,662)	(370)	–	–
Transfer to lifetime ECL not credit-impaired	(11,416)	12,388	(972)	–	–
Transfer to lifetime ECL credit-impaired	(6,135)	(18,407)	24,542	–	–
Net remeasurement of loss allowance	(16,086)	27,622	51,507	(1,253)	61,790
Unwinding of interest	–	–	4,179	243	4,422
New financial assets originated or purchased	19,477	–	–	21,372	40,849
Derecognition	(6,728)	(2,666)	(98,461)	(57)	(107,912)
Write-offs and use	(428)	(110)	(38,222)	(107)	(38,867)
Changes due to modification without derecognition (net)	(234)	(351)	2,471	–	1,886
Effect of movements in foreign exchange	330	387	1,340	169	2,226
Balance as at 31 December (refer to Note 23)	**44,388**	**29,222**	**233,051**	**21,583**	**328,244**

The changes in the loss allowance are represented mainly by decrease due to derecognition and write-off in the amount of EUR 78,233 thousand (2019: EUR 146,779 thousand) (primarily due to settlement of financial instruments with gross carrying amount of EUR 1,636,415 thousand (2019: EUR 1,919,627 thousand)). On the other hand, new loans and advances to customers at amortised cost were raised with gross carrying amount of EUR 3,101,161 thousand (2019: EUR 2,035,886 thousand) causing the increase in loss allowance by EUR 20,612 thousand (2019: EUR 40,849 thousand).

Increases in credit risk are reflected in both the Net remeasurement amount, Unwinding of interest and Transfers to stages with higher probability of default. These transfers decreased the gross carrying amount in Stage 1 by EUR 793,102 thousand (2019: EUR 326,666 thousand), and increased the gross carrying amounts in Lifetime ECL not credit-impaired by EUR 686,862 thousand (2019: EUR 207,583 thousand) and in Lifetime ECL credit-impaired by EUR 106,240 thousand (2019: EUR 119,083 thousand).

(e) Trade receivables presented under risk management at amortised cost

2020

in thousands of EUR	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	**1,903**	**16,405**	**18,308**
Transfer to lifetime ECL not credit-impaired	4	(4)	—
Transfer to lifetime ECL credit-impaired	(35)	35	—
Net remeasurement of loss allowance	24	324	348
New financial assets originated or purchased	409	—	409
Derecognition	(151)	(28)	(179)
Write-offs and use	(23)	(121)	(144)
Effect of movements in foreign exchange	(173)	(4)	(177)
Balance as at 31 December (refer to Note 25)	**1,958**	**16,607**	**18,565**

2019

in thousands of EUR	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	**1,463**	**18,312**	**19,775**
Transfer to lifetime ECL not credit-impaired	—	—	—
Transfer to lifetime ECL credit-impaired	(125)	125	—
Net remeasurement of loss allowance	(25)	86	61
New financial assets originated or purchased	646	—	646
Derecognition	(110)	(2,069)	(2,179)
Write-offs and use	—	(71)	(71)
Effect of movements in foreign exchange	54	22	76
Balance as at 31 December (refer to Note 25)	**1,903**	**16,405**	**18,308**

(f) Debt investment securities at FVOCI

2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit -impaired	Total
Balance as at 1 January	**1,538**	**1,603**	**–**	**3,141**
Transfer to lifetime ECL not credit-impaired	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance	963	1,040	–	2,003
New financial assets originated or purchased	1,236	–	–	1,236
Derecognition	(408)	–	–	(408)
Write-offs and use	(2)	–	–	(2)
Effect of movements in foreign exchange	54	(72)	–	(18)
Balance as at 31 December	**3,381**	**2,571**	**–**	**5,952**

2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit -impaired	Total
Balance as at 1 January	**2,003**	**–**	**–**	**2,003**
Transfer to lifetime ECL not credit-impaired	(126)	126	–	–
Transfer to lifetime ECL credit-impaired	(179)	–	179	–
Net remeasurement of loss allowance	(141)	1,479	–	1,338
New financial assets originated or purchased	635	–	–	635
Derecognition	(598)	–	(70)	(668)
Write-offs and use	(40)	–	(109)	(149)
Effect of movements in foreign exchange	(16)	(2)	–	(18)
Balance as at 31 December	**1,538**	**1,603**	**–**	**3,141**

(g) Loan commitments and financial guarantee contracts

2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	**2,342**	**918**	**740**	**4,000**
Transfer to 12-month ECL	13	(13)	–	–
Transfer to lifetime ECL not credit-impaired	(440)	440	–	–
Transfer to lifetime ECL credit-impaired	(655)	–	655	–
Net remeasurement of loss allowance	29	78	1,681	1,788
New commitments and financial guarantees issued	5,059	–	–	5,059
Commitments and financial guarantees derecognized	(3,889)	(796)	(513)	(5,198)
Foreign exchange and other movements	(79)	(5)	10	(74)
Balance as at 31 December (refer to Note 36)	**2,380**	**622**	**2,573**	**5,575**

2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	**2,607**	**874**	**5,236**	**8,717**
Transfer to 12-month ECL	33	(33)	–	–
Transfer to lifetime ECL not credit-impaired	(347)	347	–	–
Transfer to lifetime ECL credit-impaired	(390)	(3)	393	–
Net remeasurement of loss allowance	(654)	69	(1,149)	(1,734)
New commitments and financial guarantees issued	2,505	–	–	2,505
Commitments and financial guarantees derecognized	(1,543)	(338)	(3,734)	(5,615)
Foreign exchange and other movements	131	2	(6)	127
Balance as at 31 December (refer to Note 36)	**2,342**	**918**	**740**	**4,000**

27. Investments in equity accounted investees

in thousands of EUR	31 December 2020	31 December 2019
Interests in joint ventures	26,480	20,860
Interest in associate	34,410	31,669
Total interests in equity accounted investees	**60,890**	**52,529**

Joint ventures

The table below analyses the share of profit and other comprehensive income from joint ventures:

in thousands of EUR	31 December 2020	31 December 2019
Carrying amount of interests in joint ventures	26,480	20,860
Group´s share of:		
Profit from continuing operations	6,359	—
Other comprehensive income	(612)	138
Total share of comprehensive income from joint ventures	**5,747**	**138**

On 24 January 2020 Colorizo Investment, a.s. acquired 50% share in CI Joint Venture s.r.o. for CZK 5 thousand.

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

Among the joint ventures is included interest in OSTRAVA AIRPORT MULTIMODAL PARK (OAMP). The Group acquired a 50% share in the Czech company OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. in April 2019 for CZK 530,000 thousand, whereas payment for part of the acquisition price was conditional upon fulfilment of specified conditions. In the course of 2020 the company transformed into several entities, leaving the Group 50% share in OAMP Hall 1 s.r.o., OAMP Distribution s.r.o., OAMP Infrastructure s.r.o. and OAMP Holding s.r.o. The interest in these companies is accounted for using the equity method.

The following table summarises the aggregate financial information of OSTRAVA AIRPORT MULTIMODAL PARK (OAMP) project adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies.

in thousands of EUR	2020	2019
Percentage of ownership interest	**50%**	**50%**
Non-current assets	97,197	76,796
Current assets	16,072	18,014
Non-current liabilities	(22,808)	(7,564)
Current liabilities	(39,364)	(45,526)
Net assets (100%)	**51,097**	**41,720**
Group's share of net assets (50%)	25,549	20,860
Carrying amount of interest in joint venture	**25,549**	**20,860**
Revenue	5,722	—
Profit from continuing operations (100%)	5,482	—
Other comprehensive income (100%)	(1,224)	276
Total comprehensive income (100%)	4,258	276
Total comprehensive income (50%)	**2,129**	**138**
Group's share of total comprehensive income (50%)	**2,129**	**138**

Associates

The table below analyses the share of profit and other comprehensive income from associates:

in thousands of EUR	31 December 2020	31 December 2019
Carrying amount of interests in associates	34,410	31,669
Group´s share of:		
Profit from continuing operations	5,340	4,986
Other comprehensive income	(3,034)	440
Total share of comprehensive income from associates	**2,306**	**5,426**

On 6 March 2020 J&T MINORITIES PORTFOLIO LIMITED acquired 49% share in Narcissus s.r.o. for CZK 6,370 thousand (EUR 243 thousand).

Among the associates is included a 45% share in URE HOLDING LIMITED. URE HOLDING LIMITED is a company organized and existing under the law of the Republic of Cyprus and is not publicly traded. The interest is accounted for using the equity method. In 2019 the Group made capital contribution to URE HOLDING LIMITED in the amount of USD 3,528 thousand (EUR 3,123 thousand). In 2020 no capital contributions were made.

The following table summarises the financial information of URE HOLDING LIMITED as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in URE HOLDING LIMITED.

in thousands of EUR	2020	2019
Percentage of ownership interest	**45%**	**45%**
Non-current assets	140,013	147,285
Current assets	3,562	2,479
Non-current liabilities	(68,587)	(79,896)
Current liabilities	(317)	(342)
Net assets (100%)	**74,671**	**69,526**
Group's share of net assets (45%)	33,602	31,287
Carrying amount of interest in associate	**33,602**	**31,287**
Revenue	18,756	19,155
Profit from continuing operations (100%)	11,840	11,124
Other comprehensive income (100%)	(6,695)	971
Total comprehensive income (100%)	5,145	12,095
Total comprehensive income (45%)	**2,315**	**5,443**
Group's share of total comprehensive income (45%)	**2,315**	**5,443**

28. Investment property

in thousands of EUR	2020	2019
Balance as at 1 January	**132,602**	**144,670**
Additions	7,420	4,136
Acquisition through business combination	–	1,988
Change in fair value (refer to Note 13)	(7,010)	(10,208)
Transfer to property, plant and equipment (refer to Note 30)	(103)	(1,099)
Disposals	(4,703)	(7,989)
Effect of movement in foreign exchange	(1,771)	1,104
Balance as at 31 December	**126,435**	**132,602**

Investment property as at 31 December 2020 includes buildings in amount of EUR 66,083 thousand (2019: buildings in amount of EUR 69,482 thousand) and land in amount of EUR 60,352 thousand (2019: land in amount of EUR 63,120 thousand).

No investment property was subject to pledges as at 31 December 2020 and 2019.

Investment property was insured up to an amount of EUR 56,975 thousand as at 31 December 2020 (2019: EUR 69,890 thousand).

29. Intangible assets

in thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Gross carrying amount at 1 January 2019	42,390	89,482	82,978	95,527	310,377
Accumulated amortization and impairment at 1 January 2019	(14,369)	(36,393)	(78,208)	(54,771)	(183,741)
Net carrying amount at 1 January 2019	**28,021**	**53,089**	**4,770**	**40,756**	**126,636**
Additions	–	16	–	25,215	25,231
Acquisitions through business combinations	–	–	–	–	–
Amortisation charge for the year	–	(6,644)	(3,214)	(13,230)	(23,088)
Impairment	(20,033)	(46,318)	(1,482)	–	(67,833)
Disposals	–	–	–	(5,197)	(5,197)
Effect of movements in foreign exchange	28	6	1	137	172
Net carrying amount at 31 December 2019	**8,016**	**149**	**75**	**47,681**	**55,921**
Gross carrying amount at 31 December 2019	43,608	89,498	83,858	116,020	332,984
Accumulated amortization and impairment at 31 December 2019	(35,592)	(89,349)	(83,783)	(68,339)	(277,063)

in thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Gross carrying amount at 1 January 2020	43,608	89,498	83,858	116,020	332,984
Accumulated amortization and impairment at 1 January 2020	(35,592)	(89,349)	(83,783)	(68,339)	(277,063)
Net carrying amount at 1 January 2020	**8,016**	**149**	**75**	**47,681**	**55,921**
Additions	—	—	—	23,322	23,322
Acquisitions through business combinations	3,884	—	—	4,397	8,281
Amortisation charge for the year	—	(30)	(11)	(14,083)	(14,124)
Impairment	—	—	—	(383)	(383)
Disposals	—	—	—	(2,737)	(2,737)
Effect of movements in foreign exchange	(167)	1	(3)	(314)	(483)
Net carrying amount at 31 December 2020	**11,733**	**120**	**61**	**57,883**	**69,797**
Gross carrying amount at 31 December 2020	45,863	89,498	80,030	136,449	351,840
Accumulated amortization and impairment at 31 December 2020	(34,130)	(89,378)	(79,969)	(78,566)	(282,043)

Impairment of intangible assets in 2019 represents the impairment of Poštová banka, a.s. (please refer to Note 4.3 for more details).

Assets under development and borrowing costs

As at 31 December 2020 the cost of intangible assets under development (included in Other intangible assets) was EUR 2,143 thousand (2019: EUR 553 thousand).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2019: nil).

30. Property, plant and equipment

in thousands of EUR	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Right-of-Use Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2019	135,990	–	42,185	–	178,175
Accumulated depreciation and impairment at 1 January 2019	(13,351)	–	(24,818)	–	(38,169)
Net carrying amount at 1 January 2019	**122,639**	**–**	**17,367**	**–**	**140,006**
Impact of initial application of IFRS 16	–	37,699	–	6,761	44,460
Additions	6,629	10,402	14,907	4,315	36,253
Acquisitions through business combinations	3,237	–	–	–	3,237
Depreciation charge for the year	(4,982)	(10,210)	(5,409)	(1,793)	(22,394)
Impairment	190	–	(41)	–	149
Changes due to modifications under IFRS 16	–	3,982	–	96	4,078
Transfers from investment property	1,099	–	–	–	1,099
Transfer between categories	150	–	(150)	–	–
Disposals	(547)	(7,913)	(5,490)	(1,830)	(15,780)
Effect of movements in foreign exchange	1,935	68	87	40	2,130
Net carrying amount at 31 December 2019	**130,350**	**34,028**	**21,271**	**7,589**	**193,238**
Gross carrying amount at 31 December 2019	148,750	43,415	49,568	8,916	250,649
Accumulated depreciation and impairment at 31 December 2019	(18,400)	(9,387)	(28,297)	(1,327)	(57,411)
Gross carrying amount at 1 January 2020	148,750	43,415	49,568	8,916	250,649
Accumulated depreciation and impairment at 1 January 2020	(18,400)	(9,387)	(28,297)	(1,327)	(57,411)
Net carrying amount at 1 January 2020	**130,350**	**34,028**	**21,271**	**7,589**	**193,238**
Additions	94,157	4,459	29,278	2,126	130,020
Acquisitions through business combinations	–	–	533	–	533
Depreciation charge for the year	(5,190)	(9,568)	(5,413)	(1,972)	(22,143)
Impairment	(3,674)	–	(474)	–	(4,148)
Changes due to modifications under IFRS 16	–	12,032	–	5	12,037
Transfers from investment property	103	–	–	–	103
Transfer (to)/from disposal group held for sale	(2,744)	–	–	–	(2,744)
Transfer between categories	851	–	(851)	–	–
Disposals	(837)	(1,254)	(1,349)	(47)	(3,487)
Effect of movements in foreign exchange	(3,719)	(209)	(177)	(91)	(4,196)
Net carrying amount at 31 December 2020	**209,297**	**39,488**	**42,818**	**7,610**	**299,213**
Gross carrying amount at 31 December 2020	234,517	54,420	72,094	10,766	374,610
Accumulated depreciation and impairment at 31 December 2020	(25,220)	(14,932)	(29,276)	(3,156)	(75,397)

As at 31 December 2020 the Group's property, plant and equipment in the amount of EUR 41,052 thousand is subject to pledges (2019: EUR 41,457 thousand).

As at 31 December 2020 the Group's property, plant and equipment was insured up to an amount of EUR 276,746 thousand (2019: EUR 181,593 thousand).

Assets under construction and borrowing costs
As at 31 December 2020 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 12,468 thousand (2019: EUR 6,323 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the years 2020 and 2019.

Idle assets
As at 31 December 2020 and 2019 the Group had no material idle assets.

31. Deposits and loans from banks

in thousands of EUR	31 December 2020	31 December 2019
Term deposits from banks	13,550	—
Received loans from repurchase agreements (refer to Note 24.1)	4,543	174,249
Other received loans	173,177	139,629
Deposits and loans from banks at amortised cost	**191,270**	**313,878**
Total deposits and loans from banks	**191,270**	**313,878**

For more information about repurchase agreements see Note 24. Repurchase and resale agreements.

32. Deposits and loans from customers

in thousands of EUR	31 December 2020	31 December 2019
Term and escrow deposits	5,498,962	4,886,547
Deposits payable on demand	3,329,567	3,102,705
Received loans from repurchase agreements (refer to Note 24.1)	8	467
Other received loans	40,063	21,367
Deposits and loans from customers at amortised cost	**8,868,600**	**8,011,086**
Total deposits and loans from customers	**8,868,600**	**8,011,086**

For more information about repurchase agreements see Note 24. Repurchase and resale agreements.

33. Debt securities issued

in thousands of EUR	31 December 2020	31 December 2019
At amortised cost	445,770	458,545
Total debt securities issued	**445,770**	**458,545**

The following table shows the detail for debt securities issued at amortised cost:

in thousands of EUR	Original currency	Interest rate	Maturity date	31 December 2020	31 December 2019
Bonds listed on Prague Stock Exchange	CZK	4.00%	18.7.2022	123,287	129,038
Bonds listed on Bratislava Stock Exchange	EUR	4.00%	26.10.2023	150,639	150,588
Bonds listed on Prague Stock Exchange	CZK	4.75%	14.10.2024	171,706	178,781
Total issued bonds				**445,632**	**458,407**
Issued bills of exchange and loan notes				138	138
Total other debt securities issued				**138**	**138**
Total debt securities issued at amortised cost				**445,770**	**458,545**

In July 2017 the Group issued 1,080 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange.

In August 2018 the Group issued 150,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange.

In January 2019 the Group decided to further issue up to 1,500 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange. These bonds were subscribed in the first half of 2019.

The interest from all issues is paid regularly twice a year or four times a year.

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2020 and 2019.

The total carrying amount of the bonds issued does not include the amount of the bonds held by companies within the Group.

Reconciliation of movements of liabilities to cash flows arising from financing activities

in thousands of EUR	Liablities Lease liabilities[6]	Liablities Debt securities issued	Liablities Subordinated debt	Equity Retained earnings and other reserves	Equity Non-controlling interests	Total
Balance at 1 January 2020	**41,715**	**458,545**	**24,999**	**1,005,395**	**59,983**	**1,590,637**
Changes from financing cash flows						
Payments for buy-back	—	(3,124)	—	—	—	(3,124)
Acquisition of non-controlling interests	—	—	—	(394)	7,997	7,603
Subordinated debt paid	—	—	(15,275)	—	—	(15,275)
Payments of lease liabilities (principal)	(10,982)	—	—	—	—	(10,982)
Issue of other capital instruments	—	—	—	18,900	—	18,900
Bonus payments from issued other capital instruments	—	—	—	(19,337)	—	(19,337)
Dividends paid	—	—	—	—	(590)	(590)
Total changes from financing cash flows	**(10,982)**	**(3,124)**	**(15,275)**	**(831)**	**7,407**	**(22,805)**
The effect of changes in foreign exchange rates	(71)	(9,812)	(841)	—	—	(10,724)
Other changes						
Liablitiy-related						
Lease liabilities from new leases	6,060	—	—	—	—	6,060
Transfers and other non-cash movements	11,015	—	—	—	—	11,015
Interest expense	832	18,550	865	—	—	20,247
Interest paid	(818)	(18,389)	(1,202)	—	—	(20,409)
Total liability-related other changes	**17,089**	**161**	**(337)**	**—**	**—**	**16,913**
Total equity-related other changes	**—**	**—**	**—**	**(3,886)**	**4,157**	**271**
Balance at 31 December 2020	**47,751**	**445,770**	**8,546**	**1,000,678**	**71,547**	**1,574,292**

[6] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

in thousands of EUR	Liablities Finance lease liabilities[6]	Liablities Debt securities issued	Liablities Subordinated debt	Equity Retained earnings and other reserves	Equity Non-controlling interests	Total
Balance as at 1 January 2019	**2**	**533,365**	**32,712**	**911,085**	**49,655**	**1,526,819**
Changes from financing cash flows						
Proceeds from issued debt securities	–	89,173	–	–	–	189,173
Payments for buy-back	–	(267,195)	–	–	–	(267,195)
Acquisition of non-controlling interests	–	–	–	(1,083)	12,695	11,612
Disposal of non-controlling interests	–	–	–	6	(1 968)	(1,962)
Subordinated debt paid	–	–	(13,100)	–	–	(13,100)
Payments of lease liabilities (principal)	(11,421)	–	–	–	–	(11,421)
Bonus payments from issued other capital instruments	–	–	–	(18,436)	–	(18,436)
Dividends paid	–	–	–	(35,325)	(939)	(36,264)
Total changes from financing cash flows	**(11,421)**	**(78,022)**	**(13,100)**	**(54,838)**	**9,788**	**(147,593)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	–	138	5,342	–	–	5,480
The effect of changes in foreign exchange rates	45	3,700	15	–	–	3,760
Other changes						
Liability-related						
Lease liabilities from new leases	14,674	–	–	–	–	14,674
Transfers and other non-cash movements (including impact of IFRS 16)	38,409	–	–	–	–	38,409
Interest expense	775	22,571	1,770	–	–	25,116
Interest paid	(769)	(23,207)	(1,740)	–	–	(25,716)
Total liability-related other changes	**53,089**	**(636)**	**30**	**–**	**–**	**52,483**
Total equity-related other changes	**–**	**–**	**–**	**149,148**	**540**	**149,688**
Balance as at 31 December 2019	**41,715**	**458,545**	**24,999**	**1,005,395**	**59,983**	**1,590,637**

34. Subordinated debt

in thousands of EUR	31 December 2020	31 December 2019
Subordinated debt at amortised cost	8,546	24,999

Subordinated debt as at 31 December 2020 is represented by fixed interest subordinated term deposits in total amount of EUR 8,546 thousand (2019: EUR 24,999 thousand) with maturity between 2021 and 2025 (2019: 2020 - 2025).

35. Other liabilities

in thousands of EUR	31 December 2020	31 December 2019
Payables to clients from securities trading	236,936	234,054
Employee benefits	66,418	67,110
Lease liabilities (refer to Note 42.1)	47,752	41,715
Securities settlement balances	46,979	22,866
Trade payables	14,158	11,776
Unbilled supplies	12,328	12,270
Other liabilities	48,705	38,892
Total other liabilities under risk management (refer to Note 43)	**473,276**	**428,683**
Other tax liabilities	6,654	7,176
Advance payments received	1,270	1,481
Deferred income	3,712	4,279
Total non-financial other liabilities	**11,636**	**12,936**
Total	**484,912**	**441,619**

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

36. Provisions

in thousands of EUR	31 December 2020	31 December 2019
Financial guarantee contracts issued under IFRS 9 (refer to Note 26 (e))	2,054	1,000
Loan commitments issued under IFRS 9 (refer to Note 26 (e))	3,521	3,000
Other provisions	31,136	26,088
Total provisions	**36,711**	**30,088**

The Group has issued no loan commitment nor financial guarantee contracts that are measured at fair value through profit or loss.

in thousands of EUR	Other financial guarantees under IAS 37	Insurance contracts	Other provisions under IAS 37	Total
Balance as at 1 January 2019	194	20,030	2,871	23,095
Additions through business combinations	78	—	—	78
Provisions recorded during the period	—	2,829	1,199	4,028
Provisions used during the period	—	(129)	(406)	(535)
Provisions reversed during the period	(196)	—	(436)	(632)
Foreign exchange gain	30	—	24	54
Balance as at 31 December 2019	**106**	**22,730**	**3,252**	**26,088**

in thousands of EUR	Other financial guarantees under IAS 37	Insurance contracts	Other provisions under IAS 37	Total
Balance as at 1 January 2020	106	22,730	3,252	26,088
Additions through business combinations	—	—	—	—
Provisions recorded during the period	—	3,398	2,796	6,194
Provisions used during the period	—	—	(375)	(375)
Provisions reversed during the period	(28)	79	(922)	(871)
Foreign exchange gain	(22)	(158)	280	100
Balance as at 31 December 2020	**56**	**26,049**	**5,031**	**31,136**

As at 31 December 2020 provisions in amount of EUR 25,619 thousand (2019: EUR 21,322 thousand) are expected to be used later than 12 months after the reporting date. These include mainly provision for life insurance in amount of EUR 24,306 thousand (2019: EUR 20,722 thousand) and provision for unearned premiums of EUR 454 thousand (2019: EUR 533 thousand).

Current provisions of EUR 5,517 thousand include provision for a clients' benefit programme (Magnus) of EUR 1,048 thousand (2019: EUR 1,089 thousand).

Furthermore, on April 10, 2019 an action has been filed with the United States District Court, Southern District of New York, USA, listing J&T BANKA, a.s. and Poštová banka, a.s. among the Defendants. On November 22, 2019 J&T FINANCE GROUP SE was added as Defendant. The Claimants[7] state that J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE knowingly assisted Radovan Vítek in secretly assuming control over ORCO Property Group, S.A. (ORCO), and thereby caused damage to the Claimants.

J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE categorically refuse the Claimant's allegation, as they believe that they have proceeded fully in compliance with all applicable regulatory requirements. J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE further believe that the action has been purposefully filed with a court in New York in order to apply US laws and infer a breach thereof, despite insufficient subject-matter and venue connection of the dispute with New York. At the beginning of September 2020, after several other motions and procedural steps, the court issued a decision to fully dismiss the Complaint. The Plaintiffs have filed an appeal with the United States Court of Appeal for the Second Circuit. The Group has not recognized any provision in this respect.

[7] The Claimants are: KINGSTOWN CAPITAL MANAGEMENT, L.P., KINGSTOWN PARTNERS MASTER LTD., KINGSTOWN PARTNERS II, L.P., KTOWN, LP; KINGSTOWN CAPITAL PARTNERS LLC; INVESTHOLD LTD and VERALI LIMITED.

37. Deferred tax assets and liabilities

37.1. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

in thousands of EUR	31 December 2020	31 December 2019
Tax losses carried forward (Gross amount)	23,385	20,179
Tax effect	4,443	3,834

An estimation of the expiry of unrecognized tax losses is as follows:

in thousands of EUR	2021	2022	2023	2024	After 2024
Tax losses	6,105	5,861	3,996	602	6,821

A deferred tax asset is recognised for the carry forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. In Slovakia, tax losses arisen after 1 January 2010 can be amortised in the next four years equally each year. Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

37.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

in thousands of EUR	31 December 2020 Assets	31 December 2020 Liabilities	31 December 2019 Assets	31 December 2019 Liabilities
Property, plant and equipment	3,814	2,000	3,474	2,307
Intangible assets	112	223	159	107
Investment property	334	1,986	405	2,638
Leases (IFRS 16)	84	27	41	–
Impairment of trade receivables and other assets	446	–	113	–
Investment securities at fair value through other comprehensive income	1,586	2,817	1,648	2,625
Investment securities at amortised cost	45	768	3	1,131
Employee benefits (IAS 19)	1,261	–	1,839	–
Unpaid interest, net	–	6	–	5
Investment securities at fair value through profit or loss	–	228	21	377
Loans and advances	25,996	2,173	15,976	2,449
Provisions	1,561	–	1,135	–
Derivatives	146	571	–	–
Tax losses	1,305	–	1,525	–
Other temporary differences	12,810	13	13,114	65
	49,500	10,812	39,453	11,704
Netting[1]	(5,071)	(5,071)	(5,506)	(5,506)
Total	**44,429**	**5,741**	**33,947**	**6,198**

[1] Netting - gross deferred tax assets and liabilities were netted for each individual subsidiary of the Group when applicable.

Many parts of Slovak, Czech and Russian tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

38. Shareholders' equity

(i) Share capital

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2020 and 31 December 2019 consists of 10 ordinary shares with a par value of CZK 200,000, 13,778,752 ordinary shares with a par value of CZK 1,000 and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The share capital amounts to CZK 15,780,308 thousand (equivalent to EUR 574,138 thousand in historic costs) both in 2020 and 2019.

(ii) Non-distributable reserves

Non-distributable reserves include the legal reserve fund of the Parent Company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations.

Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

In Slovakia creation of a legal reserve fund is required at a minimum of 10% of net profit (annually) and up to a minimum of 20% of the registered share capital (cumulative balance).

In Russia creation of a legal reserve fund is required at a minimum of 5% of net profit (annually) up to a minimum of 5% of the registered share capital.

In Croatia creation of a legal reserve fund is required at a minimum of 5% of net profit (annually) and up to a minimum of 5% of the registered share capital.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Parent Company. Furthermore, the translation reserves includes the impact of the net investment hedge of foreign operations as described in Note 17 Hedging derivatives.

(iv) Other reserves and funds

Other reserves comprise changes in the fair value of investment securities at fair value through other comprehensive income.

In 2016 J&T BANKA, a.s. sold to its investors 2 types of subordinated unsecured certificates with no maturity date, one with a nominal value of EUR 5 thousand and second with a nominal value CZK 100 thousand,in the total amount of EUR 20,595 thousand. These instruments were disclosed as Other capital instruments in the consolidated statement of changes in equity. These certificates bear a 9% or 10% annual yield and are listed on the Prague Stock Exchange.The payment of yield is fully discretionary and subject to approval, distributed quarterly from retained earnings.

The issuance of this instrument, which combines characteristics of equity and debt instruments, was approved by the Czech National Bank ("CNB"). CNB stipulated that these instruments are equity instruments in line with IFRS and that they comply with the regulatory requirements to be recognised as additional capital AT1, part of regulatory capital tier 1 (see also Note 43.5. Capital management). In 2016 J&T FINANCE GROUP SE also issued and sold subordinated unsecured certificates with a nominal value of EUR 100 thousand and no maturity date in the amount of EUR 200,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear a 9% (first two years) and 5% (subsequently) annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

On 12 October 2020 J&T FINANCE GROUP SE issued and subsequently sold further subordinated unsecured certificates with a nominal value of CZK 100 thousand and no maturity date in the amount of CZK 500,000 thousand (EUR 18,900 thousand). These certificates bear a 7.5% annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. The issuance of these instruments was approved by the Czech National Bank (CNB) on 18 September 2020 and they are listed on the Prague Stock Exchange. The instruments comply with the requirements to be recognized as additional capital AT1.

In 2014, a special purpose capital fund (Perpetuity fund) for distribution of yield from certificates described above was established by J&T FINANCE GROUP SE (similar capital fund was established by J&T BANKA in 2014). Both funds are part of retained earnings and distribution of income from the funds complies with the prospectus of the capital instruments. The total amount of yield paid in 2020 was EUR 19,337 thousand (2019: EUR 18,436 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity.

(v) Dividends

In 2020 J&T FINANCE GROUP SE did not pay any dividends to its shareholders.

The shareholders agreed on the Annual general meeting held on 28 June 2019 payment of ordinary dividend as follows: a dividend per share with nominal amount of CZK 1 in the amount of CZK 0.0570, per share with nominal amount of CZK 1,000 in the amount of CZK 57.0331 and per share with nominal amount of CZK 200,000 in the amount of CZK 11,406.6213, totalling EUR 35,325 thousand. The dividends were paid on 26 July 2019.

39. Non-controlling interest

in thousands of EUR	31 December 2020	31 December 2019
Equity Holding, a.s.	22,977	22,838
Colorizo Investments, a.s.	16,092	11,436
Poštová banka, a.s.	9,175	8,679
Chateau Teyssier (Société civile)	8,807	7,400
J&T DIVIDEND Fund	5,083	—
J&T REALITY otevřený podílový fond	4,639	4,761
Poštová poisťovňa, a. s.	2,866	3,434
J&T Banka d.d. (VABA d.d. banka Varaždin)	337	429
Ostatní	1,571	1,006
Total non-controlling interests	**71,547**	**59,983**

The following table summarizes the information relating to Equity Holding, a.s., Poštová banka, a.s., Colorizo Investments, a.s. and other Group's subsidiaries that have material non-controlling interests before any intra-group eliminations:

31 December 2020

in thousands of EUR	Equity Holding, a.s.	Poštová banka, a.s.	Colorizo Investments, a.s.	Other individually immaterial subsidiaries	Total
Assets	61,552	4,348,200	37,051		
Liabilities	51	3,752,410	19,673		
Goodwill attributable to the Group	—	—	—		
Net assets excluding Goodwill attributable to the Group	**61,501**	**595,790**	**17,378**		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Non-controlling interest	**22,977**	**9,175**	**16,092**		
Carrying amount of non-controlling interest	**22,977**	**9,175**	**16,092**	**23,303**	**71,547**
Revenue	3,010	190,761	(266)		
Profit/(loss)	2,337	31,897	5,991		
Other comprehensive income	(1,966)	(19,908)	(172)		
Total comprehensive income	371	11,989	5,819		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Profit (loss) allocated to non-controlling interest	**873**	**491**	**4,793**	**(612)**	**5,545**
Other comprehensive income allocated to non-controlling interest	**(734)**	**(307)**	**(138)**	**174**	**(1,005)**
Cash flows from/(used in) operating activities	—	(265,695)	(181)		
Cash flows used in investing activities	—	252,413	—		
Cash flows used in financing activities	—	(6,423)	129		
Net increase (decrease) in cash and cash equivalents	**—**	**(19,705)**	**(52)**		

31 December 2019

in thousands of EUR	Equity Holding, a.s.	Poštová banka, a.s.	Colorizo Investments, a.s.	Other individually immaterial subsidiaries	Total
Assets	61,177	4,293,629	28,375		
Liabilities	48	3,730,084	16,667		
Goodwill attributable to the Group	–	–	–		
Net assets excluding Goodwill attributable to the Group	**61,129**	**563,545**	**11,708**		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Non-controlling interest	**22,838**	**8,679**	**11,436**		
Carrying amount of non-controlling interest	**22,838**	**8,679**	**11,436**	**17,030**	**59,983**
Revenue	2,975	203,933	(171)		
Profit	2,348	(10,423)	(220)		
Other comprehensive income	762	(1,694)	–		
Total comprehensive income	3,110	(12,117)	(220)		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Profit (loss) allocated to non-controlling interest	**877**	**(161)**	**(176)**	**(337)**	**203**
Other comprehensive income allocated to non-controlling interest	**285**	**(26)**	**–**	**90**	**349**
Cash flows from operating activities	(3)	206,896	20,928		
Cash flows used in investing activities	–	(136,552)	(20,928)		
Cash flows used in financing activities	–	(42,365)	–		
Net increase (decrease) in cash and cash equivalents	**(3)**	**27,979**	**62**		

Changes in non-controlling interests without a change in control

The table below summarizes changes in non-controlling interests in those companies where no change in control occurred and does not include effect from disposed, newly purchased or established entities with non-controlling interests.

31 December 2020

in thousands of EUR	Total
Non-controlling interest as at 1 January 2020	x
Change in Company's ownership interest	2,394
Dividends	–
Share of comprehensive income	(1,023)
Non-controlling interest as at 31 December 2020	**x**

31 December 2019

in thousands of EUR	Total
Non-controlling interest as at 1 January 2019	x
Change in Company's ownership interest	10,727
Dividends	—
Share of comprehensive income	(1,012)
Non-controlling interest as at 31 December 2019	**x**

In December 2020, the Group acquired 57.97% share of J&T DIVIDEND Fund.

During 2020 Poštová banka, a.s. contributed EUR 8,000 thousand to its subsidiary Amico Finance, a.s. without changing its ownership share (95%).

During 2020 J&T Wine Holding SE contributed through its subsidiary OUTSIDER LIMITED EUR 10,000 thousand to Chateau Teyssier (Société civile) without changing its effective ownership share (80%).

In September 2019 Colorizo Investment, a.s. issued a new class of preference shares (class B) in the amount of CZK 300 million that carry special rights and are classified (the right to Distribution exceeding CZK 300 million, after reduction by the share belonging to shareholder A, is distributed at a rate of 20% for shareholders A and 80 % for shareholders B) as non-controlling interests.

In October 2019 J&T BANKA, a.s. acquired additional share of 11.86% (effective) in J&T Banka d.d. (VABA d.d. banka Varaždin).

During 2019 Poštová banka, a.s. contributed EUR 22,000 thousand to its subsidiary Amico Finance, a.s. without changing its ownership share (95%).

40. Fair value information

The following table is a comparison of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value:

31 December 2020

in thousands of EUR	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	1,670,876	–	1,670,876	–	1,670,876
Investment securities at amortised cost	396,362	367,213	2,160	55,414	424,787
Loans and advances to banks	324,698	–	334,738	–	334,738
Loans and advances to customers	7,160,144	–	–	7,608,365	7,608,365
Trade receivables and other financial assets under risk management	72,018	–	–	72,018	72,018
Financial liabilities					
Deposits and loans from banks	191,270	–	193,139	–	193,139
Deposits and loans from customers	8,868,600	–	8,901,481	–	8,901,481
Debt securities issued	445,770	455,363	–	138	455,501
Subordinated debt	8,546	–	8,655	–	8,655
Other financial liabilities under risk management	425,524	–	425,524	–	425,524

31 December 2019

in thousands of EUR	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	2,479,300	–	2,479,300	–	2,479,300
Investment securities at amortised cost	554,315	475,961	12,605	77,805	566,371
Loans and advances to banks	331,561	–	331,438	–	331,438
Loans and advances to customers	5,774,720	–	–	5,988,824	5,988,824
Trade receivables and other financial assets under risk management	61,030	–	–	61,030	61,030
Financial liabilities					
Deposits and loans from banks	313,878	–	314,343	–	314,343
Deposits and loans from customers	8,011,086	–	8,043,898	–	8,043,898
Debt securities issued	458,545	457,188	–	138	457,326
Subordinated debt	24,999	–	25,675	–	25,675
Other financial liabilities under risk management	399,104	–	399,104	–	399,104

41. Financial commitments and contingencies

in thousands of EUR	31 December 2020	31 December 2019
Loan commitments under IFRS 9	441,529	616,419
Financial guarantee contracts under IFRS 9	101,128	123,817
Other financial guarantees under IAS 37	6,168	14,537
Pledged assets	390,495	274,547
Total financial commitments and contingencies	**939,320**	**1,029,320**

Loan commitments relate to loan facilities granted by the banks of the Group. Financial guarantee contracts mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties. These guarantees are disclosed in the table above at the amount of the possible obligation in the future. Pledged assets are identified in the relevant notes (see note 19, 20 and 30, in particular). The maximum amount for guarantees given by the Group as at 31 December 2020 is EUR 108,981 thousand (2019: EUR 140,181 thousand). Pledged assets are used as collateral for loan financing.

42. Leases

42.1. Leases as lessee

The Group leases mainly office premises for its business activities, cars and related office equipment. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. Unless recognition exemption for leases is used (see Note 3 (w)), a right-of-use is recognized for such underlying assets.

For reconciliation of right-of-use assets from opening to closing balance refer to Note 30.

For lease related expenses/income refer to Note 8. Net interest income, Note 11. Other operating income or Note 13. Other operating expenses.

For other information relating to the specified leases see below.

Maturity analysis of lease liabilities is as follows:

in thousands of EUR	31 December 2020	31 December 2019
Less than one year	35,241	11,505
Between one and five years	11,416	26,213
More than five years	1,113	5,471
Total	**47,770**	**43,189**

in thousands of EUR	2020	2019
Total cash outflow for leases	(12,451)	(12,743)

42.2. Leases as lessor

(a) Operating leases

The Group leases out its property under operating leases. The receivable non-cancellable operating lease rentals concern predominantly the new building, where also the headquarters of the Group is located, purchased in 2020:

in thousands of EUR	31 December 2020	31 December 2019
Less than 1 year	11,307	–
More than 1 year but less than 2 years	3,393	–
More than 2 year but less than 3 years	3,377	–
More than 3 year but less than 4 years	3,358	–
More than 4 year but less than 5 years	3,243	–
More than 5 years	30,956	–
Total	**55,634**	**–**

During the year ended 31 December 2020, EUR 4,585 thousand was recognized as rental income (2019: EUR 7,198 thousand).

(b) Finance leases

The Group offers to its clients finance lease for various assets (e.g. cars, machinery and equipment). The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

in thousands of EUR	31 December 2020	31 December 2019
Undiscounted finance lease payments		
Less than 1 year	10,741	7,689
More than 1 year but less than 2 years	7,032	6,227
More than 2 year but less than 3 years	5,220	4,477
More than 3 year but less than 4 years	3,061	2,541
More than 4 year but less than 5 years	1,803	1,277
More than 5 years	1,219	1,030
Total undiscounted finance lease payments	**29,076**	**23,241**
Less unearned interest (not yet recognized)	(2,678)	(2,199)
Discounted unguaranteed residual value	–	–
Present value of future leasing payments	**26,398**	**21,042**
Impairment loss allowances	(2,164)	(361)

43. Risk management policies and disclosures

The Group has exposure to the following risks:
- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The group specified the amount of Trade receivables and other financial assets under risk management and Other financial liabilities under risk management. It does not include tax assets and tax liabilities into this risk analysis anymore, as they do not represent financial instruments. Comparative period was adjusted correspondingly.

43.1. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 39. Financial commitments and contingencies). Most loans and advances are to corporates (companies from the non-financial sector, retail and various manufacturing companies). Further loans and advances are to banks and other financial institutions.

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Group's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Group.

The assessment of credit risk in respect of a counterparty or an issued debt is based on the Group's internal rating system, covering both external credit assessments and the Group's internal scoring system.

Credit risk in the banking entities of the Group is managed based on credit analysis and the internal rating methodology.

The Group monitors concentrations of credit risk by sector and by geographic location.

(i) Concentration of credit risk by sector

31 December 2020

in thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	–	–	1,616,108	–	54,768	1,670,876
Financial assets for trading	59,559	253,018	72,541	602	–	385,720
Hedging derivatives	10,957	–	598	–	–	11,555
Investment securities at fair value through profit or loss	20,730	–	381,538	–	–	402,268
Investment securities at fair value through other comprehensive income	236,880	363,515	121,184	–	–	721,579
Investment securities at amortised cost	61,608	302,287	32,467	–	–	396,362
Loans and advances to banks	–	–	324,698	–	–	324,698
Loans and advances to customers	4,153,278	5	1,533,967	1,472,444	450	7,160,144
FV changes of portfolio of hedged instruments - Loans and advances to customers	–	–	–	2,276	–	2,276
Trade receivables and other financial assets under risk management	38,862	2,180	30,054	883	39	72,018
Total	4,581,874	921,005	4,113,155	1,476,205	55,257	11,147,496
Amount committed/guaranteed[8]						
Loan commitments under IFRS 9	206,007	–	94,002	141,509	11	(3,521)
Financial guarantee contracts under IFRS 9	92,915	–	9,205	693	–	(2,054)
Total	298,922	–	103,207	142,202	11	(5,575)
Total	**4,880,796**	**921,005**	**4,216,362**	**1,618,407**	**55,268**	**11,141,921**

[8] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2019

in thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	—	—	2,407,321	—	71,979	2,479,300
Financial assets for trading	90,795	24,108	49,612	140	—	164,655
Hedging derivatives	—	—	523	—	—	523
Investment securities at fair value through profit or loss	7,941	—	322,911	—	—	330,852
Investment securities at fair value through other comprehensive income	279,490	395,950	172,641	—	—	848,081
Investment securities at amortised cost	80,424	441,373	32,518	—	—	554,315
Loans and advances to banks	—	—	331,561	—	—	331,561
Loans and advances to customers	3,597,437	2	824,991	1,349,668	2,622	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	—	—	1,965	—	1,965
Trade receivables and other financial assets under risk management	33,455	1,272	22,521	827	194	58,269
Total	4,089,542	862,705	4,164,599	1,352,600	74,795	10,544,241
Amount committed/guaranteed[8]						
Loan commitments under IFRS 9	303,399	—	172,838	140,724	140	(3,000)
Financial guarantee contracts under IFRS 9	109,081	—	16,563	—	—	(1,000)
Total	412,480	—	189,401	140,724	140	(4,000)
Total	**4,502,022**	**862,705**	**4,354,000**	**1,493,324**	**74,935**	**10,540,241**

[8] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

(ii) Concentration of credit risk by location

31 December 2020

in thousands of EUR	Czech Republic	Slovakia	Cyprus	Luxem-bourg	Malta	Other	Carrying amount
Financial assets							
Cash and cash equivalents	1,482,204	112,140	—	2,147	—	74,385	1,670,876
Financial assets for trading	296,818	41,799	1,181	2,580	3,022	40,320	385,720
Hedging derivatives	—	—	10,957	—	—	598	11,555
Investment securities measured at fair value through profit or loss	40,120	115,122	—	—	224,921	22,105	402,268
Investment securities at fair value through other comprehensive income	110,355	388,905	—	12,374	3	209,942	721,579
Investment securities at amortised cost	—	290,612	—	1,486	—	104,264	396,362
Loans and advances to banks	60,634	248,442	—	—	—	15,622	324,698
Loans and advances to customers	1,260,623	2,418,381	1,260,229	1,041,719	16,272	1,162,920	7,160,144
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	2,276	—	—	—	—	2,276
Trade receivables and other financial assets under risk management	32,239	20,373	940	2	584	17,880	72,018
Total	3,282,993	3,638,050	1,273,307	1,060,308	244,802	1,648,036	11,147,496
Amount committed/guaranteed[8]							
Loan commitments under IFRS 9	248,875	163,778	513	6,156	40	22,167	(3,521)
Financial guarantee contracts under IFRS 9	23,069	48,074	1,000	—	—	30,670	(2,054)
Total	271,944	211,852	1,513	6,156	40	52,837	(5,575)
Total	**3,554,937**	**3,849,902**	**1,274,820**	**1,066,464**	**244,842**	**1,700,873**	**11,141,921**

[8] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2019

in thousands of EUR	Czech Republic	Slovakia	Cyprus	Luxem-bourg	Malta	Other	Carrying amount
Financial assets							
Cash and cash equivalents	2,277,207	77,038	—	834	—	124,221	2,479,300
Financial assets for trading	62,072	31,433	9,269	3,170	2,063	56,648	164,655
Hedging derivatives	—	—	—	—	—	523	523
Investment securities measured at fair value through profit or loss	32,576	49,349	—	—	243,040	5,887	330,852
Investment securities at fair value through other comprehensive income	121,159	348,413	—	43,162	3	335,344	848,081
Investment securities at amortised cost	—	460,731	—	1,548	—	92,036	554,315
Loans and advances to banks	18,158	300,859	—	—	—	12,544	331,561
Loans and advances to customers	1,233,995	2,193,971	1,081,144	439,357	18,512	807,741	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	1,965	—	—	—	—	1,965
Trade receivables and other financial assets under risk management	17,858	23,225	1,029	2	299	15,856	58,269
Total	3,763,025	3,486,984	1,091,442	488,073	263,917	1,450,800	10,544,241
Amount committed/guaranteed[8]							
Loan commitments under IFRS 9	356,016	189,647	16,180	—	—	55,258	(3,000)
Financial guarantee contracts under IFRS 9	46,459	54,443	—	121	—	24,621	(1,000)
Total	402,475	244,090	16,180	121	—	79,879	(4,000)
Total	**4,165,500**	**3,731,074**	**1,107,622**	**488,194**	**263,917**	**1,530,679**	**10,540,241**

[8] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Investment securities at fair value through other comprehensive income in the location Other include investments of EUR 52,914 thousand in French Government bonds (2019: EUR 56,217 thousand), EUR 28,257 thousand in Croatian Government bonds (2019: EUR 27,981 thousand) and EUR 14,654 thousand in Polish Government bonds (2019: EUR 56,217 thousand).

Investment securities at amortised cost in the location Other include as at 31 December 2020 an investment of EUR 19,996 thousand in bonds of ING Bank B.V. (2019: EUR 19,996 thousand) and of EUR 15,780 thousand in Polish government bond (2019: EUR 15,248 thousand).

In 2020 loans and advances to customers in the location Other primarily relates to companies and customers incorporated in Switzerland, Croatia and in the Netherlands (2019: companies and customers incorporated in Switzerland, Croatia and Russia).

(iii) Credit risk – credit quality analysis

The following tables provide information on the Group's credit risk exposure based on its internal rating grades. The analysis is provided for the most significant exposures at amortised cost and at fair value through other comprehensive income.

Internal grading	Credit risk exposure
1	Very low risk
2	Low risk
3	Low risk
4	Low risk
5	Medium risk
6	Medium risk
7	Medium risk
8	Medium risk
9	Medium risk
10	High Risk
11	High Risk
12	High Risk
Default	Default

Loans and advances to customers

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	138,323	523	—	—	138,846
Low risk	1,007,353	77,329	—	3,306	1,087,988
Medium risk	3,732,588	418,657	16,443	4	4,167,692
High Risk	219,011	283,149	1,768	22,066	525,994
Default	—	34	423,291	31,392	454,717
Without classification	1,186,774	19,215	609	—	1,206,598
Total	6,284,049	798,907	442,111	56,768	7,581,835
Loss allowance	(85,626)	(58,896)	(262,300)	(14,869)	(421,691)
Carrying Amount	**6,198,423**	**740,011**	**179,811**	**41,899**	**7,160,144**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	53,605	177	—	—	53,782
Low risk	833,655	9,809	—	—	843,464
Medium risk	3,592,802	233,832	—	—	3,826,634
High Risk	347,162	124,555	3,130	—	474,847
Default	—	—	370,369	57,292	427,661
Without classification	461,216	15,360	—	—	476,576
Total	5,288,440	383,733	373,499	57,292	6,102,964
Loss allowance	(44,388)	(29,222)	(233,051)	(21,583)	(328,244)
Carrying Amount	**5,244,052**	**354,511**	**140,448**	**35,709**	**5,774,720**

Loans and advances to banks

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	318,755	—	—	—	318,755
Low risk	6,029	—	—	—	6,029
Total	324,784	—	—	—	324,784
Loss allowance	(86)	—	—	—	(86)
Carrying Amount	**324,698**	**—**	**—**	**—**	**324,698**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	331,745	—	—	—	331,745
Total	331,745	—	—	—	331,745
Loss allowance	(184)	—	—	—	(184)
Carrying Amount	**331,561**	**—**	**—**	**—**	**331,561**

Bonds at fair value through other comprehensive income

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	131,375	—	—	—	131,375
Low risk	361,159	—	—	—	361,159
Medium risk	145,993	58,153	—	—	204,146
High Risk	3,313	—	—	—	3,313
Gross carrying amount	**641,840**	**58,153**	**—**	**—**	**699,993**
Loss allowance	(3,381)	(2,571)	—	—	(5,952)
Carrying amount - fair value	**638,459**	**55,582**	**—**	**—**	**694,041**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	164,846	—	—	—	164,846
Low risk	487,072	8,077	—	—	495,149
Medium risk	159,552	—	—	—	159,552
High Risk	3,020	—	—	—	3,020
Gross carrying amount	**814,490**	**8,077**	**—**	**—**	**822,567**
Loss allowance	(1,538)	(1,603)	—	—	(3,141)
Carrying amount - fair value	**812,952**	**6,474**	**—**	**—**	**819,426**

Investment securities at amortised cost

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	15,590	–	–	–	15,590
Low risk	332,202	–	–	–	332,202
Medium risk	1,004	–	–	–	1,004
High Risk	–	55,401	–	–	55,401
Total	348,796	55,401	–	–	404,197
Loss allowance	(94)	(7,741)	–	–	(7,835)
Carrying amount	**348,702**	**47,660**	**–**	**–**	**396,362**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	14,989	3,011	–	–	18,000
Low risk	477,364	–	–	–	477,364
Medium risk	–	66,682	–	–	66,682
Total	492,353	69,693	–	–	562,046
Loss allowance	(159)	(7,572)	–	–	(7,731)
Carrying amount	**492,194**	**62,121**	**–**	**–**	**554,315**

Loan commitments under IFRS 9

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	3,782	–	–	3,782
Low risk	121,095	5	–	121,100
Medium risk	274,078	9,637	–	283,715
High Risk	2,133	974	–	3,107
Default	–	12,226	14,599	26,825
Without classification	3,000	–	–	3,000
Total	404,088	22,842	14,599	441,529
Loss allowance	(1,643)	(587)	(1,291)	(3,521)
Carrying amount	**402,445**	**22,255**	**13,308**	**438,008**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	5,596	—	—	5,596
Low risk	239,330	29	—	239,359
Medium risk	333,734	7,740	—	341,474
High Risk	4,489	1,832	—	6,321
Default	—	—	12,978	12,978
Without classification	2,994	8,379	—	11,373
Total	586,143	17,980	12,978	617,101
Loss allowance	(1,952)	(814)	(234)	(3,000)
Carrying amount	**584,191**	**17,166**	**12,744**	**614,101**

Financial guarantee contracts under IFRS 9

31 December 2020

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	149	—	—	149
Low risk	16,454	—	—	16,454
Medium risk	75,481	3,073	—	78,554
High Risk	638	1,294	72	2,004
Default	—	—	5,652	5,652
Total	92,722	4,367	5,724	102,813
Loss allowance	(737)	(35)	(1,282)	(2,054)
Carrying amount	**91,985**	**4,332**	**4,442**	**100,759**

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	218	—	—	218
Low risk	19,192	—	—	19,192
Medium risk	96,444	846	—	97,290
High Risk	3,314	—	595	3,909
Default	—	—	5,035	5,035
Total	119,168	846	5,630	125,644
Loss allowance	(390)	(104)	(506)	(1,000)
Carrying amount	**118,778**	**742**	**5,124**	**124,644**

(iv) Credit risk – Loss given default, Probability of default and FLI sensitivity

An analysis of the Group's sensitivity to an increase or decrease in Loss given default (LGD) and Probability of default (PD) on overall Expected credit losses (ECL) is as follows:

in thousands of EUR	31 December 2020	31 December 2019
Increase in LGD by 10%	29,780	23,455
Decrease in LGD by 10%	(31,823)	(24,913)
Increase in PD by 10%	15,063	7,546
Decrease in PD by 10%	(15,861)	(7,844)

Due to the market situation in connection with the COVID-19 pandemic in 2020, the Group also performed a sensitivity analysis of changes in expected credit losses on loans due to changes in GDP as a key indicator of future developments. Specifically, the Group analyzed the effect on the ECL when the GDP forecast changes by +/- 1 p. p. The impact of the change in GDP on ECL 2019 was not significant.

in thousands of EUR	31 December 2020
Increase in GDP by 1%	(2,732)
Decrease in GDP by 1%	3,522

(v) Credit risk - collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities, real estates and acceptances of bills of exchange. Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts.

Derivative transactions are subject to collateral management contracts. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group and its counterparties are usually required to post collateral to mitigate counterparty credit risk. The Group's repurchase and reverse repurchase agreements and securities borrowing and lending are also covered by agreements with similar netting terms. The majority of collateral in form of securities in the table below was received within reverse repurchase agreements (see also Note 24.2).

Loans and advances to customers are secured by collateral with the fair values below (carrying amount only for collateralized exposures disclosed):

31 December 2020

in thousands of EUR	Carrying amount 12-month ECL and Lifetime ECL not credit-impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit-impaired	Carrying amount Lifetime ECL credit-impaired	Accepted collateral value Lifetime ECL credit-impaired
Securities	3,001,620	3,190,849	2,535	5,124
Real estate	1,218,818	1,677,178	117,099	129,289
Bills of exchange	7,161	36,781	—	—
Cash deposits	130,497	132,966	2	2
Other	200,020	390,163	46,229	46,922
Total	**4,558,116**	**5,427,937**	**165,865**	**181,337**

31 December 2019

in thousands of EUR	Carrying amount 12-month ECL and Lifetime ECL not credit-impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit-impaired	Carrying amount Lifetime ECL credit-impaired	Accepted collateral value Lifetime ECL credit-impaired
Securities	3,170,260	3,271,860	—	—
Real estate	1,163,322	1,359,417	98,979	117,017
Bills of exchange	35,743	132,292	—	—
Cash deposits	120,832	120,838	2	2
Other	474,155	608,981	151,157	160,668
Total	**4,964,312**	**5,493,388**	**250,138**	**277,687**

As at 31 December 2020 no collateral received by the Group was further used within repurchase operations (2019: EUR 182,217 thousand).

The carrying amount of financial assets for which no loss allowance was recognized because of the collateral is nil as at 31 December 2020 (2019: nil).

In 2019 the Group has taken possession of EUR 1,320 thousand of collateral held previously as security (2019: EUR 177 thousand).

(vi) Credit risk – forbearance

The Group classifies all its receivables from clients into categories performing or non-performing laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: exposures which are more than 90 days past due; exposures where the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due or exposures that have been found credit-impaired (Stage 3), including purchased or originated credit-impaired assets as non-performing. Exposures are classified as performing when they are not classified as non-performing.

Forbearance

The Group treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Group decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Exposure forbearance

in thousands of EUR	31 December 2020	31 December 2019
Performing exposure	6,937,626	5,598,527
– performing exposure forborne	307,396	107,417
Non-performing exposure	222,518	176,193
– non-performing exposure forborne	163,533	126,214
Total	**7,160,144**	**5,774,720**

The share of loan exposure forbearance on total loans and advances to customers is 6.58% (2019: 4.05%).

Concentration of loans and advances to customers by economic sector

in thousands of EUR	31 December 2020	31 December 2019
Not forborne		
Non-financial organisations	3,759,442	3,412,082
Financial organisations	1,492,910	824,991
Households	1,434,363	1,301,392
Other	2,500	2,624
Total	**6,689,215**	**5,541,089**
Forborne		
Non-financial organisations	391,878	185,355
Financial organisations	41,549	–
Households	37,502	48,276
Other	–	–
Total	**470,929**	**233,631**

43.2. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of not being able to meet the Group's obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The individual banks in the Group manage their liquidity risk through their financial market divisions, which receive information from other departments regarding the liquidity profile of their financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The risk managers then maintain a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds. Furthermore, the Group has at its disposal a sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organized by some of the central banks in the countries where the Group operates.

In managing liquidity risk the Group promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The measures used by the Group for managing liquidity risk are e.g. the ratio of highly liquid assets or liquidity coverage ratio. The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2020

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	1,670,876	—	—	1,670,876
Financial assets for trading	59,713	301,836	24,171	385,720
Hedging derivatives	11,555	—	—	11,555
Investment securities measured at fair value through profit or loss	3,260	4,525	394,483	402,268
Investment securities at fair value through other comprehensive income	134,925	559,116	27,538	721,579
Investment securities at amortised cost	17,584	378,778	—	396,362
Loans and advances to banks	9,151	—	315,547	324,698
Loans and advances to customers	2,939,377	4,220,767	—	7,160,144
FV changes of portfolio of hedged instruments - Loans and advances to customers	2,276	—	—	2,276
Trade receivables and other financial assets under risk management	69,728	2,290	—	72,018
Total	**4,918,445**	**5,467,312**	**761,739**	**11,147,496**

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	16,494	12,767	—	29,261
Hedging derivatives	3,028	7,290	—	10,318
Deposits and loans from banks	174,707	16,563	—	191,270
Deposits and loans from customers	7,683,192	1,185,408	—	8,868,600
Debt securities issued	5,363	440,407	—	445,770
Subordinated debt	5,256	3,290	—	8,546
Other financial liabilities under risk management	455,378	17,898	—	473,276
Provision for insurance contracts	2,101	23,948	—	26,049
Total	**8,345,519**	**1,707,571**	**—**	**10,053,090**

The lines of credit that are available to the Group total EUR 68,592 thousand as at 31 December 2020.

31 December 2019

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	2,479,300	–	–	2,479,300
Financial assets for trading	58,309	93,810	12,536	164,655
Hedging derivatives	523	–	–	523
Investment securities measured at fair value through profit or loss	–	–	330,852	330,852
Investment securities at fair value through other comprehensive income	113,264	706,162	28,655	848,081
Investment securities at amortised cost	171,648	382,667	–	554,315
Loans and advances to banks	2,054	–	329,507	331,561
Loans and advances to customers	1,704,626	4,070,094	–	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	1,965	–	–	1,965
Trade receivables and other financial assets under risk management	55,666	2,603	–	58,269
Total	**4,587,355**	**5,255,336**	**701,550**	**10,544,241**

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	26,402	988	–	27,390
Hedging derivatives	2,418	7,002	–	9,420
Deposits and loans from banks	302,864	11,014	–	313,878
Deposits and loans from customers	6,760,281	1,250,805	–	8,011,086
Debt securities issued	5,182	453,363	–	458,545
Subordinated debt	16,276	8,723	–	24,999
Other financial liabilities under risk management	390,487	38,196	–	428,683
Provision for insurance contracts	2,211	20,519	–	22,730
Total	**7,506,121**	**1,790,610**	**–**	**9,296,731**

The lines of credit that are available to the Group total EUR 121 thousand as at 31 December 2019.

(ii) Contractual maturities of financial liabilities and provision for insurance contractc, including estimated interest payments (undiscounted cash flow)

31 December 2020

in thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Trading liabilities	1,137	(1137)	(1137)	—	—	—
Deposits and loans from banks	191,270	(196010)	(48223)	(130,008)	(12,467)	(5,312)
Deposits and loans from customers	8,868,600	(8951,773)	(6374,809)	(1328,774)	(1,165,795)	(82,395)
Debt securities issued	445,770	(507164)	(4611)	(14613)	(487,940)	—
Subordinated debt	8,546	(9538)	(3789)	(1664)	(4,085)	—
Other financial liabilities under risk management	473,276	(473,259)	(408,327)	(47,029)	(16,730)	(1,173)
Total	**9,988,599**	**(10,138,881)**	**(6,840,896)**	**(1,522,088)**	**(1,687,017)**	**(88,880)**
Provision for insurance contracts	26,049	(26,049)	(1,435)	(666)	(2,885)	(21,063)
Total	**10,014,648**	**(10,164,930)**	**(6,842,331)**	**(1,522,754)**	**(1,689,902)**	**(109,943)**
Derivative financial liabilities						
Currency contracts						
– outflow	28,085	(306,151)	(80,443)	(13,272)	(212,436)	—
– inflow	—	283,700	68,948	9,410	205,342	—
Other derivatives						
– outflow	10,357	(10 361)	(706)	(2,322)	(5,277)	(2,056)
– inflow	—	—	—	—	—	—
Total	**38,442**	**(32,812)**	**(12,201)**	**(6,184)**	**(12,371)**	**(2,056)**
Amount committed/guaranteed[9]						
Loan commitments	3,521	(441,529)	(441,529)	—	—	—
Financial guarantee contracts	2,110	(108,981)	(47,541)	(20,094)	(39,173)	(2,173)
Total	**5,631**	**(550,510)**	**(489,070)**	**(20,094)**	**(39,173)**	**(2,173)**

[9] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2019

in thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Trading liabilities	999	(999)	(999)	–	–	–
Deposits and loans from banks	313,878	(316,037)	(276,934)	(27,513)	(11,298)	(292)
Deposits and loans from customers	8,011,086	(8,073,022)	(5,526,421)	(1,257,834)	(1,225,759)	(63,008)
Debt securities issued	458,545	(534,818)	(4,549)	(14,911)	(515,358)	–
Subordinated debt	24,999	(31,964)	(4,294)	(13,067)	(9,831)	(4,772)
Other financial liabilities under risk management	428,683	(430,122)	(337,721)	(52,989)	(33,834)	(5,578)
Total	**9,238,190**	**(9,386,962)**	**(6,150,918)**	**(1,366,314)**	**(1,796,080)**	**(73,650)**
Provision for insurance contracts	22,730	(22,730)	(1,643)	(568)	(3,199)	(17,320)
Total	**9,260,920**	**(9,409,692)**	**(6,152,561)**	**(1,366,882)**	**(1,799,279)**	**(90,970)**
Derivative financial liabilities						
Currency contracts						
– outflow	26,135	(433,332)	(204,617)	(52,474)	(176,241)	–
– inflow	–	420,245	191,546	46,924	181,775	–
Other derivatives						
– outflow	9,676	(10,973)	(837)	(3,788)	(5,616)	(732)
– inflow	–	–	–	–	–	–
Total	**35,811**	**(24,060)**	**(13,908)**	**(9,338)**	**(82)**	**(732)**
Amount committed/guaranteed[9]						
Loan commitments	2,936	(617,101)	(617,101)	–	–	–
Financial guarantee contracts	1,106	(140,181)	(31,847)	(43,246)	(42,751)	(22,337)
Total	**4,106**	**(757,282)**	**(648,948)**	**(43,246)**	**(42,751)**	**(22,337)**

[9] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

Expected liquidity

In general, contractual cash flows represent expected contractual future cash flows of financial instruments based on the contract terms. The expected maturity usually differs from contractual one as historical experience shows that short-term loans and deposits are prolonged. In addition, as outstanding balances on current accounts or short-term deposits are usually not withdrawn on a daily basis and accounts are not cancelled at maturity date, the banks within the Group regularly monitor period and percentage of deposits that remain available and are prolonged. Those ratios are used for managing the liquidity risk.

Expected liquidity of other financial liabilities than those stated below does not defer significantly from their contractual maturity.

31 December 2020

in thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Deposits and loans from customers	8,868,600	(8,990,582)	(5,279,585)	(1,155,255)	(1,502,625)	(1,053,117)
Subordinated debt	8,546	(9,538)	(4,165)	(1,667)	(3,706)	—

31 December 2019

in thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Deposits and loans from customers	8,011,086	(8,226,502)	(4,439,767)	(1,206,205)	(1,511,758)	(1,068,772)
Subordinated debt	24,999	(32,302)	(4,200)	(12,899)	(13,074)	(2,129)

43.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group uses the Value at Risk ("VaR") methodology to evaluate market risk on its trading portfolio as a whole using a confidence level of 99% and a horizon of 10 business days. A historical simulation method is implemented for VaR calculation. The Group performs backtesting for market risk associated with its trading portfolio, by applying a method of hypothetical backtesting, on a quarterly basis.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent on the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

in thousands of EUR	31 December 2020	31 December 2019
VaR market risk overall	45,680	12,303
VaR interest risk	12,559	9,277
VaR FX risk	37,083	4,228
VaR stock risk	1,600	451

(i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group uses various methods for management of interest rate risk. The Group continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Group is taken into account which then serves as a basis for the purchase of fixed or variable bonds. The Group uses interest swaps to hedge interest rates in fixed bonds in its FVOCI portfolio.

The priorities of the Group for interest rate risk management of liabilities comprise:
- Stability of deposits, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on deposit products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non-interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for the trading portfolio is as follows:

in thousands of EUR	31 December 2020	31 December 2019
VaR interest rate risk	12,559	9,277

A summary of the Group´s interest rate gap position as per the carrying amounts is as follows:

31 December 2020

in thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	1,615,044	933	—	—	54,899	1,670,876
Financial assets for trading	31,198	30,672	295,334	3,949	24,567	385,720
Hedging derivatives	—	598	—	—	10,957	11,555
Investment securities measured at fair value through profit or loss	6,945	841	—	4,146	390,336	402,268
Investment securities at fair value through other comprehensive income	62,728	133,587	331,459	166,266	27,539	721,579
Investment securities at amortised cost	150	72,682	86,371	237,159	—	396,362
Loans and advances to banks	244,036	17	—	—	80,645	324,698
Loans and advances to customers	3,141,535	2,470,232	1,207,377	200,942	140,058	7,160,144
FV changes of portfolio of hedged instru-ments - Loans and advances to customers	—	—	2,276	—	—	2,276
Trade receivables and other financial assets under risk management	1,764	2,005	2,153	—	66,096	72,018
Total	**5,103,400**	**2,711,567**	**1,924,970**	**612,462**	**795,097**	**11,147,496**
Financial liabilities and provision for insurance contracts						
Trading liabilities	12,615	6,170	10,431	—	45	29,261
Hedging derivatives	706	2,323	5,234	2,055	—	10,318
Deposits and loans from banks	32,682	123,259	10,724	61	24,544	191,270
Deposits and loans from customers	5,374,105	1,357,560	1,400,147	60,380	676,408	8,868,600
Debt securities issued	2,526	1,080	442,164	—	—	445,770
Subordinated debt	6,134	1,606	806	—	—	8,546
Other financial liabilities under risk management	4,298	3,386	8,134	890	456,568	473,276
Provision for insurance contracts	1,435	666	2,881	21,067	—	26,049
Total	**5,434,501**	**1,496,050**	**1,880,521**	**84,453**	**1,157,565**	**10,053,090**

31 December 2019

in thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	2,404,927	933	–	–	73,440	2,479,300
Financial assets for trading	11,056	25,840	87,453	18,427	21,879	164,655
Hedging derivatives	523	–	–	–	–	523
Investment securities measured at fair value through profit or loss	–	2,016	–	2,673	326,163	330,852
Investment securities at fair value through other comprehensive income	3,223	106,851	501,896	207,455	28,656	848,081
Investment securities at amortised cost	306	237,839	75,102	241,068	–	554,315
Loans and advances to banks	301,152	1,987	–	–	28,422	331,561
Loans and advances to customers	1,795,429	1,097,729	1,879,010	839,194	163,358	5,774,720
FV changes of portfolio of hedged instru-ments - Loans and advances to customers	–	–	–	–	1,965	1,965
Trade receivables and other financial assets under risk management	5,787	410	2,171	–	49,901	58,269
Total	**4,522,403**	**1,473,605**	**2,545,632**	**1,308,817**	**693,784**	**10,544,241**
Financial liabilities and provision for insurance contracts						
Trading liabilities	14,299	8,230	4,861	–	–	27,390
Hedging derivatives	582	2,490	5,523	825	–	9,420
Deposits and loans from banks	263,053	24,459	12,621	192	13,553	313,878
Deposits and loans from customers	4,639,142	1,287,857	1,395,683	53,743	634,661	8,011,086
Debt securities issued	2,399	2,783	453,225	–	138	458,545
Subordinated debt	5,897	12,463	6,639	–	–	24,999
Other financial liabilities under risk management	12,223	6,768	24,351	4,109	381,232	428,683
Provision for insurance contracts	–	1,473	533	–	20,724	22,730
Total	**4,937,595**	**1,346,523**	**1,903,436**	**58,869**	**1,050,308**	**9,296,731**

An analysis of the Group's sensitivity to an increase or decrease in market interest rates on the non-trading portfolio, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

in thousands of EUR	Impact on Profit or Loss 31 December 2020	Impact on Profit or Loss 31 December 2019	Impact on Other Comprehensive Income 31 December 2020	Impact on Other Comprehensive Income 31 December 2019
decrease in interest rates by 100 bp	10,866	51,142	15,721	20,721
increase in interest rates by 100 bp	(10,866)	(51,142)	(15,721)	(20,721)

in thousands of EUR	Total impact on Equity 31 December 2020	Total impact on Equity 31 December 2019
decrease in interest rates by 100 bp	26,587	71,863
increase in interest rates by 100 bp	(26,587)	(71,863)

The rates at which banks borrow funds from each other on the interbank money market are referred to as IBOR rates ("Interbank Offered Rates"). In the past, there have been serious cases of manipulation of some reference rates (LIBOR, EURIBOR), the credibility of such rates fell, there have been suspicions that IBOR rates were set in a non-transparent manner, and therefore these rates are currently undergoing a major reform. Given the great economic importance of these rates, it is necessary to ensure the accuracy and reliability of these constructs and of the process of their determination (methodology, management structure). For this reason, working groups are being set up to identify new reference rates and to ensure the transition to alternative, risk-free reference rates.

The Group intensively analyzes and quantifies the effects of the transition to a risk-free reference rate mechanism.

The Group assesses the following as significant areas of possible impact of IBOR rate reforms:
– Legal impacts - adjustment of reference rates in legal contracts (loan agreements, agreements on deposit products, ISDA and CEMA agreements, supply agreements, etc.), product sheets, etc.
– Valuation of financial instruments - determination and definition of yield curves, risk management, financial plans, pricing, performance calculations, etc.
– IT systems and processes - technical readiness of systems for the transition to risk-free reference rates, data inputs in source systems, etc.
– Accounting - impact on the modification of financial instruments, their classification, etc.

(ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands of EUR is as follows:

31 December 2020

in thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	164,237	1,463,213	9,826	10,897	22,703	1,670,876
Financial assets for trading	74,295	303,237	5	392	7,791	385,720
Hedging derivatives	—	11,555	—	—	—	11,555
Investment securities measured at fair value through profit or loss	329,725	57,296	6,565	6,278	2,404	402,268
Investment securities at fair value through other comprehensive income	608,665	26,560	947	64,556	20,851	721,579
Investment securities at amortised cost	387,684	—	—	8,678	—	396,362
Loans and advances to banks	256,536	60,588	17	1,271	6,286	324,698
Loans and advances to customers	5,166,906	901,835	441,087	61,656	588,660	7,160,144
FV changes of portfolio of hedged instruments - Loans and advances to customers	2,276	—	—	—	—	2,276
Trade receivables and other financial assets under risk management	31,505	32,577	6,142	560	1,234	72,018
Total	**7,021,829**	**2,856,861**	**464,589**	**154,288**	**649,929**	**11,147,496**
Off balance sheet assets	2,403,204	4,083,310	170,000	35,162	187,579	6,879,255
Financial liabilities and provision for insurance contracts						
Trading liabilities	746	28,469	—	46	—	29,261
Hedging derivatives	10,318	—	—	—	—	10,318
Deposits and loans from banks	180,055	6,512	—	4,594	109	191,270
Deposits and loans from customers	5,521,110	3,064,523	122,010	104,435	56,522	8,868,600
Debt securities issued	150,639	295,131	—	—	—	445,770
Subordinated debt	2,697	5,849	—	—	—	8,546
Other financial liabilities under risk management	231,865	199,742	35,020	1,250	5,399	473,276
Provision for insurance contracts	26,049	—	—	—	—	26,049
Total	**6,123,479**	**3,600,226**	**157,030**	**110,325**	**62,030**	**10,053,090**
Off balance sheet liabilities	3,205,292	1,902,917	527,075	20,322	831,822	6,487,428
Net position (including Off balance sheet)	96,262	1,437,028	49,516	58,803	(56 344)	1,486,233

31 December 2019

in thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	170,271	2,256,559	14,791	19,956	17,723	2,479,300
Financial assets for trading	56,542	78,990	6,016	15,887	7,220	164,655
Hedging derivatives	—	523	—	—	—	523
Investment securities measured at fair value through profit or loss	273,239	53,166	561	1,197	2,689	330,852
Investment securities at fair value through other comprehensive income	648,584	46,083	37,317	93,559	22,538	848,081
Investment securities at amortised cost	543,011	—	—	11,304	—	554,315
Loans and advances to banks	302,893	18,158	19	1,970	8,521	331,561
Loans and advances to customers	4,300,596	1,072,341	202,321	80,143	119,319	5,774,720
FV changes of portfolio of hedged instru-ments - Loans and advances to customers	1,965	—	—	—	—	1,965
Trade receivables and other financial assets under risk management	30,408	19,617	6,419	1,163	662	58,269
Total	**6,327,509**	**3,545,437**	**267,444**	**225,179**	**178,672**	**10,544,241**
Off balance sheet assets	2,564,378	2,763,571	99,916	40,724	159,601	5,628,190
Financial liabilities and provision for insurance contracts						
Trading liabilities	3,967	23,314	3	106	—	27,390
Hedging derivatives	9,420	—	—	—	—	9,420
Deposits and loans from banks	217,558	80,516	72	15,652	80	313,878
Deposits and loans from customers	5,217,371	2,502,216	112,399	130,230	48,870	8,011,086
Debt securities issued	150,588	307,957	—	—	—	458,545
Subordinated debt	2,827	22,172	—	—	—	24,999
Other financial liabilities under risk management	238,378	163,138	14,115	8,855	4,197	428,683
Provision for insurance contracts	22,730	—	—	—	—	22,730
Total	**5,862,839**	**3,099,313**	**126,589**	**154,843**	**53,147**	**9,296,731**
Off balance sheet liabilities	2,638,426	1,674,362	278,934	19,489	315,846	4,927,057
Net position (including Off balance sheet)	390,622	1,535,333	(38 163)	91,571	(30 720)	1,948,643

Off balance sheet items mostly relate to derivative operations and granted and received guarantees.

The VaR statistic is as follows:

in thousands of EUR	31 December 2020	31 December 2019
VaR foreign exchange risk	37,083	4,228

An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

Translation risk arising from translating the financial statements of a foreign operation into the presentation currency of the Group, does not meet the definition of currency risk. Consequently, translation risk should not be included in the sensitivity analysis. How-ever, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation is not fully eliminated.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

in thousands of EUR	Impact on Profit or Loss 31 December 2020	Impact on Profit or Loss 31 December 2019	Impact on Other Comprehensive Income 31 December 2020	Impact on Other Comprehensive Income 31 December 2019
EUR	5,668	15	(182)	(65)
CZK	(1,416)	(5,821)	(4)	(1)
USD	265	456	–	(28)
RUB	464	763	–	–

(iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Group, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of investment securities at fair value through other comprehensive income and fair value through profit or loss equity securities.

The VaR statistics is as follows:

in thousands of EUR	31 December 2020	31 December 2019
VaR stock risk (trading book)	1,600	451

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of investment securities at fair value through other comprehensive income would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

in thousands of EUR	Impact on Profit or Loss 31 December 2020	Impact on Profit or Loss 31 December 2019	Impact on Other Comprehensive Income 31 December 2020	Impact on Other Comprehensive Income 31 December 2019
Level 1 – quoted market prices	164	177	65	79
Level 2 – derived from quoted prices	3,699	2,938	124	143
Level 3 – calculated using valuation techniques	324	319	87	65
Total	**4,187**	**3,434**	**276**	**287**

in thousands of EUR	Total impact on Equity 31 December 2020	Total impact on Equity 31 December 2019
Level 1 – quoted market prices	229	256
Level 2 – derived from quoted prices	3,823	3,081
Level 3 – calculated using valuation techniques	411	384
Total	**4,463**	**3,721**

43.4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 41.5. Capital management section regarding the definition of the Regulated Consolidated Group).
- This overview of the Group's operational risk events allows the Group to specify the direction of steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

43.5. Capital management

The Group's policy is to hold a strong capital base so as to maintain creditor and market confidence and to sustain future development of its business.

Consolidated capital adequacy is calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 23 June 2013 as from 1 January 2014. Until 31 December 2013 it was calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.

The Consolidated Group's capital is analysed into two tiers:

- Tier 1 capital, which is divided into:
  1. Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income, other transitional arrangements CET1 and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;
  2. Additional Tier 1 capital (AT1), which can include qualifying perpetual instruments issued in accordance with CRR (see Note 38. Shareholders' equity)
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992, Decree No. 163/2014 Coll. and CRR. According to these regulations, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE, i.e. Mr. Jozef Tkáč and Mr. Ivan Jakabovič is defined as RCG from 1 January 2014. Different consolidation rules are applicable for RCG's purposes – only companies which are subsidiaries have the status of financial institutions as defined by CRR are fully consolidated. The indicators presented below are for the whole RCG as described above.

Regulatory Capital

in thousands of EUR	31 December 2020	31 December 2019
Common Equity Tier 1 capital (CET1)	1,264,152	1,268,495
Additional Tier 1 capital (AT1)	285,695	276,861
Total Tier 1 capital	**1,549,847**	**1,545,356**
Total Tier 2 capital	12,415	13,933
Total regulatory capital	**1,562,262**	**1,559,289**
Risk Weighted Assets (RWA)		
Credit risk of investment portfolio	8,480,560	7,627,475
Total risk exposure amount for position, foreign exchange and commodity risks	553,314	420,340
Traded debt instruments	175,371	115,524
Shares	26,298	25,505
Position risk in collective investment undertakings (CIUs)	678	777
Foreign exchange	350,967	278,534
Commodity risk	–	–
Operational risk (BIA)	862,697	836,423
Risk exposure amount for credit valuation adjustment	20,268	12,114
Total amount of capital requirements	**9,916,839**	**8,896,352**

The capital adequacy ratio is calculated for CET 1 capital, Tier 1 capital and total own funds as a portion of the relevant capital to risk weighted assets (RWA).The regulatory capital is calculated as the sum of the Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 12,415 thousand (2019: EUR 13,933 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

Capital adequacy ratios

Requirements for capital adequacy ratios are as follows::

in %	Minimum requirements	Capital conservation buffer	Countercyclical capital buffer	Total requirements
CET1 ratio	4.5	2.5	0.50	7.50
Tier 1 ratio	6.0	2.5	0.50	9.00
Total regulatory capital ratio	8.0	2.5	0.50	11.00

An additional Capital conservation buffer of 2.5% for CET1 was imposed by the Czech National bank. The specific countercyclical capital buffer rate is calculated in accordance with §63 ČNB decree No. 163/2014 Sb. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions in which the Group has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovakia first set their countercyclical buffer rates. These rates are also being gradually introduced in other relevant countries.

The capital adequacy ratios of the RCG as at 31 December 2020 and 2019 were as follows:

in %	31 December 2020	31 December 2019
Common equity tier 1 (CET1)	12.75	14.25
Tier 1 capital	15.63	17.36
Total regulatory capital ratio	**15.75**	**17.52**

44. Assets under management

in thousands of EUR	31 December 2020	31 December 2019
Assets in own-managed funds	3,127,181	2,956,647
Assets under investment management with right of disposal	255,893	228,067
Other entrusted assets	2,579,903	2,471,918
Total assets under management	**5,962,977**	**5,656,632**

Assets under management comprise all client assets managed (or held) solely for investment purposes. In summary, these include all balances due to customers, fiduciary term deposits and all valued portfolio assets. Custodial assets (assets held solely for transaction and safe-keeping purposes) are not included in assets under management. Assets under management are measured at fair value for quoted financial instruments. If these are not quoted, debt and equity financial instruments are valued at amortized cost or using common valuation techniques (e.g. pricing models with market inputs as available), respectively.

(a) Assets in own-managed funds
This comprises assets of all the Group's investment funds.

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

(c) Other entrusted assets
Securities, value rights, precious metals and other fiduciary investments from third parties for which only administration or advisory services are exercised.

45. Related parties

Identity of related parties
The Group has, or had, related party relationships as identified in the following table, either at 31 December 2020 and 2019 or during the years with:
(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Associates
(4) Joint ventures in which the Group is a venturer
(5) Key management personnel (i. e. Board of Directors) of the Group

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, DANILLA EQUITY LIMITED, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these produce publicly available consolidated financial statements which include the Group.

The summary of transactions with related parties during 2020 and 2019 is as follows:

in thousands of EUR	31 December 2020 Accounts receivable	31 December 2020 Accounts payable	31 December 2019 Accounts receivable	31 December 2019 Accounts payable
Ultimate shareholders and companies they control	4,499	6,051	33	13,751
Associates and joint ventures	32,153	7,440	36,332	5,264
Key management personnel of the entity or its parent and companies they control or jointly control	104,676	37,203	25,300	35,288
Total	**141,328**	**50,694**	**61,665**	**54,303**

There was EUR 14 thousand of provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2020 (2019: nil).

The summary of transactions with related parties during 2020 and 2019 is as follows:

in thousands of EUR	2020 Revenues	2020 Expenses	2019 Revenues	2019 Expenses
Ultimate shareholders and companies they control	179	168	27	–
Associates and joint ventures	11,451	1	13,573	13
Key management personnel of the entity or its parent and companies they control or jointly control	6,383	5,725	8,852	952
Total	**18,013**	**5,894**	**22,452**	**965**

The summary of guarantees with related parties at year-end is as follows:

in thousands of EUR	31 December 2020 Guarantees received	31 December 2020 Guarantees granted	31 December 2019 Guarantees received	31 December 2019 Guarantees granted
Ultimate shareholders and companies they control	–	–	–	–
Key management personnel of the entity or its parent and companies they control or jointly control	–	243	–	197
Total	**–**	**243**	**–**	**197**

Transactions with directors and key management

Total remuneration included in "personnel expenses" and loans to directors and key management are as follows:

in thousands of EUR	31 December 2020	31 December 2019
Remuneration	2,755	3,012
Loans	339	156

Of the loans to directors and key management, new loans of EUR 214 thousand were granted during 2020 (2019: EUR 51 thousand) and EUR 30 thousand was repaid (2019: EUR 6 thousand). The Group's key management personnel received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

46. Unconsolidated structured entities

The Group engages in various business activities with structured entities which are companies designed to achieve a specific business purpose and usually designed so that voting or similar rights are not a dominant factor in deciding who controls the entity.

A structured entity often has some or all of the following features or attributes:
- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The Group provides financing to certain structured entities for the purchase of assets that are collateralized in favour of the Group by the structured entities. The Group enters into transactions with these entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. The entities covered by this disclosure note are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means.

Income derived from involvement with structured entities represents interest income recognized by the Group on the funding provided to structured entities.

The Group's interests in unconsolidated structured entities refer to contractual involvement that exposes the group to variability of returns from the performance of the structured entities.

The maximum exposure to loss for the Group is determined by considering the nature of the interest in the unconsolidated structured entity and represents the maximum loss that the Group could be required to report as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.

The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2020 in amount of EUR 284,306 thousand (2019: EUR 252,516 thousand). There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for four unconsolidated structured entities, as indication of their size, is EUR 606,321 thousand (2019: EUR 438,553 thousand).

47. Subsequent events

On 9 February 2021 JTFG Fund I SICAV, a.s. was established.

In February 2021 the Group established new subsidiaries J&T Global Finance XI., s.r.o., J&T Global Finance XII., s.r.o. and J&T Credit Participation, s.r.o.

On 8 March 2021 Wine Resort Pouzdřany, s.r.o. was established.

On 1 April 2021 the company J&T SME Finance s.r.o. was established.

48. Group entities

The list of the Group entities as at 31 December 2020 and 2019 is set out below:

Company name	Country of incorporation	Dec. 2020 Consolidated %	Dec. 2020 Ownership interest	Dec. 2020 Consolidation method	Dec. 2019 Consolidated %	Dec. 2019 Ownership interestl
J&T FINANCE GROUP SE	Czech Republic		parent company		parent company	
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct
Colorizo Investment, a.s.	Czech Republic	52.60	direct	Full	52.60	direct
OSTRAVA AIRPORT MULTI-MODAL PARK s.r.o.	Czech Republic	–	–	–	50.00	direct
OAMP Hall 1 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Distribution s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Infrastructure s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Holding s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Hall 2 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Hall 3 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Hall 4 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Hall 5 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
OAMP Hall 6 s.r.o.	Czech Republic	50.00	direct	Equity	–	–
CI Joint Venture s.r.o.	Czech Republic	50.00	direct	Equity	–	–
Logistics Park Nošovice a.s.	Czech Republic	50.00	direct	Equity	–	–
ARITIMA, a.s.	Slovakia	–	–	–	100.00	direct
SPERIDA, a.s.	Slovakia	100.00	direct	Full	100.00	direct
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00	direct	Full	100.00	direct
Moskovskij Neftechnimiceskij Bank[2]	Russia		merged	merged	100.00	direct
TERCES MANAGEMENT LIMITED[3]	Cyprus	100.00	direct	Full	100.00	direct
Interznanie OAO[4]	Russia	100.00	direct	Full	100.00	direct
J&T REALITY otevřený podílový fond[5]	Czech Republic	88.88	direct	Full	88.88	direct
J&T Banka d.d. (VABA d.d. banka Varaždin)[6]	Croatia	96.03	direct	Full	96.03	direct
J&T Leasingová společnost, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
Rentalit s.r.o.	Czech Republic	100.00	direct	Full	–	–
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	100.00	direct	Full	100.00	direct
J&T VENTURES I uzavřený podílový fond	Czech Republic	94.14	direct	Full	–	–
J&T DIVIDEND Fund	Malta	56.77	direct	Full	–	–
Rustonka Development II s.r.o.	Czech Republic	100.00	direct	Full	–	–

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Company name	Country of incorporation	Dec. 2020 Consolidated %	Dec. 2020 Ownership interest	Dec. 2020 Consolidation method	Dec. 2019 Consolidated %	Dec. 2019 Ownership interestl
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Bayshore Merchant Services Inc.	Barbados	100.00	direct	Full	100.00	direct
J&T Trust Inc.	Barbados	100.00	direct	Full	100.00	direct
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Equity Holding, a.s.	Czech Republic	62.64	direct	Full	62.64	direct
Butcher313, s.r.o.	Czech Republic	30.00	direct	Equity	30.00	direct
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct
Narcissus s.r.o.	Czech Republic	49.00	direct	Equity	—	—
J&T Global Finance VI., s.r.o. v likvidácii	Slovakia	—	—	—	100.00	direct
J&T Global Finance VII., s.r.o. v likvidaci	Czech Republic	—	—	—	100.00	direct
J&T Global Finance VIII., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct
J&T Global Finance IX., s.r.o	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance X., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
PBI, a.s.[7]	Czech Republic		merged		100.00	direct
Poštová banka, a.s.	Slovakia	98.46	direct	Full	98.46	direct
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	78.77	direct	Full	78.77	direct
Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.	Slovakia	98.46	direct	Full	98.46	direct
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ.spol., a.s.	Slovakia	98.46	direct	Full	98.46	direct
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	98.46	direct	Full	98.46	direct
PB PARTNER, a.s. v likvidácii	Slovakia	98.46	direct	Full	98.46	direct
PB Finančné služby, a.s.	Slovakia	98.46	direct	Full	98.46	direct
SPPS, a.s.	Slovakia	39.38	direct	Equity	39.38	direct
365.fintech, a.s.	Slovakia	98.46	direct	Full	98.46	direct
Amico Finance, a.s.	Slovakia	93.53	direct	Full	93.53	direct
Cards&Co, a. s.	Slovakia	100.00	direct	Full	—	—
DanubePay, a. s.	Slovakia	100.00	direct	Full	—	—
J&T NOVA Hotels SICAV, a.s.8,9	Czech Republic	99.20	direct	Full	99.20	direct
DIAMOND HOTELS SLOVAKIA, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct
BHP Tatry, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[10]	Czech Republic	99.17	direct	Full	99.17	direct
FORESPO SOLISKO a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HELIOS 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HELIOS 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HOREC a SASANKA a.s.	Slovakia	99.17	direct	Full	99.17	direct

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Company name	Country of incorporation	Dec. 2020 Consolidated %	Dec. 2020 Ownership interest	Dec. 2020 Consolidation method	Dec. 2019 Consolidated %	Dec. 2019 Ownership interestl
FORESPO PÁLENICA a.s.	Slovakia	99,17	direct	Full	99,17	direct
INVEST-GROUND a.s.	Slovakia	99,17	direct	Full	99,17	direct
FORESPO-RENTAL 1 a.s.	Slovakia	99,17	direct	Full	99,17	direct
FORESPO-RENTAL 2 a.s.	Slovakia	99,17	direct	Full	99,17	direct
FORESPO BDS a.s.	Czech Republic	99,17	direct	Full	99,17	direct
DEVEL PASSAGE s.r.o.	Slovakia	99,17	direct	Full	99,17	direct
FORESPO DUNAJ 6 a.s.	Slovakia	99,17	direct	Full	99,17	direct
RDF International, spol. s r.o.	Slovakia	99,17	direct	Full	–	–
J&T LOAN FUND[11]	Malta	99,23	direct	Full	99,23	direct
J&T Wine Holding SE	Czech Republic	100,00	direct	Full	100,00	direct
OUTSIDER LIMITED	Cyprus	100,00	direct	Full	100,00	direct
Chateau Teyssier (Société civile)	France	80,00	direct	Full	80,00	direct
CT Domaines	France	80,00	direct	Full	80,00	direct
SAXONWOLD LIMITED	Ireland	80,00	direct	Full	80,00	direct
World's End	U.S.A.	80,00	direct	Full	80,00	direct
KOLBY a.s.	Czech Republic	100,00	direct	Full	100,00	direct
Reisten, s.r.o.	Czech Republic	100,00	direct	Full	100,00	direct
J&T Mezzanine, a.s.	Czech Republic	100,00	direct	Full	100,00	direct
URE HOLDING LIMITED	Cyprus	45,00	direct	Equity	45,00	direct
JTH Vision, s. r. o.	Czech Republic	50,00	direct	Equity	–	–
J&T INVESTMENTS SICAV, a.s.	Czech Republic	100,00	direct	Full	100,00	direct

The structure above is listed by ownership of companies at the different levels within the Group.

1 The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s. and another 0.055% share through J&T FINANCE GROUP SE.
2 Moskovskij Neftechnimiceskij Bank merge with J&T Bank, a.o.
3 The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA, a.s. and another 1% share through the subsidiary J&T Finance, LLC.
4 The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank, a.o.
5 The Group owns a 53.08% share in J&T REALITY otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary Poštová banka, a.s.
6 The Group owns a 84.17% share in J&T Banka d.d. through J&T BANKA, a.s. and another 11.86% share through the subsidiary ALTERNATIVE UPRAVLJANJE d.o.o.
7 PBI, a.s. merge with J&T FINANCE GROUP SE.
8 NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. merge with new company J&T NOVA Hotels SICAV, a.s.
9 The Group owns a 48.35% share in J&T NOVA Hotels SICAV, a.s. through J&T BANKA, a.s. and another 50.85% share through the subsidiary Poštová banka, a.s.
10 The Group owns a 46.51% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and effectively another 52.66% share through the subsidiary Poštová banka, a.s.
11 The Group owns a 49.99% share in J&T LOAN FUND through J&T BANKA, a.s. and another 49.24% share through the subsidiary Poštová banka, a.s.

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 13 May 2021 on the statutory consolidated financial statements included in the consolidated annual report of J&T Finance Group, prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements. The accompanying consolidated annual report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory consolidated annual report. Consequently, neither it nor this copy of the auditor's report is a legally binding document. We did not audit the consistency of the accompanying consolidated annual report with the statutory and legally binding consolidated annual report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying consolidated annual report.

Independent Auditor's Report to the Shareholders of J&T FINANCE GROUP SE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of J&T FINANCE GROUP SE ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

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

Expected credit losses for loans and advances to customers amounted to EUR 421 691 thousand as at 31 December 2020 (31 December 2019: EUR 328 244 thousand). Expected credit losses for loan commitments and guarantees amounted to EUR 5 725 thousand as at 31 December 2020 (31 December 2019: EUR 4 000 thousand).

Refer to Note 3 (Significant accounting policies), Note 23 (Loans and advances to customers) and Note 26 (Amounts arising from expected credit losses) in the notes to the consolidated financial statements.

Key audit matter

The Group's management makes material and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers and loan commitments and guarantees (together "credit exposures"). We consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

In the process, the credit exposures are allocated into one of the three stages prescribed by IFRS 9 Financial instruments in order to estimate the loss allowances. Stage 1 and Stage 2 credit exposures are performing exposures, with Stage 2 credit exposures being those for which significant increase in credit risk since origination has been observed. Stage 3 credit exposures are non-performing, credit-impaired exposures.

Key assumptions and judgements in the calculation of the Expected Credit Losses include the following:
- significant increase in credit risk (SICR);
- estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD);
- estimate of credit conversion factor (CCF) for off balance exposures;
- forward-looking information (FLI) based on scenarios of expected development of selected macroeconomic indicators.

PD parameters have been determined based on annualized migration matrix resulting from the Group's historical data. LGD is determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgments and assumptions are estimating future cash repayment scenarios and assigning probabilities to these scenarios taking into account the estimated value and timing of cash flows including estimating the recoverable value of underlying collateral.

How the audit matter was addressed

Assisted by our credit risk and information technology specialists, we performed, among other things, the procedures outlined below:

Applying our knowledge, experience and market standards, we assessed the Group's credit and accounting policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, significantly increased credit risk, and allocating of credit exposures to Stages. In addition, we tested IT control environment for data security and access.

We evaluated whether in its loan staging and ECL measurement including forward looking information the Group appropriately considered the effect of the market disruption resulting from COVID-19 pandemic.

We tested the design, implementation and operating effectiveness of selected key controls, including those over the matching of incoming payments, calculation of days past due and calculation of effective interest rate. We performed the testing by inquiry in combination with the observation, inspection of underlying documentation, and selected recalculations.

For a sample of credit exposures, by reference to the underlying documentation (loan files) and through inquiries of the Group's credit officers, we evaluated whether examined credit exposures were allocated to appropriate stages of IFRS 9, and whether appropriate EAD, PD, CCF and LGD parameters were applied to on-balance and off-balance exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the Group's financial analysis of the borrower, the repayment pattern for the loan and the collateral provided (including the appropriateness of any haircuts applied).

Assisted by our own real estate valuation specialist, we challenged the valuation methods applied by the Group in respect of collateral valuation on a sample of Stage 3 credit exposures. As part of the procedure, among other things, we challenged the assumptions in the valuations used by the Group by comparing them to our specialist's expectations.

We assessed the accuracy and completeness of the Group's disclosures on the loss allowances and the related credit risk management in the notes to the separate financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 3 October 2014 and our uninterrupted engagement has lasted for 8 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 12 May 2021 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

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Provision of Non-audit Services

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

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

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of consolidated financial statements included in the consolidated annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the consolidated financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of consolidated financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- the preparation of consolidated financial statements included in the consolidated annual report in the applicable XHTML format; and
- the selection and application of XBRL mark-ups as required by the ESEF Regulation.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements included in the consolidated annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether:

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

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

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Conclusion

In our opinion, the Company's consolidated financial statements for the year ended 31 December 2020 included in the consolidated annual report are, in all material respects, in compliance with the ESEF Regulation.

Statutory Auditor Responsible for the Engagement

Ondřej Fikrle is the statutory auditor responsible for the audit of the consolidated financial statements of J&T FINANCE GROUP SE as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague, 13 May 2021

Unsigned copy

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

Unsigned copy

Ondřej Fikrle
Partner
Registration number 2525

79

million EUR

Despite the very demanding year, the group generated profit

Income statement
for the year ended 31 december 2020

in thousands of CZK	Note	2020	2019
Interest income calculated using effective interest rate method	7	852,366	762,958
Other interest income	7	2,652	43,137
Interest expense	7	(839,397)	(996,713)
Net interest income		**15,621**	**(190,618)**
Fee and commission income	8	57,515	77,271
Fee and commission expense	8	(38,552)	(15,012)
Net fee and commission income		**18,963**	**62,259**
Financial markets, net result	9	168,538	256,988
Other operating income	10	17,103	16,002
Total income		**220,225**	**144,631**
Personnel expenses	11	(29,789)	(27,255)
Depreciation and amortisation	25, 26	(23,381)	(22,429)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	23	(592,413)	103,667
Other operating expenses	12	(74,049)	(75,748)
Total expenses		**(719,632)**	**(21,765)**
Profit from operations		**(499,407)**	**122,866**
Profit from equity accounted investments in subsidiaries	13	1,688,774	2,445,879
Profit before tax		**1,189,367**	**2,568,745**
Income tax expense	14	10,391	(64,911)
Profit for the period		**1,199,758**	**2,503,834**

The notes presented on page 178 to page 259 form an integral part of the separate financial statements.

Statement of comprehensive income for the year ended 31 december 2020

in thousands of CZK	2020	2019
Profit for the period	**1,199,758**	**2,503,834**
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	(1,145)	(431)
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences	(615,878)	443,085
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components	113,057	39,749
Other comprehensive income for the period, net of income tax	**(503,966)**	**(482,403)**
Total comprehensive income for the period	**695,792**	**2,986,237**

The notes presented on page 178 to page 259 form an integral part of the separate financial statements.

The separate financial statements were approved by the Board of Directors on 30 April 2021.

Signed on behalf of the Board of Directors:

Štěpán Ašer, MBA
Member of the Board of Directors
J&T FINANCE GROUP SE

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

Statement of financial position as at 31 december 2020

in thousands of CZK	Note	31 December 2020	31 December 2019	1 January 2019
Assets				
Cash and cash equivalents	15	765,810	2,223,529	1,690,812
Financial assets for trading	16	740,986	6,920	6,127
Hedging derivatives	17	287,544	232,185	119,978
Investment securities measured at fair value through profit or loss	18	73,808	436,809	838,241
Investment securities at fair value through other comprehensive income	19	302,691	302,689	302,690
Loans and advances to banks	20	—	174,220	173,026
Loans and advances to customers	21	15,307,039	13,442,811	14,289,284
Trade receivables and other assets	22	87,032	87,017	76,407
Current tax assets		29,431	—	—
Investments in subsidiaries	24	40,761,236	43,243,718	43,339,244
Intangible assets	25	760	33	98
Property, plant and equipment	26	213,781	238,735	261,965
Total assets		**58,570,118**	**60,388,666**	**61,097,872**
Liabilities				
Loans from banks	27	3,352,690	2,391,938	1,782,963
Loans from customers	28	13,363,823	17,254,496	18,933,393
Debt securities issued	29	3,615	3,514	1,390,960
Subordinated debt	30	—	—	77,219
Other liabilities	31	469,888	172,650	286,487
Current tax liability		—	40,929	9,520
Provisions	32	86,581	1,290	12,484
Deferred tax liabilities	33	4,048	157,861	67,770
Total liabilities		**17,280,645**	**20,022,678**	**22,560,796**
Equity				
Share capital		15,780,308	15,780,308	15,780,308
Share premium		2,551,766	2,551,766	2,551,766
Retained earnings and other reserves		22,957,399	22,033,914	20,205,002
Total equity		**41,289,473**	**40,365,988**	**38,537,076**
Total equity and liabilities		**58,570,118**	**60,388,666**	**61,097,872**

The notes presented on page 178 to page 259 form an integral part of the separate financial statements.

Statement of changes in equity for the year ended 31 december 2020

in thousands of CZK	Note	Share capital
Balance as at 31 December 2019		**15,780,308**
Merger result		–
Balance as at 1 January 2020		**15,780,308**
Profit for the period		–
Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss		–
Foreign exchange translation differences		–
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences		–
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components		–
Other comprehensive income for the period, net of tax		**–**
Total comprehensive income for the period		**–**
Issue of other capital instruments	34	–
Distributions related to other capital instruments	34	–
Balance as at 31 December 2020		**15,780,308**

See Note 34. Shareholders' equity.

Share premium	Nondistributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Total equity
2,551,766	**200,082**	**(1,651,852)**	**5,812,553**	**17,673,131**	**40,365,988**
—	—	—	—	868	868
2,551,766	**200,082**	**(1,651,852)**	**5,812,553**	**17,673,999**	**40,366,856**
—	—	—	—	1,199,758	1,199,758
—	—	(617,023)	113,057	—	(503,966)
—	—	(1,145)	—	—	(1,145)
—	—	(615,878)	—	—	(615,878)
—	—	—	113,057	—	113,057
—	**—**	**(617,023)**	**113,057**	**—**	**(503,966)**
—	**—**	**(617,023)**	**113,057**	**1,199,758**	**695,792**
—	—	—	500,000	—	500,000
—	—	—	—	(273,175)	(273,175)
2,551,766	**200,082**	**(2,268,875)**	**6,425,610**	**18,600,582**	**41,289,473**

Statement of changes in equity for the year ended 31 december 2019

in thousands of CZK	Note	Share capital
Balance as at 1 January 2019		**15,780,308**
Profit for the period		–
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		**–**
Foreign exchange translation differences		–
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences		–
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components		–
Other comprehensive income for the period, net of tax		**–**
Total comprehensive income for the period		**–**
Dividends	34	–
Distributions related to other capital instruments	34	–
Balance as at 31 December 2019		**15,780,308**

The notes presented on page 178 to page 259 form an integral part of the separate financial statements.

Share premium	Nondistributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Total equity
2,551,766	**200,082**	**,(2,094,506)**	**5,772,804**	**16,326,622**	**38,537,076**
—	—	—	—	2,503,834	2,503,834
—	**—**	**442,654**	**39,749**	**—**	**482,403**
—	—	(431)	—	—	(431)
—	—	443,085	—	—	443,085
—	—	—	39,749	—	39,749
—	**—**	**442,654**	**39,749**	**—**	**482,403**
—	**—**	**442,654**	**39,749**	**2,503,834**	**2,986,237**
—	—	—	—	(900,000)	(900,000)
—	—	—	—	(257,325)	(257,325)
2,551,766	**200,082**	**(1,651,852)**	**5,812,553**	**17,673,131**	**40,365,988**

Statement of cash flows for the year ended 31 december 2020

in thousands of CZ	Note	2020	2019
Operating activities			
Profit before tax		**1,189,367**	**2,568,745**
Adjustments for:			
Depreciation and amortisation	25, 26	23,381	22,429
Unrealised profit on investment securities at fair value through profit and loss		126,908	(227,105)
Net interest income	7	(15,621)	190,618
Profit from equity accounted investments in subsidiaries		(1,688,774)	(2,445,879)
(Decrease) / increase in allowance for impairment of loans, loan commitments and financial guarantees	23	592,413	(103,667)
Unrealised foreign exchange (gains)/loss, net		(313,069)	(65,486)
Operating loss before changes in working capital		**(85,395)**	**(60,345)**
(Increase) / decrease in operating assets			
Change in financial assets for trading		(887,780)	(793)
Change in hedging derivative assets		(237,895)	354,000
Change in investment securities at fair value through profit or loss		363,001	401,432
Change in loans and advances to customers and banks		(1,366,498)	845,279
Change in trade receivables and other assets		(15)	(10,610)
Change in other liabilities		3,962	(95,716)
Cash generated from (used in) operations		**(2,210,620)**	**1,433,247**
Interest received		422,175	371,568
Interest paid		(1,004,286)	(935,435)
Income taxes paid		(68,306)	(33,502)
Cash flows generated from (used in) operating activities		**(2,861,037)**	**835,878**

in thousands of CZK	Note	2020	2019
Investing activities			
Purchase of financial instruments at fair value through other comprehensive income		(2)	—
Proceeds from sale of financial instruments at fair value through other comprehensive income		26,806	1
Acquisition of property, plant and equipment, investment property and intangible assets		(10,187)	(1,963)
Capital contributions from equity accounted investees		4,067,675	1,486,596
Capital contributions to equity accounted investees		(149,290)	(342,800)
Dividends received		105,000	2,253,467
Cash flows generated from investing activities		**4,040,002**	**3,395,301**
Financing activities			
Proceeds from issued debt securities	29	101	—
Payments for buy-back of issued debt securities	29	—	(1,387,446)
Change in loans from banks and customers		(2,839,586)	(1,069,922)
Subordinated debt paid		—	(77,219)
Payment of lease liabilities (principal)		(24,024)	(18,121)
Issue of other capital instruments		500,000	—
Bonus payments from other capital instruments		(273,175)	(257,325)
Dividends paid		—	(900,000)
Cash flows generated from / (used in) financing activities		**(2,636,684)**	**(3,710,033)**
Net decrease/increase in cash and cash equivalents		(1,457,419)	521,148
Cash and cash equivalents as at the beginning of the year	**15**	**2,223,529**	**1,690,812**
Effect of exchange rate fluctuations on cash held		(300)	11,569
Cash and cash equivalents as at the end of the year	**15**	**765,810**	**2,223,529**

The notes presented on page 178 to page 259 form an integral part of the separate financial statements.

Notes to the separate financial statements

1. General information

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

The shareholders of the Company as at 31 December 2020 and 31 December 2019 were as follows:

	Interest in share capital		Voting rights (registered)	
	in mill. CZK	in %	in mill. CZK	in %
Ing. Ing. Jozef Tkáč	7,109	45.05	7,109	45.05
Ing. Ivan Jakabovič	7,109	45.05	7,109	45.05
Rainbow Wisdom Investment Limited	1,562	9.90	1,562	9.90
Total	**15,780**	**100.00**	**15,780**	**100.00**

The Company, as a financial investor, actively takes positions in a diversified range of investment opportunities including investments in banks, investments in securities and structured investments, such as special project financing, acquisitions financing.

In 2013 the Company established its branch in Slovakia, J&T FINANCE GROUP SE, organizačná zložka. Its principal activities include mediation of providing loans and borrowings from funds solely acquired without a public invitation and without a public offer of property values, lease of real estate without providing other than basic services associated with the lease, mediation services in the field of trade, services and manufacture, business, organizational and economic advisory, and advertising and marketing services.

The members of the Board of Directors were as at 31 December 2020 as follows:
Ing. Jozef Tkáč - Chairman
Ing. Ivan Jakabovič – Vice-Chairman
Ing. Patrik Tkáč – Vice-Chairman
Ing. Dušan Palcr – Vice-Chairman
Štěpán Ašer, MBA – Member
Ing. Igor Kováč – Member

The members of the Board of Directors were as at 31 December 2019 as follows:
Ing. Jozef Tkáč - Chairman
Ing. Ivan Jakabovič – Vice-Chairman
Ing. Patrik Tkáč – Vice-Chairman
Ing. Dušan Palcr – Vice-Chairman
Ing. Gabriela Lachoutová – Member

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective for the year ended 31 December 2020, as adopted by the European Union ("EU"). These are the Company's first separate financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards.

How the transition from Czech GAAP to IFRSs affected the Company's reported financial position, financial performance and cash flows is explained in Note 6.

The separate financial statements were approved by the Board of Directors on 30 April 2020.

(b) Basis of preparation

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

The separate financial statements are presented in Czech koruna, rounded to the nearest thousand. The functional currency at initial application was determined to be EUR, but it changed to CZK as of 1 January 2020 as a result of detailed analysis following a change in underlying assumption (see below for more details). The accounting policies have been consistently applied to all periods presented in these separate financial statements and in preparing the opening statement of financial position prepared in accordance with IFRS as at 1 January 2019 for the purposes of transition to IFRSs, unless stated otherwise. The accounting policies take into account newly adopted IFRS (see below).

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

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

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2020, and have been applied in preparing the Company's financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards contain amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
- Amendments to IAS 1 and IAS 8: Definition of Material clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards.
- Amendments to IFRS 3: Definition of a Business change Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. In particular, they:
  - clarify an acquired set of activities and assets to be considered a business;
  - narrow the definitions of a business and of outputs;
  - add guidance and illustrative examples regarding acquisition of substantive process;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
  - add an optional concentration test.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Please refer to section 38.3 for more information.

These amendments, effective for the first time for the year ended 31 December 2020, did not have any material impact on the Company's financial statements unless stated otherwise above.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2020, and have not been applied in preparing these financial statements:

- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual periods beginning on or after 1 January 2021) result in entities taking the benefit of the temporary exemption from applying IFRS 9 to be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020) provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform. They also introduce disclosures enhancing the understanding of the nature and extent of risks arising from the IBOR reform and how these risks are managed by the entity as well as its progress and management of transitioning from IBORs to alternative benchmark rates.
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, proceeds from selling such items, and the cost of producing those items, are recognized in profit or loss.
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract' that can either be incremental costs of fulfilling the contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022; not yet endorsed in the EU)
  - IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
  - IFRS 9 – The amendment clarifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, are to be included when applying the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
  - IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor due to possible confusion that might arise because of how lease incentives are illustrated in that example.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- IFRS 17: Insurance contracts and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023, with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfilment value instead of historical costs and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts as of 1 January 2023.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) help to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Newly IAS 1 will require entities to disclose their material accounting policies rather than their significant accounting policies.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) that replace definition of a change in accounting estimates is with a definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates

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

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

3. Significant accounting policies

(a) Investments in subsidiaries

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The separate financial statements include the Company's share of the total recognised gains and losses of its subsidiaries on an equity accounted basis. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable are recognised as a reduction in the carrying amount of the investment. When the Company's share of losses exceeds the carrying amount of the subsidiary, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred obligations in respect of the related entity.

Unrealised gains on transactions between the Company and its investees are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 4.2.

(b) Foreign currency

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

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

Change in the functional currency of J&T FINANCE GROUP SE

The functional currency of the Company at initial application was determined to be EUR. Subsequently changes in the underlying assumptions arose, such as impairment of Poštová banka a.s. at the end of 2019, the increasing importance of Czech National Bank as significant authority (e.g. for distribution of dividends and capital adequacy monitoring), structure of assets, liabilities, revenues and expenses in terms of currency and role of other competitive forces in the Czech Republic (e.g. tax and labor market regulation) where the headquarters of J&T FINANCE GROUP SE are located. Consequently the company's functional currency changed from EUR to CZK as of 1 January 2020 as a result of a detailed analysis.

The Czech National Bank rate as of 1 January 2020 (CZK/EUR 25,41) was used to translate the balances of that date from EUR to CZK as well as all comparatives presented in these separate financial statements (the values as of the 1 January 2019 and 31 December 2019).

(ii) Translation of foreign operations

The separate financial statements are presented in Czech koruna (CZK). The Company has established its foreign branch in Slovakia with functional currency Euro and has several subsidiaries which measure the items included in their financial statements using the currency of the primary economic environment in which the entities operate (the functional currency).

The assets and liabilities of foreign operation and subsidiaries for the purposes of calculation of the Company's share on their equity value are translated into Czech koruna at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Czech koruna at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(c) Financial instruments

(i) Classification

Financial assets

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

The classification of debt instruments is determined based on:
a) The business model under which the asset is held, and
b) The contractual cash flow characteristics of the instrument.

The Company makes an assessment of the objectives of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Company considers information such as the stated policies and objectives for the portfolio and the operation of those policies, the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed, how managers of the business are compensated, or the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

The Company defines business models as follows:
- "Hold and collect"
- "Hold, collect and sell"
- "Mandatorily at fair value"
- "Trading"
- "Fair value option"

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

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

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

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

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

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

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

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

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

   i) Debt instruments meeting the SPPI test within the business model "Hold, collect and sell"
      Under this accounting treatment ECL are recognized in profit or loss and the changes in the fair value of the instrument are recognized in OCI. FX differences in relation to the amortised cost, including impairment, are recognized in profit or loss. Interest revenues calculated using EIR are recognized in profit or loss.

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

31 December 2020

in thousands of CZK	Ref. to Note	Mandatorily at FVTPL	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	—	—	765,810	765,810
Financial assets for trading	16	740,986	—	—	740,986
Investment securities measured at fair value through profit or loss	18	73,808	—	—	73,808
Investment securities measured at fair value through other comprehensive income	19	—	302,691	—	302,691
Loans and advances to customers	21	—	—	15,307,039	15,307,039
Trade receivables and other financial assets under risk management	22	—	—	784,916	784,916
Total financial assets		**814,794**	**302,691**	**16,157,765**	**17,275,250**
Loans from banks	27	—	—	3,352,690	3,352,690
Loans from customers	28	—	—	13,363,823	13,363,823
Debt securities issued	29	—	—	3,615	3,615
Other financial liabilities under risk management	31	—	—	468,855	468,855
Total financial liabilities		**—**	**—**	**17,188,983**	**17,188,983**

31 December 2019

in thousands of CZK	Ref. to Note	Mandatorily at FVTPL	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	—	—	2,223,529	2,223,529
Financial assets for trading	16	6,920	—	—	6,920
Investment securities measured at fair value through profit or loss	18	436,809	—	—	436,809
Investment securities measured at fair value through other comprehensive income	19	—	302,689	—	302,689
Loans and advances to banks	20	—	—	174,220	174,220
Loans and advances to customers	21	—	—	13,442,811	13,442,811
Trade receivables and other financial assets under risk management	22	—	—	84,708	84,708
Total financial assets		**443,729**	**302,689**	**15,925,268**	**16,671,686**
Loans from banks	27	—	—	2,391,938	2,391,938
Loans from customers	28	—	—	17,254,496	17,254,496
Debt securities issued	29	—	—	3,514	3,514
Other financial liabilities under risk management	31	—	—	171,609	171,609
Total financial liabilities		**—**	**—**	**19,821,557**	**19,821,557**

1 January 2019

in thousands of CZK	Ref. to Note	Mandatorily at FVTPL	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	–	–	1,690,812	1,690,812
Financial assets for trading	16	6,127	–	–	6,127
Investment securities measured at fair value through profit or loss	18	838,241	–	–	838,241
Investment securities measured at fair value through other comprehensive income	19	–	302,690	–	302,690
Loans and advances to banks	20	–	–	173,026	173,026
Loans and advances to customers	21	–	–	14,289,284	14,289,284
Trade receivables and other financial assets under risk management	22	–	–	74,738	74,738
Total financial assets		**844,368**	**302,690**	**16,227,860**	**17,374,918**
Loans from banks	27	–	–	1,782,963	1,782,963
Loans from customers	28	–	–	18,933,393	18,933,393
Debt securities issued	29	–	–	1,390,960	1,390,960
Subordinated debt	30	–	–	77,219	77,219
Other financial liabilities under risk management	31	–	–	280,280	280,280
Total financial liabilities		**–**	**–**	**22,464,815**	**22,464,815**

(ii) Recognition

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

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

(iii) Measurementí

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

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

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

(iv) Fair value measurement principles

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

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

Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

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

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

Loans from banks and customers: The estimated fair value of fixed-maturity loans is based on discounted cash flows using the appropriate yield curve.

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

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

(v) Gains and losses on subsequent measurement

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

(vi) Derecognition

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

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

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

(vii) Hedge accounting
The Company uses IFRS9 for the purposes of hedge accounting in line with requirements of IFRS 1 First-time adoption.

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

From the inception of the hedge, the Company maintains a formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. The Company also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item attributable to the hedged risk.

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

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

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

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

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

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

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

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

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

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

(f) Sale and repurchase agreements

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

(g) Offsetting

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

(h) Impairment

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets (refer to accounting policy (v)) and investment property are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the asset’s recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash generating unit to which they belong. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

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

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

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

Stage 1 (12-month ECL)

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

Stage 2 (lifetime ECL not credit-impaired)
This stage is applicable when the credit risk has increased significantly since initial recognition of the financial asset, but the asset is not credit-impaired. Lifetime ECLs are calculated for this stage, i.e. ECLs that result from all possible default events over the expected life of a financial instrument. Interest revenue from these assets is calculated from the GCA.

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

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

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

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

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

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

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

Qualitative factors considered in the assessment:
- The nature of the project being financed has changed with a negative impact on the debtor's ability to generate cash flow,
- The debtor does not meet non-financial contractual obligations for more than six months.

Quantitative factors considered in the assessment:

Credit risk deterioration is considered on the basis of a change in rating since initial recognition. The current rating is compared with the rating assigned at the time of initial recognition. The Company uses an internal rating system with 12 rating grades, the 13th grade being referred to as default:

Current rating →

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

Signs of default

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

- The situation when the Company filed a petition for declaring the bankruptcy of the debtor,
- The situation when the debtor has applied for bankruptcy announcement,
- The situation when the bankruptcy was announced,
- The debtor has entered or intends to enter into liquidation,
- The court has ruled that the debtor (legal person) was not founded (does not exist) or the debtor (natural person) has died,
- The final judgment of the court or administrative authority was ordered to enforce the decision to sell the debtor's assets or execute the debtor's assets,
- The situation when the debtor`s liability is overdue for more than 90 days,
- The situation when the receivable is forced to be re-structuralized,
- It is proven that more than 20% of the funds provided to the debtor by the Company are used by the debtor for another purpose than stated in the contract.

Purchased or originated credit-impaired financial assets (POCI)

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

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

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

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

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

Determination of probability of default (PD)

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

The calculation of PD applied by the Company is divided into 2 steps:
– Calculation of one-year PDs as the long-term average of observed failure rates,
– Calculation of multi-annual (cumulative) PDs.

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

Each internal rating grade has been linked to an external rating, so that the corresponding external PD fits into the PD interval for the relevant internal rating grade. If no such external PD exists, the rating closest to the middle of the internal rating interval was used. The following table documents the external ratings to which they correspond:

Internal rating	External rating
1	A
2	BBB
3	BBB-
4	BB+
5	BB
6	BB-
7	B+

Internal rating	External rating
8	B
9	B-
10	CCC+
11	CCC
12	CCC-
13	D

Employees of the risk management department are responsible for calculating and updating the relevant PDs in line with the Company methodology. The Company primarily determine scoring for non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Furthermore, the Company determine scoring for the commitments provided, financial guarantees and undrawn limits. Scoring cards are used to assign the internal PDs to the relevant exposures.

Scoring models were developed based on data of the Company and J&T Banka.

Determination of loss given default (LGD)

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

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

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

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

Determination of Exposure at default (EAD)

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

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

Forward looking information

Due to the nature of the Company's portfolio, the Company uses publicly available data external rating agencies to derive PD. Published TTC (through the cycle) and PIT (point in time) matrices derived from long-term time-series of defaults of companies on the US market are statistically adjusted and further adjusted by the Company using the FLI indicator – Z-Component. Using the Z-Component, the influence of macroeconomic variables of individual states is transferred to the respective PIT matrices. Among the considered macroeconomic variables were, among others, real GDP, unemployment, inflation, government debt, etc. After taking into account several macroeconomic scenarios, the relationship for the amount of the Z-Component and the development of GDP was estimated as the most appropriate. This relationship is used to predict the PD for a given country against which the Company records credit risk.

Due to the fact that the model for determining the Z component is not calibrated on extreme GDP declines (never occurred in the history of observations), which are predicted by relevant institutions for 2020 and 2021, the Z components generated by the model (based on extreme negative GDP declines) were At the 5% level of significance, tested whether they meet the condition of normality, symmetry or do not produce "fat-tails". The Shapiro-Wilk normality test was used for testing, as it is recommended for low numbers of observations. The test results show that the Z components do not correspond to the normal distribution, symmetry and generate "fat-tails". Based on these characteristics of the Z component of the component, the management "capped" the output of the Z component of the component to a threshold value of the Z component for which the model meets the input assumption of normality. The Company performs the transformation of the Z component to match the normal distribution. Without this transformation, the model would provide erroneous values.

The "capped" value of the Z component for 2020 is -3.7 (back-calculated value corresponding to the decline in GDP of the Czech Republic of about -6.3%, for other countries see the table below), for 2021 according to the model without restrictions. The current situation in 2020 is affected by the COVID-19 pandemic, to which the governments of individual countries have responded by supporting economies. These artificially created subsidies delay the manifestations of companies' defaults at the time of their actual occurrence a few months later (depending on the duration of the aid or relief). Due to the realization of these impacts on the PD, the Company took into account the effect of the delay. With the help of weight, the influence of the macroeconomic environment is reflected "more fairly" in the model not only in a given year, but also in the following year. The Company weighs the PIT matrix as follows: 75% PIT matrix 2020 + 25% PIT matrix 2021.

Z-Component		CZ	SK	CRO	AU	Other	GB	PL	UA
Source of prediction		National bank – scenario for on-going Pandemia	National bank	IMF	IMF	OECD	National bank	OECD	IMF
Z-Component prior to cap	Prediction 2020	-5.5	-5.61	-4.92	-4.15	-4.47	-7.56	-5.22	-4.26
	GDP 2020	-10.1	-10.3	-9	-7	-8	-14	-10	-7.7
Z-Component used for ECL as at 31.12.2020	Prediction 2020	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
	GDP 2020	-6.3	-6.2	-6.4	-6	-6.4	-5.9	-6.8	-6.6
	Prediction 2021	-0.97	1.47	-0.01	0.09	-0.86	4.08	-1.34	-0.44
	GDP 2021	3.2	8.4	4.9	4.5	2.8	15	2.4	3.6

Presentation of allowance for ECL in the statement of financial position

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

Write off

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

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

(i) Property, plant and equipment

(i) Owned assets

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

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

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

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

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

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

Buildings	30 years
Equipment	8 years
Fixtures, fittings and others	4 - 15 years
Right-of-Use	Based on lease term

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

(j) Intangible assets

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

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

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

Software	3 years
Other intangible assets	5 years

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

(l) Employee benefits

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

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

(m) Financial guarantees and loan commitments

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

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

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

(n) Trade liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(o) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(p) Fee and commission income and expense

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

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

(q) Financial markets, net result

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

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

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

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

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

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

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

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

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

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

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

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

Measurement

a) Right-of-Use

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

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

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

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

b) Lease liability

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

Lease payments comprise the following:

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

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

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

Short-term leases and leases of low-value assets

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

Modification of lease contract

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

a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

Deferred tax resulting from IFRS 16

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

Impact of initial application of IFRS 16

On transition, new right-of-use assets and lease liabilities were recognised. The Company used the available practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application was determined as the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

(ii) Company as lessor

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

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

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

(u) Revenue from goods sold and services renderedb

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, (5) Recognise revenue when (or as) the entity satisfies a performance obligation. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

(v) Dividends paid

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

(w) Operating segments

As both separate and consolidated financial statements of the Company are presented in a single financial report, segment information is presented only on the basis of the consolidated financial statements, as permitted by the Standard.

(x) Changes in accounting policies

There were no changes in accounting policies neither in 2019 nor in 2020, except for changes resulting from possible modifications of International Financial Reporting Standards (IFRS) as described in Note 2.

4. Critical accounting estimates and assumptions

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

4.1. Financial instruments

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from such prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

31 December 2020

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	100,781	2.31% - 2.33%	Increase would result in a lower fair value.
		Risk-free rate		(0.46)% - (0.47)%	Increase would result in a lower fair value.

There were no financial instruments categorized as Level 3 as at 31 December 2019.

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

31 December 2020

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(3,338)
	Decrease in credit spread by 1%	3,519
	Increase in risk-free rate by 1%	(3,338)
	Decrease in risk-free rate by 1%	3,519

For more information, refer to the following notes:
- Note 16. Financial assets for trading and trading liabilities
- Note 18. Investment securities measured at fair value through profit or loss
- Note 19. Investment securities at fair value through other comprehensive income

4.2. Impairment testing

Investment in subsidiaries are subjected to impairment testing if there is any specific indication that there may be an impairment loss. The intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired. Impairment testing consists of comparing the carrying amount of an asset or a shareholding with its recoverable amount. The recoverable amount of an asset or a shareholding is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset or a shareholding, the company calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or a shareholding is lower than its carrying amount, a loss is recognized in the income statement.

4.3. Functional currency

The management of the Company performed an analysis and came to the conclusion that both currencies, CZK and EUR as well are relevant for the activities of the Company. However, after consideration of all the factors such as an increasing importance of Czech National Bank as regulatory authority (e.g. for distribution of dividends and capital adequacy monitoring), structure of assets, liabilities, revenues and expenses in terms of currency and role of other competitive forces in the Czech Republic (e.g. tax and labor market regulation) where the headquarter of J&T FINANCE GROUP SE is located, the management made a judgement and determined CZK as functional currency of the Company.

5. COVID-19 pandemic consequences

The year 2020 was significantly influenced by the sudden spread of COVID-19, which the World Health Organization (WHO) confirmed as a global pandemic on 11 March 2020. In response to the health risks and the rapid spread of the virus, local governments have introduced series of restrictive measures. The free movement of people was reduced to what the respective governments considered strictly necessary.

Most businesses (with exceptions such as grocery stores or pharmacies) were forced to close. Likewise, accommodation and restaurant facilities had to interrupt operations in order to prevent the gathering of larger groups of citizens. Teaching at schools was interrupted. Subsequently, in May and June these restrictions were gradually lifted.

The measures introduced have had a negative impact on the majority of markets without sector or geographical differentiation. As at 21 March 2020, the US stock market (as measured by the S&P 500 index) fell by more than 30% compared to its peak at the end of February of the same year. The Prague Stock Exchange lost over 35% to the highs of the year 2020, at the same date and recovered since.

Despite extensive fiscal and monetary incentives presented by local governments and monetary authorities, the outlook for the next months and the overall impact of the COVID-19 pandemic remains unclear and uncertainty remains a determining factor in market developments.

Measures implemented by the Company
The Company closely monitors the development of the virus, as well as government regulations and recommendations, and keeps its employees regularly informed. The Company has introduced several measures to protect employees' health while maintaining the Company's operations::
- Employees whose work was not necessarily tied to a workplace in the Company's premises were ordered to work from home. The Company provided these employees with the necessary equipment to perform their work.
- Employees who were not allowed to work from home were divided into two groups, one of which was transferred to a backup workplace.
- Transport and protective equipment were provided for employees working on the Company's premises.

The Company has no restrictions on the availability of services or products, among other things, through increased support for digital and telecommunications channels that allow it to stay in touch with its clients.

Impact on the Company's operations
The Company regularly communicates the situation with its clients and informs them about developments on the financial markets through news published on the Company's website.

With respect to COVID-19 the Company paid increased attention to its loan portfolio. The Company approached its clients with a request to describe and analyse the current state of the business, the steps they had to take in response to COVID-19 pandemic and the estimated impact on their economic results for the year 2020.

The Company takes into account the approaches of other market participants and the opinions, recommendations and regulatory measures communicated by the regulators, such as opt-in postponement of instalments, release of repayment schedules, cancellation of some types or part of interest or fee, etc. In connection with the economic consequences of the COVID-19 pandemic, the financial situation of the Company's clients may be adversely affected, which may jeopardize their ability to meet their obligations under existing contractual terms. The Company continues monitoring and evaluating the quality of its loan portfolio in accordance with the accounting policies and risk management policies as described in Note 3 and Note 38.

The Company is adequately capitalized. The Company complies with all limits set by the Czech National Bank as well as with its internal limits.

According to the information available to the Company's management at the date of issue of the financial statements, the situation mentioned above does not affect the going concern assumption on the basis of which these financial statements have been prepared. Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company operates in will have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. Management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

6. Explanation of transition to IFRSs

As stated in Note 2(a), these are the Company's first separate financial statements prepared in accordance with IFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2020, the comparative information presented in these financial statements for the year ended 31 December 2019 and in the preparation of an opening IFRS statement of financial position at 1 January 2019 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Czech GAAP (previous GAAP).

An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of Income Statement for the year ended 31 December 2019

in thousands of CZK	Previous GAAP	Effect of transition to IFRSs IFRS 9[a]	Effect of transition to IFRSs IFRS 16[b]	Effect of transition to IFRSs Ostatní[c]	IFRS
Interest income calculated using effective interest rate method	–	762,958	–	–	762,958
Other interest income	806,095	(762,958)	–	–	43,137
Interest expense	(973,021)	(21,942)	(1,750)	–	(996,713)
Net interest income	**(166,926)**	**(21,942)**	**(1,750)**	**–**	**(190,618)**
Fee and commission income	77,271	–	–	–	77,271
Fee and commission expense	(36,954)	21,942	–	–	(15,012)
Net fee and commission income	**40,317**	**21,942**	**–**	**–**	**62,259**
Financial markets, net result	219,602	(20,074)	–	57,460	256,988
Other operating income	16,002	–	–	–	16,002
Total income	**235,604**	**(20,074)**	**(1,750)**	**57,460**	**144,631**
Personnel expenses	(24,371)	–		(2,884)	(27,255)
Depreciation and amortisation	(15,060)	–	(17,599)	10,230	(22,429)
Net impairment losses on loans, loan commitments and financial guarantees	63,502	40,165	–	–	103,667
Net impairment losses on investments in subsidiaries under previous GAAP	(282,774)	–	–	282,774	–
Other operating expenses	(150,040)	52,818	18,590	2,884	(75,748)
Total expenses	**(408,743)**	**92,983**	**991**	**293,004**	**(21,765)**
Profit from operations	**(299,748)**	**72,909**	**(759)**	**350,464**	**122,866**
Profit from equity accounted investments in subsidiaries	2,253,467	–	–	192,412	2,445,879
Profit before tax	**1,953,719**	**72,909**	**(759)**	**542,876**	**2,568,745**
Income tax expense	(64,911)	–	–	–	(164,911)
Profit for the period	**1,888,808**	**72,909**	**(759)**	**542,876**	**2,503,834**

Reconciliation of Statement of Comprehensive Income for the year ended 31 December 2019

in thousands of CZK	Previous GAAP	Effect of transition to IFRSs IFRS 9[(a)]	Effect of transition to IFRSs IFRS 16[(b)]	Effect of transition to IFRSs Ostatní[(c)]	IFRS
Profit for the period	**1,888,808**	**72,909**	**(759)**	**542,876**	**2,503,834**
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss					
Foreign exchange translation differences		—	4	(435)	(431)
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in foreign exchange translation differences	466,207	—	—	(23,122)	443,085
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components	—	39,749	—	—	39,749
Equity instruments measured at fair value through other comprehensive income – Net change in fair value under previous GAAP	(153,837)	153,837	—	—	—
Other comprehensive income for the period, net of tax	**312,370**	**193,586**	**4**	**(23,557)**	**482,403**
Total comprehensive income for the period	**2,201,178**	**266,495**	**(755)**	**519,319**	**2,986,237**

Reconciliation of Equity

1 January 2019

in thousands of CZK	Previous GAAP	Effect of transition to IFRSs IFRS 9[(a)]	Effect of transition to IFRSs IFRS 16[(b)]	Effect of transition to IFRSs Ostatní[(c)]	IFRS
Assets					
Cash and cash equivalents	1,690,812	—		—	1,690,812
Financial assets under previous GAAP	1,140,930	(1,140,930)		—	—
Financial assets for trading	—	6,127		—	6,127
Hedging derivatives	—	119,978		—	119,978
Investment securities measured at fair value through profit or loss	—	838,241		—	838,241
Investment securities at fair value through other comprehensive income	—	302,690		—	
Loans and advances to banks	—	173,026		—	173,026
Loans and advances to customers	6,699,219	7,590,065		—	14,289,284
Trade receivables and other assets	8,324,892	(8,248,760)		275	76,407
Investments in subsidiaries	36,725,632	—	—	6,613,612	43,339,244
Intangible assets	98	—		—	98
Property, plant and equipment	139,205	—	119,042	3,718	261,965
Total assets	**54,720,788**	**(359,563)**	**119,042**	**6,617,605**	**61,097,872**
Liabilities					
Loans from banks	1,782,832	131	—	—	1,782,963
Loans from customers	19,021,150	(87,757)	—	—	18,933,393
Debt securities issued	1,468,179	(77,219)	—	—	1,390,960
Subordinated debt	—	77,219	—	—	77,219
Other liabilities	163,890	(126)	119,042	3,681	286,487
Current tax liability	—	—	—	9,520	9,520
Provisions	13,201	12,484	—	(13,201)	12,484
Deferred tax liabilities	38	—	—	67,732	67,770
Total liabilities	**22,449,290**	**(75,268)**	**119,042**	**67,732**	**22,560,796**
Equity					
Share capital	15,780,308	—	—	—	15,780,308
Share premium	2,551,766	—	—	—	2,551,766
Retained earnings and other reserves	13,939,424	(284,295)	—	6,549,873	20,205,002
Total equity	**32,271,498**	**(284,295)**	**—**	**6,549,873**	**38,537,076**
Total equity and liabilities	**54,720,788**	**(359,563)**	**119,042**	**6,617,605**	**61,097,872**

31 December 2019

in thousands of CZK	Previous GAAP	Effect of transition to IFRSs IFRS 9[(a)]	Effect of transition to IFRSs IFRS 16[(b)]	Effect of transition to IFRSs Ostatní[(c)]	IFRS
Assets					
Cash and cash equivalents	2,223,529	–	–	–	2,223,529
Financial assets	739,497	(739,497)	–	–	
Financial assets for trading	–	6,920	–	–	6,920
Hedging derivatives	–	232,185	–	–	232,185
Investment securities measured at fair value through profit or loss	–	436,809	–	–	436,809
Investment securities at fair value through other comprehensive income	–	302,689	–	–	302,689
Loans and advances to banks	–	174,220	–	–	174,220
Loans and advances to customers	4,492,624	8,950,187	–	–	13,442,811
Trade receivables and other assets	9,705,644	(9,619,350)	–	723	87,017
Investments in subsidiaries	35,856,673	–	–	7,387,045	43,243,718
Intangible assets	33	–	–	–	33
Property, plant and equipment	125,810	–	100,166	12,759	238,735
Total assets	**53,143,810**	**(255,837)**	**100,166**	**7,400,527**	**60,388,666**
Liabilities					
Loans from banks	2,391,809	129	–	–	2,391,938
Loans from customers	17,320,311	(65,815)	–	–	17,254,496
Debt securities issued	3,514	–	–	–	3,514
Other liabilities	65,293	(129)	100,921	6,565	172,650
Current tax liability	–	–	–	40,929	40,929
Provisions	47,494	1,290	–	(47,494)	1,290
Deferred tax liabilities	38	–	–	157,823	157,861
Total liabilities	**19,828,459**	**(64,525)**	**100,921**	**157,823**	**20,022,678**
Equity					
Share capital	15,780,308	–	–	–	15,780,308
Share premium	2,551,766	–	–	–	2,551,766
Retained earnings and other reserves	14,983,277	(191,312)	(755)	7,242,704	22,033,914
Total equity	**33,315,351**	**(191,312)**	**(755)**	**7,242,704**	**40,365,988**
Total equity and liabilities	**53,143,810**	**(255,837)**	**100,166**	**7,400,527**	**60,388,666**

Significant adjustments to the Statement of cash flows for 2019
Changes in the statement of cash flows reflect the changes in assets and liabilities as disclosed in the table Reconciliation of Equity above.

The comment of the main adjustments between previous GAAP and IFRSs:

(a) IFRS 9 adoption

Regarding the business activities of the Company, the main adjustments focused on IFRS 9: Financial instruments. First, as at the transition date, the Company reclassified its financial instruments to individual categories following the business models adopted as described in Note 3(c). Part of this adjustment was also reclassification of interest-bearing receivables and derivatives from Trade receivables and other assets under previous GAAP to appropriate captions in the financial statements.

Further, to reflect the requirements of this standard, the Company recognized as at 1 January 2019 appropriate amount of ECL to loans and advances to customers of CZK 271,811 thousand (31 December 2019: CZK 190,022 thousand) and CZK 12,484 thousand (31 December 2019: 1,290 thousand) to loans commitments and financial guarantees complying with IFRS 9.

As at 1 January 2019, the adjustment on EIR caused the decrease of both, the closing balance of Loans from customers and Trade receivables and other assets by CZK 87,757 thousand (31 December 2019: CZK 65,815 thousand).

The Company hedged its Investments in subsidiaries against foreign currency risk under previous GAAP. The check of compliance of the hedge accounting requirements by IFRS 9 was performed and relevant documentation updated. No need for adjustment has been identified. For detail, refer to Note 17.

(b) IFRS 16 adoption

As a result of first-time adoption, the Company reflected the requirements of standard IFRS 16: Leases recognizing appropriate right-of-use related to office premises and lease liability of CZK 119,042 thousand as at 1 January 2019 (31 December 2019: CZK 110,116 thousand).

During 2019, the related rental costs of CZK 18,590 thousand were substituted by depreciation charge to recognized Rights of used of CZK 17,599 thousand and interest expense of CZK 1,750 thousand.

(c) Other

Other adjustments as at 1 January 2019 comprise mainly:
IAS 27: Separate financial statements and IAS 28:Investments in Associates and Joint Ventures: the Company selected to measure its Investment at subsidiaries using equity method as permitted by IAS 27. The value was calculated as share on equity of directly and indirectly owned participations and relevant adjustment amounting to CZK 6,613,612 thousand (31 December 2019: CZK 7,387,045 thousand) was recognized to Investments in subsidiaries. The adjustment includes also reversal of impairment arisen under previous GAAP of CZK 282,774 thousand and recognition of translation reserve of CZK -2,353,774 thousand (31 December 2019: CZK -2,286,805 thousand) to Other comprehensive income.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets from Provisions to Other liabilities: the Company reclassified the provisions of CZK 13,201 thousand (31 December 2019: CZK 40,929 thousand) related to current income tax and employees bonuses that do not meet criteria of this standard.

The remaining effect to retained earnings relates to adoption IAS 21: Effects of Changes in Foreign Exchange Rates. The reason is different approach to foreign exchange differences arisen on the Company's foreign operation represented by its branch (refer to Note 01. General information).

IAS 12: Income Taxes: Consequently to hedge accounting applied to the Investments in subsidiaries, the relevant deferred tax liability has been recognized of CZK 67,732 thousand as at 1 January 2019 (31 December 2019: CZK 157,823 thousand) decreasing the hedge reserve created in Other comprehensive income.

7. Net interest income

in thousands of CZK	2020	2019
Interest income calculated using effective interest rate		
Loans and advances to banks and customers	852,318	762,872
Other	48	86
Total interest income using effective interest rate	**852,366**	**762,958**
Interest income according to classes of instruments:		
Financial instruments measured at amortised cost	852,366	762,958
Total interest income using effective interest rate	**852,366**	**762,958**
Financial assets for trading	2,652	43,137
Total other interest income	**2,652**	**43,137**
Total interest income	**855,018**	**806,095**
Interest expense		
Loans from banks and customers	(837,339)	(994,216)
Bills of Exchange	(100)	(747)
Lease liabilities	(1,958)	(1,750)
Total interest expense	**(839,397)**	**(996,713)**
Interest expense according to classes of instruments:		
Financial instruments measured at amortised cost	(839,397)	(996,713)
Total interest expense	**(839,397)**	**(996,713)**
Total net interest income	**15,621**	**(190,618)**

8. Net fee and commission income

Fee and commission income arises on financial services provided by the Company, including mainly providing of guarantees, and project and structured finance transactions. Commissions received from such business are shown in fee and commission income.

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

Nature and timing of satisfaction of performance obligation	Revenue recognition under IFRS 15
Guarantee fees are charged to clients on regular basis, as the time passes.	Revenue is recognised over time as the services are provided.
Payment fees are transaction based and are charged when the traction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

Disaggregation of fee and commission income from contracts with customers

in thousands of CZK	2020	Disaggregation of revenue Czech Republic	Disaggregation of revenue Slovakia	Disaggregation of revenue Other
Fee and commission income				
Fees on promises and guarantees	57,515	32,355	24,940	220
Total fee and commission income	**57,515**	**32,355**	**24,940**	**220**
Fee and commission expense				
Fees on financial instrument operations	(34,094)	(34,094)	–	–
Fees on payment transactions	(62)	(4)	(58)	–
Other fees and commission expenses	(24,396)	(24,126)	(266)	(4)
Total fee and commission expense	**(38,552)**	**(38,224)**	**(324)**	**(4)**
Total net fee and commission income	**18,963**	**(5,869)**	**24,616**	**216**

Other is represented by Netherlands and Russian Federation.

in thousands of CZK	2019	Disaggregation of revenue Czech Republic	Disaggregation of revenue Slovakia
Fee and commission income			
Fees on promises and guarantees	74,861	42,108	32,753
Other fees and commission income	2,410	2,410	–
Total fee and commission income	**77,271**	**44,518**	**32,753**
Fee and commission expense			
Fees on financial instrument operations	(8,338)	(8,221)	(117)
Intermediation fees	(1,673)	(1,673)	–
Fees on payment transactions	(46)	(15)	(31)
Other fees and commission expenses	(4,955)	(2,155)	(2,800)
Total fee and commission expense	**(15,012)**	**(12,064)**	**(2,948)**
Total net fee and commission income	**62,259**	**32,454**	**29,805**

Other fees and commission income and expenses include a large number of sundry items that are not significant on an individual basis. All fees presented in the table above were recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

9. Financial markets, net result

in thousands of CZK	2020	2019
Net gains (losses) from financial instruments held for trading	(80,987)	(23,975)
– derivatives	(68,442)	24,579
– debt instruments	(12,545)	(48,554)
Net gains (losses) from non-trading financial assets mandatorily measured at FVTPL	(72,727)	228,520
Net gains (losses) from financial instruments measured at FVOCI	26,806	21,859
– dividend income from equity instruments measured at FVOCI	26,806	21,859
Exchange rate gains (losses)	295,446	30,584
Total financial markets, net result	**168,538**	**256,988**

The Company has not recorded any loss arising from derecognition of financial assets measured at amortised cost due to modification in 2020 (31 December 2019: nil).

10. Other operating income

in thousands of CZK	2020	2019
Revenues from services and consulting (IFRS 15)	653	463
Rental income (IFRS 16)	15,635	14,875
Other income (IFRS 15)	815	664
Total other operating income	**17,103**	**16,002**

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

11. Personnel expenses

in thousands of CZK	2020	2019
Wages and salaries	(23,436)	(21,335)
Compulsory social security contributions	(6,077)	(5,697)
Other social expenses	(276)	(223)
Total personnel expenses	**(29,789)**	**(27,255)**

The weighted average number of employees during 2020 was 12 (2019: 12), out of which executives represent 4 employees (2019: 4).

12. Other operating expenses

in thousands of CZK	2020	2019
Consulting expenses	(25,813)	(24,364)
Outsourcing	(13,662)	(11,382)
Rental expenses classified as service	(9,350)	(9,465)
Sponsoring and gifts	(3,904)	(3,033)
Transport and accommodation, travel expenses	(1,991)	(3,758)
Materials	(1,191)	(848)
Repairs and maintenance expenses	(773)	(547)
Low-value asset leases	(339)	(325)
Communication expenses	(195)	(253)
Training, courses and conferences	(89)	(78)
Property and other taxes	(74)	(97)
Energy	(21)	(23)
Loss on disposal of property, plant and equipment, investment property and intangible assets	(10)	–
Advertising	(6)	(787)
Other operating expenses	(16,631)	(20,788)
Total other operating expenses	**(74,049)**	**(75,748)**

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

13. Profit from equity accounted investments in subsidiaries

in thousands of CZK	2020	2019
Equity method revaluation	1,649,518	2,472,745
Transfer from other comprehensive income during the period included in:	39,256	(26,866)
foreign exchange translation differences	39,256	(26,866)
Total profit from equity accounted investments in subsidiaries	**1,688,774**	**2,445,879**

As at 31 December 2020 the foreign exchange translation differences presented above include EUR 222,041 thousand reclassified from the hedging reserve (31 December 2019: nil).

14. Income tax

in thousands of CZK	2020	2019
Current tax expense		
Current year	(6,502)	(64,911)
Adjustments for prior periods	8,556	–
Deferred tax income (expense)	**2,054**	**(64,911)**
Origination and reversal of temporary differences	8,337	–
Total	8,337	–
Total income tax expense	**10,391**	**(64,911)**

The corporate income tax rate in the Czech Republic for 2020 and 2019 is 19%. The corporate income tax rate in Slovakia for 2020 and 2019 is 21%.

(i) Reconciliation of the effective tax rate

in thousands of CZK	2020	2020	2019	2019
Profit before tax		**1,189,367**		**2,568,745**
Income tax at 19% (2019: 19%)	(19.0%)	(225,980)	(19.0%)	(488,052)
Effect of tax rates in foreign jurisdictions	(0.0%)	(554)	–	–
Non-deductible expenses	(2.4%)	(28,706)	–	–
Non-taxable income	21.6%	257,075	16.5%	423,141
Other	0.1%	8,556	–	–
Total income tax expense	**(0.3%)**	**10,391**	**(2.5%)**	**(64,911)**

(ii) Income tax recognized in other comprehensive income

in thousands of CZK	2020 Before tax	2020 Tax benefit	2020 Net of tax	2019 Before tax	2019 Tax benefit	2019 Net of tax
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	(1,145)	–	(1,145)	(431)	–	(431)
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences	(761,201)	145,323	(615,878)	533,176	(90,091)	443,085
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components	113,057	–	113,057	39,749	–	39,749
Total	**(649,289)**	**145,323**	**(503,966)**	**572,494**	**(90,091)**	**482,403**

(iii) Movements in deferred tax balances during the year

in thousands of CZK	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Balance as at 31 December 2020
Property, plant and equipment	(38)	—	—	—	(38)
Leases (IFRS 16)	—	222	—	5	227
Derivatives	(157,823)	8,115	145,323	148	(4,237)
Total	**(157,861)**	**8,337**	**145,323**	**153**	**(4,048)**

in thousands of CZK	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Balance as at 31 December 2019
Property, plant and equipment	(38)	—	—	—	(38)
Derivatives	(67,732)	—	(90,091)	—	(157,823)
Total	**(67,770)**	**—**	**(90,091)**	**—**	**(157,861)**

15. Cash and cash equivalents

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Cash and cash equivalents			
Cash on hand	210	228	265
Current accounts with banks	765,600	2,223,301	1,690,547
Total cash and cash equivalents	**765,810**	**2,223,529**	**1,690,812**

16. Financial assets for trading

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Non-derivative financial assets for trading			
Bonds	717,259	—	—
Total non-derivative financial assets for trading	**717,259**	**—**	**—**
Trading derivatives			
Currency contracts	23,726	6,911	3,011
Option contracts for share purchase	—	8	3,115
Option contracts for credit spread	1	1	1
Total trading derivatives	**23,727**	**6,920**	**6,127**
Total financial assets for trading	**740,986**	**6,920**	**6,127**

Bonds for trading as at 31 December 2020 comprise corporate bonds.

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

As at 31 December 2020 no financial assets for trading were subject to pledge (31 December 2019: nil, 1 January 2019: nil).

(i) Fair value measurement of financial assets for trading

As at 31 December 2020

in thousands of CZK	Bonds	Total
Fair value of non-derivative financial assets for trading		
Level 2 – derived from quoted prices	616,478	616,478
Level 3 – calculated using valuation techniques	100,781	100,781
Total	717,259	717,259
Fair value of trading derivatives		
Level 2 – derived from quoted prices		23,727
Total		23,727
Total financial assets for trading		**740,986**

As at 31 December 2019

in thousands of CZK	Total
Fair value of trading derivatives	
Level 2 – derived from quoted prices	6,920
Total	6,920
Total financial assets for trading	**6,920**

As at 1 January 2019

in thousands of CZK	Total
Fair value of trading derivatives	
Level 2 – derived from quoted prices	6,127
Total	6,127
Total financial assets for trading	**6,127**

(ii) Detail of fair value measurement in Level 3

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

in thousands of CZK	Bonds	Total
Balance as at 1 January 2020	**–**	**–**
Total gains (losses) recognized in profit or loss	–	–
Additions	100,781	100,781
Disposals	–	–
Interest income less interest received	–	–
Effect of movements in foreign exchange	–	–
Balance as at 31 December 2020	**100,781**	**100,781**
Balance as at 1 January 2019	**–**	**–**
Total gains (losses) recognized in profit or loss	–	–
Additions	–	–
Disposals	–	–
Interest income less interest received	–	–
Effect of movements in foreign exchange	–	–
Balance as at 31 December 2019	**–**	**–**

There were no transfers of financial assets for trading between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

17. Hedging derivatives

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Hedging derivatives (assets)			
Forward currency contracts	287,544	232,185	119,978
Total hedging derivatives (assets)	**287,544**	**232,185**	**119,978**

The Company hedges its foreign investments in subsidiaries Poštová banka, a.s. and J&T INTEGRIS GROUP LIMITED against changes in foreign currency (CZK/EUR). The Company uses currency forwards as hedging instruments for such purposes. The hedging is treated as net investment hedge under IFRS 9, because investments in subsidiaries are measured by equity method.

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

Net investment hedge

in thousands of CZK	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged Investments in subsidiaries	X	X	287,544	—
Currency forward				
Maturity less than 3 months	16,039,200	(15,747,000)	X	X
Maturity 3 months - 1 year	—	—	X	X
Maturity 1 - 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

in thousands of CZK	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Hedged Investments in subsidiaries	Hedging derivatives (assets)	(736,122)	(736,122)	—

in thousands of CZK	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Hedged Investments in subsidiaries	n/a	222,041	Profit from equity accounted investments in subsidiaries

Hedged item

in thousands of CZK	Changes in fair value used for calculating hedge ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Investments in subsidiaries	736,122	736,122	n/a

As at 31 December 2019 the balances of the net investment hedges were as follows:

Net investment hedge

in thousands of CZK	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged Investments in subsidiaries	X	X	232,185	—
Currency forward				
Maturity less than 3 months	15,498,000	(15,246,000)	X	X
Maturity 3 months - 1 year	—	—	X	X
Maturity 1 - 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

in thousands of CZK	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Hedged Investments in subsidiaries	Hedging derivatives (assets)	466,206	466,206	—

in thousands of CZK	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Hedged Investments in subsidiaries	n/a	—	n/a

Hedged item

in thousands of CZK	Changes in fair value used for calculating hedge ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Investments in subsidiaries	466,206	466,206	n/a

As at 1 December 2019 the balances of the net investment hedges were as follows:

Net investment hedge

in thousands of CZK	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged Investments in subsidiaries	X	X	119,978	–
Currency forward				
Maturity less than 3 months	15,564,000	(15,435,000)	X	X
Maturity 3 months - 1 year	–	–	X	X
Maturity 1 - 5 years	–	–	X	X
Maturity more than 5 years	–	–	X	X

in thousands of CZK	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Hedged Investments in subsidiaries	Hedging derivatives (assets)	327,000	327,000	–

in thousands of CZK	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Hedged Investments in subsidiaries	n/a	–	n/a

Hedged item

in thousands of CZK	Changes in fair value used for calculating hedge ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Účasti v dceřiných společnostech	327,000	327,000	n/a

Fair value measurement of hedging derivative assets and liabilities

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Fair value of hedging derivative assets			
Level 2 – derived from quoted prices	287,544	232,185	119,978
Total	**287,544**	**232,185**	**119,978**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

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

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Shares and other equity instruments	73,808	150,932	207,292
Investment funds units	—	285,877	630,949
Investment securities mandatorily at fair value through profit or loss	**73,808**	**436,809**	**838,241**
Total investment securities measured at fair value through profit or loss	**73,808**	**436,809**	**838,241**

There were no investment securities designated at fair value through profit or loss as at 31 December 2020 (31 December 2019: nil, 1 January 2019: nil).

As at 31 December 2020 there are no pledged investment securities at FVTPL (31 December 2019: nil, 1 January 2019: nil).

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

Investment securities mandatorily at fair value through profit or loss

As at 31 December 2020

in thousands of CZK	Shares and other equity instruments	Investment funds units	Total
Level 2 – derived from quoted prices	73,808	—	73,808
Total	**73,808**	**—**	**73,808**

As at 31 December 2019

in thousands of CZK	Shares and other equity instruments	Investment funds units	Total
Level 2 – derived from quoted prices	150,932	285,877	436,809
Total	**150,932**	**285,877**	**436,809**

As at 1 January 2019

in thousands of CZK	Shares and other equity instruments	Investment funds units	Total
Level 2 – derived from quoted prices	207,292	630,949	838,241
Total	**207,292**	**630,949**	**838,241**

(ii) Detail of fair value measurement in Level 3

There were no investment securities at fair value through profit or loss in Level 3 of the fair value hierarchy as at 31 December 2020, 31 December 2019 and 1 January 2019.

There were no transfers of investment securities at fair value through profit or loss between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

19. Investment securities at fair value through other comprehensive income

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Shares and other equity instruments	4,418	4,416	4,417
Other financial assets	298,273	298,273	298,273
Total investment securities at fair value through other comprehensive income	**302,691**	**302,689**	**302,690**

Investment securities at fair value through other comprehensive income comprise primarily perpetuity issued by J&T BANKA, a.s.

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December 2020 pledged investment securities at FVOCI amounted to CZK 47 thousand (31 December 2019: CZK 46 thousand, 1 January 2019: CZK 46 thousand).

(i) Equity investment securities at fair value through other comprehensive income

Equity investment securities at fair value through other comprehensive income comprise the following individually significant securities with corresponding dividend income recognised during the relevant period (listed major investments in terms of industry sector):

in thousands of CZK	31 December 2020 Fair value	31 December 2020 Dividend income	31 December 2019 Fair value	31 December 2019 Dividend income
Investment securities at FVOCI	302,691	26,806	302,689	21,804
Total	**302,691**	**26,806**	**302,689**	**21,804**

During the year 2020 and 2019 no equity investment securities at fair value were derecognised. There was no cumulative loss on disposal in the corresponding years.

During the year 2020 and 2019 no cumulative loss totalling was transferred within equity from other comprehensive income to retained earnings.

(ii) Fair value measurement of investment securities at fair value through other comprehensive income

31 December 2020

in thousands of CZK	Shares and other equity instruments	Other financial assets	Total
Level 2 – derived from quoted prices	–	298,273	298,273
Level 3 – calculated using valuation techniques	4,418	–	4,418
Total	**4,418**	**298,273**	**302,691**

31 December 2019

in thousands of CZK	Shares and other equity instruments	Other financial assets	Total
Level 2 – derived from quoted prices	–	298,273	298,273
Level 3 – calculated using valuation techniques	4,416	–	4,416
Total	**4,416**	**298,273**	**302,689**

1 January 2019

in thousands of CZK	Shares and other equity instruments	Other financial assets	Total
Level 2 – derived from quoted prices	–	298,273	298,273
Level 3 – calculated using valuation techniques	4,417	–	4,417
Total	**4,417**	**298,273**	**302,690**

(iii) Detail of fair value measurement in Level 3

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

in thousands of CZK	Shares and other equity instruments	Total
Balance as at 1 January 2020	**4,416**	**4,416**
Total gains (losses) recognised in other comprehensive income	–	–
Total gains for the period recognized in profit or loss	–	–
Additions	–	–
Disposals	–	–
Interest income less interest received	–	–
Effect of movements in foreign exchange	2	2
Balance as at 31 December 2020	**4,418**	**4,418**

in thousands of CZK	Shares and other equity instruments	Total
Balance as at 1 January 2019	**4,417**	**4,417**
Total gains (losses) recognized in other comprehensive income	–	–
Total gains for the period recognised in profit or loss	–	–
Additions	–	–
Disposals	–	–
Interest income less interest received	–	–
Effect of movements in foreign exchange	(1)	(1)
Balance as at 31 December 2019	**4,416**	**4,416**

There were no transfers of investment securities at FVOCI between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2020 and 2019.

20. Loans and advances to banks

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Subordinated loans	–	174,220	173,026
Net loans and advances to banks at amortised cost	**–**	**174,220**	**173,026**

21. Loans and advances to customers

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Loans and advances to customers	15,976,394	13,632,833	14,561,095
Less allowance for impairment of loans (refer to Note 26 (d))	(669,355)	(190,022)	(271,811)
Net loans and advances to customers at amortised cost	**15,307,039**	**13,442,811**	**14,289,284**
Total net loans and advances to customers	**15,307,039**	**13,442,811**	**14,289,284**

There were no loans and advances to customers at fair value through profit or loss as at 31 December 2020, 31 December 2019 and 1 January 2019.

There were no non-interest bearing loans as at 31 December 2020, 31 December 2019 and 1 January 2019.

22. Trade receivables and other assets

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Trade receivables	38,385	43,481	44,027
– gross	172,631	173,518	228,734
– allowance	(134,246)	(130,037)	(184,707)
Securities settlement balances	19,283	21,499	3,509
Other receivables	27,248	19,728	27,202
– gross	763,122	732,190	748,496
– allowance	(735,874)	(712,462)	(721,294)
Total receivables presented under risk management at amortised cost (refer to Note 43)	**84,916**	**84,708**	**74,738**
Prepayments	1,823	1,253	1,269
Advance payments	245	1,036	344
– gross	245	1,036	344
– allowance	–	–	–
Other tax receivables	2	–	–
Inventories	46	20	56
Total non-financial receivables and other assets	**2,116**	**2,309**	**1,669**
Total trade receivables and other assets	**87,032**	**87,017**	**76,407**

Other receivables include other individually insignificant items, such as cash collateral provided for the purposes of derivative trading.

For details on ECL refer to Note 26 (e).

23. Amounts arising from expected credit losses (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance and provisions by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (h).

(a) Loans and advances to customers at amortised cost

2020

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditmpaired	Purchased creditimpaired	Total
Balance as at 1 January	**171,056**	**18,966**	**—**	**—**	**190,022**
Net remeasurement of loss allowance	512,806	(1 822)	—	—	510,984
Derecognition	(3,972)	—	—	—	(3,972)
Effect of movements in foreign exchange	(27,678)	(1)	—	—	(27,679)
Balance as at 31 December (refer to Note 21)	**652,212**	**17,143**	**—**	**—**	**669,355**

2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditmpaired	Purchased creditimpaired	Total
Balance as at 1 January	**256,281**	**15,530**	**—**	**—**	**271,811**
Net remeasurement of loss allowance	(91,720)	3,238	—	—	(88,482)
Derecognition	(3,974)	—	—	—	(3,974)
Effect of movements in foreign exchange	10,469	198	—	—	10,667
Balance as at 31 December (refer to Note 21)	**171,056**	**18,966**	**—**	**—**	**190,022**

The Expected Credit Losses for Loans and advances to customers increased by CZK 481,156 thousand (2019: decreased by CZK 81,789 thousand).

(b) Trade receivables presented under risk management at amortised cost

2020

in thousands of CZK	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Balance as at 1 January	**–**	**842,499**	**842,499**
Write-offs and use		(42)	(42)
Effect of movements in foreign exchange		27,663	27,663
Balance as at 31 December (refer to Note 25)		**870,120**	**870,120**

2019

in thousands of CZK	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Balance as at 1 January	**–**	**906,001**	**906,001**
Write-offs and use			
Effect of movements in foreign exchange	–	(63,502)	(63,502)
Balance as at 31 December (refer to Note 25)	**–**	**842,499**	**842,499**

(c) Loan commitments and financial guarantee contracts

2020

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Balance as at 1 January	**1,290**	**–**	**–**	**1,290**
Net remeasurement of loss allowance	85,618	–	–	85,618
Commitments and financial guarantees derecognized	(217)	–	–	(217)
Foreign exchange and other movements	(110)	–	–	(110)
Balance as at 31 December (refer to Note 36)	**86,581**	**–**	**–**	**86,581**

2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Balance as at 1 January	**12,484**	**–**	**–**	**12,484**
Net remeasurement of loss allowance	(5,993)	–	–	(5,993)
Commitments and financial guarantees derecognized	(5,218)	–	–	(5,218)
Foreign exchange and other movements	17	–	–	17
Balance as at 31 December (refer to Note 36)	**1,290**	**–**	**–**	**1,290**

24. Investments in subsidiaries

The value of investment in subsidiaries is derived from the value of share on the equity on their direct and indirect subsidiaries. The sub-groups which are presented by the following entities are disclosed in detail in Note 41. Group entities.

in thousands of CZK	31 December 2020	Share Capital	Share %	Scope of business	Country
J&T INTEGRIS GROUP LIMITED	1,093,879	6,929	100.0 %	Holding company	CY
J&T BANKA, a.s.	18,844,896	10,638,127	100.0 %	Banking	CZ
Poštová banka, a.s.	17,325,666	9,613,680	98.5 %	Banking	SK
J&T Wine Holding SE	1,303,953	900,620	100.0 %	Target business holding and financing	CZ
J&T Mezzanine, a.s.	1,902,055	2,000	100.0 %	Mezzanine financing	CZ
J&T SERVICES ČR, a.s.	285,495	141,134	100.0 %	Providing servises e.g. for the group	CZ
J&T INVESTMENTS SICAV*	100	100	100.0 %	Funding shares of the investment fund	CZ
Compact Property Fund*	4,260	3,500	100.0 %	Real estate investment fund	CZ
J&T NOVA Hotels SICAV, a.s.*	932	100	100.0 %	Real estate investment fund	CZ
Total	**40,761,236**				

in thousands of CZK	31 December 2019	Share Capital	Share %	Scope of business	Country
J&T INTEGRIS GROUP LIMITED	5,191,889	6,708	100.0%	Holding company	CY
J&T BANKA, a.s.	18,320,638	10,638,127	100.0%	Banking	CZ
Poštová banka, a.s.	10,426,485	9,307,815	64.5%	Banking	SK
J&T Wine Holding SE	1,329,917	900,620	100.0%	Target business holding and financing	CZ
J&T Mezzanine, a.s.	2,225,744	2,000	100.0%	Mezzanine financing	CZ
J&T SERVICES ČR, a.s.	244,013	141,134	100.0%	Providing servises e.g. for the group	CZ
J&T INVESTMENTS SICAV*	100	100	100.0%	Funding shares of the investment fund	CZ
Compact Property Fund*	4,260	3,500	100.0%	Real estate investment fund	CZ
PBI, a. s.	5,500,672	5,777,000	100.0%	Investments	CZ
Total	**43,243,718**				

in thousands of CZK	1 January 2019	Share Capital	Share %	Scope of business	Country
J&T INTEGRIS GROUP LIMITED	5,995,633	6,102	100.0%	Holding company	CY
J&T BANKA, a.s.	16,185,040	10,638,127	100.0%	Banking	CZ
Poštová banka, a.s.	11,683,725	9,423,196	64.5%	Banking	SK
J&T Wine Holding SE	1,096,212	900,620	100.0%	Target business holding and financing	CZ
J&T Mezzanine, a.s.	1,975,208	2,000	100.0%	Mezzanine financing	CZ
J&T SERVICES ČR, a.s.	233,090	141,134	100.0%	Providing servises e.g. for the group	CZ
Compact Property Fund*	4,260	3,500	100.0%	Real estate investment fund	CZ
PBI, a. s.	6,166,076	5,777,000	100.0%	Investments	CZ
Total	**43,339,244**				

* The Company holds only the Founder shares of the Funds (not investment shares).

In 2020, the Company provided capital contributions into its subsidiaries J&T Wine Holding SE (CZK 5,000 thousand) and to J&T Mezzanine, a.s. (CZK 144,290 thousand).

As of 1 January, 2020 PBI, a. s. merged with the Company, therefore the share in Poštová banka, a.s. increased by the share previously held by PBI, a. s. Following the merger, PBI, a. s. ceased to exist.

On 16 January 2020, redeemable preference shares of J&T INTEGRIS GROUP LIMITED in the amount of EUR 161,620 thousand were redeemed, causing a decrease in the total equity of this subsidiary.

J&T Bank (Schweiz) AG in Liquidation entered into liquidation in 2012. As its result, control has been lost. Therefore the share is no longer reported as the subsidiary of the Company, although the Company is still legal owner. In addition to this, the participation interest in J&T Bank (Schweiz) AG is fully impaired.

25. Intangible assets

in thousands of CZK	Software and other intangible assets	Total
Gross carrying amount at 1 January 2019	1,508	1,508
Accumulated amortization and impairment at 1 January 2019	(1,410)	(1,410)
Net carrying amount at 1 January 2019	**98**	**98**
Additions	–	–
Amortisation charge for the year	(65)	(65)
Impairment	–	–
Disposals	–	–
Effect of movements in foreign exchange	–	–
Net carrying amount at 31 December 2019	**33**	**33**
Gross carrying amount at 31 December 2019	1,494	1,494
Accumulated amortization and impairment at 31 December 2019	(1,461)	(1,461)
Gross carrying amount at 1 January 2020	1,494	1,494
Accumulated amortization and impairment at 1 January 2020	(1,461)	(1,461)
Net carrying amount at 1 January 2020	**33**	**33**
Additions	761	761
Amortisation charge for the year	(34)	(34)
Impairment	–	–
Disposals	–	–
Effect of movements in foreign exchange	–	–
Net carrying amount at 31 December 2020	**760**	**760**
Gross carrying amount at 31 December 2020	2,291	2,291
Accumulated amortization and impairment at 31 December 2020	(1,531)	(1,531)

Assets under development and borrowing costs
As at 31 December 2020 there were no intangible assets under development (otherwise included in Other intangible assets) was (31 December 2019: nil, 1 January 2019: nil).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2019: nil).

26. Property, plant and equipment

in thousands of CZK	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2019	170,209	119,042	74,862	364,113
Accumulated depreciation and impairment at 1 January 2019	(33,841)	—	(68,307)	(102,148)
Net carrying amount at 1 January 2019	**136,368**	**119,042**	**6,555**	**261,965**
Additions	737	—		1,963
Depreciation charge for the year	(4,725)	(17,599)	(40)	(22,364)
Impairment	—	—	—	—
Changes due to modifications under IFRS 16	—	—	—	—
Disposals	—	—	—	—
Effect of movements in foreign exchange	(609)	(1,277)	(943)	(2,829)
Net carrying amount at 31 December 2019	**131,771**	**100,166**	**6,798**	**238,735**
Gross carrying amount at 31 December 2019	168,861	117,585	74,397	360,843
Accumulated depreciation and impairment at 31 December 2019	(37,090)	(17,419)	(67,599)	(122,108)
Gross carrying amount at 1 January 2020	168,861	117,585	74,397	360,843
Accumulated depreciation and impairment at 1 January 2020	(37,090)	(17,419)	(67,599)	(122,108)
Net carrying amount at 1 January 2020	**131,771**	**100,166**	**6,798**	**238,735**
Additions		9,426		9,426
Depreciation charge for the year	(4,810)	(18,352)	(185)	(23,347)
Impairment	—		—	—
Changes due to modifications under IFRS 16	—	(17,653)	—	(17,653)
Disposals	—	—	—	
Effect of movements in foreign exchange	4,376	2,114	130	6,620
Net carrying amount at 31 December 2020	**131,337**	**75,701**	**6,743**	**213,781**
Gross carrying amount at 31 December 2020	174,410	110,989	77,328	362,727
Accumulated depreciation and impairment at 31 December 2020	(43,073)	(35,288)	(70,585)	(148,946)

As at 31 December 2020 no Company's property, plant and equipment is subject to pledges (31 December 2019: nil, 1 January 2019: nil).

As at 31 December 2020 the Company's property, plant and equipment was insured up to an amount of CZK 299,076 thousand (31 December 2019: CZK 289,561 thousand, 1 January 2019: CZK 289,561 thousand).

Assets under construction and borrowing costs
As at 31 December 2020 there was no property, plant and equipment under construction (otherwise included in Fixtures, fittings and equipment) (31 December 2019: nil, 1 January 2019: nil).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the years 2020 and 2019.

Idle assets
As at 31 December 2020, 31 December 2019 and 1 January 2019 the Company had no material idle assets.

27. Loans from banks

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Other received loans	3,352,690	2,391,938	1,782,963
Loans from banks at amortised cost	**3,352,690**	**2,391,938**	**1,782,963**
Total loans from banks	**3,352,690**	**2,391,938**	**1,782,963**

28. Loans from customers

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Other received loans	13,363,823	17,254,496	18,933,393
Loans from customers at amortised cost	**13,363,823**	**17,254,496**	**18,933,393**
Total loans from customers	**13,363,823**	**17,254,496**	**18,933,393**

29. Debt securities issued

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
At amortised cost	3,615	3,514	1,390,960
Total debt securities issued	**3,615**	**3,514**	**1,390,960**

There were no debt securities issued designated at fair value through profit or loss at 31 December 2020, 31 December 2019 and 1 January 2019.

The following table shows the detail for debt securities issued at amortised cost:

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Issued bills of exchange and loan notes	3,615	3,514	1,390,960
Total other debt securities issued	**3,615**	**3,514**	**1,390,960**
Total debt securities issued at amortised cost	**3,615**	**3,514**	**1,390,960**

The interest from all issues is paid regularly twice a year or four times a year.

The Company has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2020 and 2019.

Reconciliation of movements of liabilities to cash flows arising from financing activities

in thousands of CZK	Lease liabilities[1]	Debt securities issued	Subordinated debt	Loans from banks and customers	Retained earnings and other reserves	Total
Balance at 1 January 2020	**100,921**	**3,514**	**—**	**19,646,434**	**14,377,063**	**34,127,932**
Changes from financing cash flows						
Proceeds from issued debt securities	—	101	—	—	—	101
Change in loans from banks and customers	—	—	—	(2,839,586)	—	(2,839,586)
Payments of lease liabilities (principal)	(24,024)	—	—		—	(24,024)
Issue of other capital instruments	—	—	—		500,000	500,000
Bonus payments from issued other capital instruments	—	—	—	—	(273,175)	(273,175)
Dividends paid						
Total changes from financing cash flows	**(24,024)**	**101**	**—**	**(2,839,586)**	**226,825**	**(2,636,684)**
The effect of changes in foreign exchange rates	—	—	—	74,554	(1,145)	73,409
Other changes						
Liablitiy-related						
Lease liabilities from new leases	—	—	—	—	—	—
Transfers and other non-cash movements	—	—	—	—	—	—
Interest expense	—	—	—	839,397	—	839,397
Interest paid	—	—	—	(1,004,286)	—	(1,004,286)
Total liability-related other changes	**—**	**—**	**—**	**(164,889)**	**—**	**(164,889)**
Total equity-related other changes	**—**	**—**		**—**	**(209,494)**	**(209,494)**
Balance at 31 December 2020	**76,897**	**3,615**	**—**	**16,716,513**	**14,393,249**	**31,190,274**

[1] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

in thousands of CZK	Finance lease liabilities	Debt securities issued	Subordinated debt	Loans from banks and customers	Retained earnings and other reserves	Total
Balance as at 1 January 2019	**119,042**	**1,390,960**	**77,219**	**20,716,356**	**13,594,913**	**35,898,490**
Changes from financing cash flows						
Change in loans from banks and customers	–	–	–	(1,069,922)	–	(1,069,922)
Payments for buy-back	–	(1,387,446)	–	–	–	(1,387,446)
Subordinated debt paid	–	–	(77,219)	–	–	(77,219)
Payments of lease liabilities (principal)	(18,121)	–	–	–	–	(18,121)
Bonus payments from issued other capital instruments	–	–	–	–	(257,325)	(257,325)
Dividends paid	–	–	–	–	(900,000)	(900,000)
Total changes from financing cash flows	**(18,121)**	**(1,387,446)**	**(77,219)**	**(1,069,922)**	**(1,157,325)**	**(3,710,033)**
The effect of changes in foreign exchange rates	–	–	–	(61,278)	(431)	(61,709)
Other changes						
Liability-related						
Lease liabilities from new leases	–	–	–	–	–	–
Transfers and other non-cash movements (including impact of IFRS 16)	–	–	–	–	–	–
Interest expense	–	–	–	996,713	–	996,713
Interest paid	–	–	–	(935,435)	–	(935,435)
Total liability-related other changes	**–**	**–**	**–**	**61,278**	**–**	**61,278**
Total equity-related other changes	**–**	**–**	**–**	**–**	**1,939,906**	**1,939,906**
Balance as at 31 December 2019	**100,921**	**3,514**	**–**	**19,646,434**	**14,377,063**	**34,127,932**

30. Subordinated debt

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Subordinated debt at amortised cost	–	–	77,219

Subordinated debt as at 1 January 2019 was represented by fixed interest subordinated term deposits in total amount of CZK 77,219 thousand and was fully repaid during 2019.

31. Other liabilities

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Employee benefits	11,876	7,408	4,339
Lease liabilities (refer to Note 42.1)	76,897	100,921	119,042
Securities settlement balances	47	46	46
Trade payables	4,088	2,017	10,050
Unbilled supplies	7,025	7,804	7,963
Other liabilities	368,922	53,413	138,840
Total other liabilities under risk management (refer to Note 43)	**468,855**	**171,609**	**280,280**
Other tax liabilities	535	563	5,016
Deferred income	498	478	1,191
Total non-financial other liabilities	**1,033**	**1,041**	**6,207**
Total	**469,888**	**172,650**	**286,487**

Other liabilities include a cash payments received to settle the derivative in the amount of CZK 317,300 thousand (2019: CZK 0 thousand).

32. Provisions

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Financial guarantee contracts issued under IFRS 9 (refer to Note 23 (c))	1,136	135	200
Loan commitments issued under IFRS 9 (refer to Note 23 (c))	85,445	1,155	12,284
Total provisions	**86,581**	**1,290**	**12,484**

The Company has issued no loan commitment nor financial guarantee contracts that are measured at fair value through profit or loss.

33. Deferred tax assets and liabilities

33.1. Unrecognised deferred tax assets

The Company has no unrecognized tax losses.

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. In Slovakia, tax losses arisen after 1 January 2010 can be amortised in the next four years equally each year. Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

33.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

in thousands of CZK	31 December 2020 Assets	31 December 2020 Liabilities	31 December 2019 Assets	31 December 2019 Liabilities	1 January 2019 Assets	1 January 2019 Liabilities
Property, plant and equipment	–	38	–	38	–	38
Leases (IFRS 16)	227	–	–	–	–	–
Derivatives	–	4,237	–	157,823	–	67,732
Subtotal	2,227	4,275	–	157,861	–	67,770
Netting[1]	(227)	(227)	–	–	–	–
Total	**–**	**4,048**	**–**	**157,861**	**–**	**67,770**

[1] Netting – gross deferred tax assets and liabilities were netted for each individual subsidiary of the Company when applicable.

34. Shareholders' equity

(i) Share capital

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2020 and 31 December 2019 consists of 10 ordinary shares with a par value of CZK 200,000, 13,778,752 ordinary shares with a par value of CZK 1,000 and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The share capital amounts to CZK 15,780,308 thousand both in 2020 and 2019.

(ii) Non-distributable reserves

Non-distributable reserves include the legal reserve fund of the Company. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on statutory regulations.

Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

(iii) Translation reserve

FThe translation reserve comprises the foreign exchange differences arising from the translation of the financial statements of the branch.

(iv) Other reserves and funds

In 2016 the Company also issued and sold subordinated unsecured certificates with a nominal value of EUR 100 thousand and no maturity date in the amount of CZK 5,407,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear a 9% (first two years) and 5% (subsequently) annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

On 12 October 2020 the Company issued and subsequently sold further subordinated unsecured certificates with a nominal value of CZK 100 thousand and no maturity date in the amount of CZK 500,000 thousand. These certificates bear a 7.5% annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. The issuance of these instruments was approved by the Czech National Bank (CNB) on 18 September 2020 and they are listed on the Prague Stock Exchange.. The instruments comply with the requirements to be recognized as additional capital AT1.

In 2016, a special purpose capital fund (Perpetuity fund) for distribution of yield from certificates described above was established by the Company. The fund is part of retained earnings and distribution of income from the fund complies with the prospectus of the capital instrument. The total amount of yield paid in 2020 was CZK 273,175 thousand (2019: CZK 257,325 thousand) and is presented as distribution of retained earnings in the statement of changes in equity.

(v) Dividends

In 2020 the Company did not pay any dividends to its shareholders.

The shareholders agreed on the Annual general meeting held on 28 June 2019 payment of ordinary dividend as follows: a dividend per share with nominal amount of CZK 1 in the amount of CZK 0.0570, per share with nominal amount of CZK 1,000 in the amount of CZK 57.0331 and per share with nominal amount of CZK 200,000 in the amount of CZK 11,406.6213, totalling CZK 900,000 thousand. The dividends were paid on 26 July 2019.

35. Fair value information

The following table is a comparison of the carrying amounts and fair values of the Company's financial assets and liabilities that are not carried at fair value:

31 December 2020

in thousands of CZK	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	765,810	–	765,810	–	765,810
Loans and advances to customers	15,307,039	–	–	14,930,054	14,930,054
Trade receivables and other financial assets under risk management	84,916	–	–	84,916	84,916
Financial liabilities					
Loans from banks	3,352,690	–	3,344,435	–	3,344,435
Loans from customers	13,363,823	–	13,363,823	–	13,363,823
Debt securities issued	3,615	–	3,615	–	3,615
Other financial liabilities under risk management	468,855	–	468,855	–	468,855

31 December 2019

in thousands of CZK	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	2,223,529	–	2,223,529	–	2,223,529
Loans and advances to banks	174,220	–	174,220	–	174,220
Loans and advances to customers	13,442,811	–	–	13,409,294	13,409,294
Trade receivables and other financial assets under risk management	84,708	–	–	84,708	84,708
Financial liabilities					
Loans from banks	2,391,938	–	2,390,998	–	2,390,998
Loans from customers	17,254,496	–	17,254,496	–	17,254,496
Debt securities issued	3,514	–	3,514	–	3,514
Other financial liabilities under risk management	171,609	–	171,609	–	171,609

36. Financial commitments and contingencies

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Loan commitments under IFRS 9	6,772,838	4,673,505	2,647,159
Financial guarantee contracts under IFRS 9	12,566,226	11,820,644	14,685,918
Pledged assets	47	46	46
Total financial commitments and contingencies	**19,339,111**	**16,494,195**	**17,333,123**

Loan commitments relate to loan facilities granted by the Company. Financial guarantee contracts mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties. These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount for guarantees given by the Company as at 31 December 2020 is CZK 12,610,451 thousand (31 December 2019: CZK 11,867,690 thousand, 1 January 2019: CZK 16,293,447 thousand).

37. Leases

37.1. Leases as lessee

The Company leases mainly office premises for its business activities, cars and related office equipment. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. Unless recognition exemption for leases is used (see Note 3 (w)), a right-of-use is recognized for such underlying assets.

For reconciliation of right-of-use assets from opening to closing balance refer to Note 30.

For lease related expenses/income refer to Note 8. Net interest income, Note 11. Other operating income or Note 1. Other operating expenses.

For other information relating to the specified leases see below.

Maturity analysis of lease liabilities is as follows:

in thousands of CZK	31 December 2020	31 December 2019	1 January 2019
Less than one year	19,417	18,452	18,038
Between one and five years	74,779	73,807	72,628
More than five years	7,645	13,839	31,755
Total	**101,841**	**106,098**	**122,421**

in thousands of CZK	2020	2019
Total cash outflow for leases	(18,932)	(18,038)

37.2. Leases as lessor

(a) Operating leases
The Company leases out its property under operating leases.

in thousands of CZK	31 December 2020	31 December 2019
Less than 1 year	15,117	14,611
More than 1 year but less than 2 years	–	–
More than 2 year but less than 3 years	–	–
More than 3 year but less than 4 years	–	–
More than 4 year but less than 5 years	–	–
More than 5 years	–	–
Total	**15,117**	**14,611**

During the year ended 31 December 2020, CZK 15,635 thousand was recognized as rental income (2019: CZK 14,875 thousand).

(b) Finance leases
The Company does not have any finance leases.

38. Risk management policies and disclosures

The Company has exposure to the following risks:
- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

38.1. Credit risk
The Company's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Company is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 34. Financial commitments and contingencies).

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Company's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Company.

The assessment of credit risk in respect of a counterparty or an issued debt is based on the Company's internal rating system, covering both external credit assessments and the Company's internal scoring system.

The Company monitors concentrations of credit risk by geographic location.

(i) Concentration of credit risk by location

31 December 2020

in thousands of CZK	Czech Republic	Slovakia	Cyprus	Russian Federation	Other	Carrying amount
Financial assets						
Cash and cash equivalents	720,898	44,764	–	148	–	765,810
Financial assets for trading	38,587	702,399	–	–	–	740,986
Hedging derivatives	–	–	287,544	–	–	287,544
Investment securities measured at fair value through profit or loss	–	73,808	–	–	–	73,808
Investment securities at fair value through other comprehensive income	298,273	–	–	4,418	–	302,691
Investment securities at amortised cost	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–
Loans and advances to customers	8,094,169	348,376	6,849,041	15,453	–	15,307,039
Trade receivables and other financial assets under risk management	32,319	41,826	–	61	10,710	84,916
Total	**9,184,246**	**1,211,173**	**7,136,585**	**20,080**	**10,710**	**17,562,794**
Amount committed/guaranteed[2]						
Loan commitments under IFRS 9	6,762,492	–	10,346	–	–	(1,136)
Financial guarantee contracts under IFRS 9	7,843,445	4,667,250	–	–	55,531	(85,445)
	14,605,937	**4,667,250**	**10,346**	**–**	**55,531**	**(86,581)**
Total	**23,790,183**	**5,878,423**	**7,146,931**	**20,080**	**66,241**	**17,476,213**

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2019

in thousands of CZK	Czech Republic	Slovakia	Cyprus	Russian Federation	Other	Carrying amount
Financial assets						
Cash and cash equivalents	2,200,002	23,342	—	185	—	2,223,529
Financial assets for trading	6,912	8	—	—	—	6,920
Hedging derivatives	—	—	232,185	—	—	232,185
Investment securities measured at fair value through profit or loss	285,876	150,932	—	—	—	436,809
Investment securities at fair value through other comprehensive income	298,272	—	—	4,417	—	302,689
Investment securities at amortised cost	—	—	—	—	—	—
Loans and advances to banks	—	—	—	174,220	—	174,220
Loans and advances to customers	6,752,318	342,395	6,319,970	—	28,128	13,442,811
Trade receivables and other financial assets under risk management	41,901	3,483	—	—	39,324	84,708
Total	**9,585,281**	**520,160**	**6,552,155**	**178,822**	**67,452**	**16,903,870**
Amount committed/guaranteed[2]						
Loan commitments under IFRS 9	4,664,336	—	9,169	—	—	(135)
Financial guarantee contracts under IFRS 9	3,922,112	7,844,754	—	—	53,777	(1,155)
	8,586,448	**7,844,754**	**9,169**	**—**	**53,777**	**(1,290)**
Total	**16,288,674**	**8,364,914**	**8,444,379**	**178,822**	**121,229**	**16,902,581**

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Financial guarantee contracts under IFRS 9 in 2020 in the location Other are guarantees to the Netherlands.

Loans and advances to banks in 2019 in location Other include loans in Russia.

(ii) Credit risk – credit quality analysis

The following tables provide information on the Company's credit risk exposure based on its internal rating grades. The analysis is provided for the most significant exposures at amortised cost and at fair value through other comprehensive income.

Internal grading	Credit risk exposure
1	Very low risk
2	Low risk
3	Low risk
4	Low risk
5	Medium risk
6	Medium risk
7	Medium risk
8	Medium risk
9	Medium risk
10	High Risk
11	High Risk
12	High Risk
Default	Default

Loans and advances to customers

31 December 2020

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	–	–	–	–	–
Low risk	–	–	–	–	–
Medium risk	15,901,008	75,386	–	–	15,976,394
High Risk	–	–	–	–	–
Default	–	–	–	–	–
Without classification	–	–	–	–	–
Loss allowance	(652,212)	(17,143)	–	–	(669,355)
Carrying Amount	**15,248,796**	**58,243**	**–**	**–**	**15,307,039**

31 December 2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	–	–	–	–	–
Low risk	–	–	–	–	–
Medium risk	13,562,022	70,811	–	–	13,632,833
High Risk	–	–	–	–	–
Default	–	–	–	–	–
Without classification	–	–	–	–	–
Loss allowance	(171,056)	(18,966)	–	–	(190,022)
Carrying Amount	**13,390,966**	**51,845**	**–**	**–**	**13,442,811**

Loans and advances to banks

31 December 2020

There were no Loans and advances to banks as at 31 December 2020.

31 December 2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	174,220	—	—	—	174,220
Loss allowance	—	—	—	—	—
Carrying Amount	**174,220**	**—**	**—**	**—**	**174,220**

Loan commitments under IFRS 9[2]

31 December 2020

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Very low risk	—	—	—	—
Low risk	—	—	—	—
Medium risk	6,773,974	—	—	6,773,974
High Risk	—	—	—	—
Default	—	—	—	—
Without classification	—	—	—	—
Loss allowance	(1,136)	—	—	(1,136)
Carrying amount	**6,772,838**	**—**	**—**	**6,772,838**

31 December 2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Very low risk				
Low risk	—	—	—	—
Medium risk	4,673,640			4,673,640
High Risk	—	—	—	—
Default	—	—	—	—
Without classification	—	—	—	—
Loss allowance	(135)	—	—	(135)
Carrying amount	**4,673,505**	**—**	**—**	**4,637,505**

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

Financial guarantee contracts under 9[2]

31. prosince 2020

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Very low risk	–	–	–	–
Low risk	–	–	–	–
Medium risk	12,651,671	–	–	12,651,671
High Risk	–	–	–	–
Default	–	–	–	–
Loss allowance	(85,445)	–	–	(85,445)
Carrying amount	**12,566,226**	**–**	**–**	**12,566,226**

31 December 2019

in thousands of CZK	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Total
Very low risk	–	–	–	–
Low risk	–	–	–	–
Medium risk	11,821,799	–	–	11,821,799
High Risk	–	–	–	–
Default	–	–	–	–
Loss allowance	(1 155)	–	–	(1 155)
Carrying amount	**11,820,644**	**–**	**–**	**11,820,644**

(iii) Credit risk – Loss given default and Probability of default

An analysis of the Company's sensitivity to an increase or decrease in Loss given default (LGD) and Probability of default (PD) on overall Expected credit losses (ECL) is as follows:

in thousands of CZK	31 December 2020	31 December 2019
Increase in LGD by 10%	66,542	19,016
Decrease in LGD by 10%	(66,938)	(19,016)
Increase in PD by 10%	66,938	19,016
Decrease in PD by 10%	(66,938)	(19,016)

(iv) Credit risk - collaterals

Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts. Derivative transactions are subject to collateral management contracts. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Company and its counterparties are usually required to post collateral to mitigate counterparty credit risk.

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

Loans and advances to customers are secured by collateral with the fair values below:

31 December 2020

in thousands of CZK	Carrying amount 12-month ECL and Lifetime ECL not creditimpaired	Accepted collateral value 12-month ECL and Lifetime ECL not creditimpaired	Carrying amount Lifetime ECL creditimpaired	Accepted collateral value Lifetime ECL creditimpaired
Other	348,376	–	–	–
Total	**348,376**	**–**	**–**	**–**

31 December 2019

in thousands of CZK	Carrying amount 12-month ECL and Lifetime ECL not creditimpaired	Accepted collateral value 12-month ECL and Lifetime ECL not creditimpaired	Carrying amount Lifetime ECL creditimpaired	Accepted collateral value Lifetime ECL creditimpaired
Other	349,001	–	–	–
Total	**349,001**	**–**	**–**	**–**

The CZK 348,376 thousand (2019: CZK 349,001 thousand) represents movables serving as collateral for a provided loan to customer.

(v) Credit risk – forbearance

The Company classifies all its receivables from clients into categories performing or non-performing laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: exposures which are more than 90 days past due; exposures where the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due or exposures that have been found credit-impaired (Stage 3), including purchased or originated credit-impaired assets as non-performing. Exposures are classified as performing when they are not classified as non-performing.

Forbearance

The Company treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Company decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Exposure forbearance

in thousands of CZK	31 December 2020	31 December 2019
Performing exposure	15,307,039	13,442,811
– performing exposure forborne	–	–
Non-performing exposure	–	–
– non-performing exposure forborne	–	–
Total	**–**	**–**

The share of loan exposure forbearance on total loans and advances to customers is 0% (2019: 0%).

The Company did not realize any losses from financial assets for which the contractual cash flows have been modified during the reporting period (in 2019 none).

38.2. Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of not being able to meet the Company's obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The company monitors its liquidity profile of financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Company's management uses diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Company's liquidity risk management strategy. The risk managers then maintain a portfolio of short-term liquid assets, made up of loans and advances to banks and other short term facilities, to ensure that sufficient liquidity is maintained within the Company as a whole.

The Company also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

In managing liquidity risk the Company promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2020

in thousands of CZK	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	765,810	–	–	765,810
Financial assets for trading	23,727	717,259	–	740,986
Hedging derivatives	287,544	–	–	287,544
Investment securities measured at fair value through profit or loss	–	–	73,808	73,808
Investment securities at fair value through other comprehensive income	–	–	302,691	302,691
Loans and advances to customers	6,713,667	8,593,372	–	15,307,039
Trade receivables and other financial assets under risk management	784,916	–	–	84,916
Total	**7,875,664**	**9,310,631**	**376,499**	**17,562,794**

in thousands of CZK	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities				
Loans from banks	3,352,690	–	–	3,352,690
Loans from customers	1,633,317	11,730,506	–	13,363,823
Debt securities issued	3,615	–	–	3,615
Other financial liabilities under risk management	401,174	67,681	–	468,855
Total	**5,390,796**	**11,798,187**	**–**	**17,188,983**

The lines of credit that are available to the Company total CZK 674,757 thousand as at 31 December 2020.

31 December 2019

in thousands of CZK	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	2,223,529	–	–	2,223,529
Financial assets for trading	6,920	–	–	6,920
Hedging derivatives	232,185	–	–	232,185
Investment securities measured at fair value through profit or loss	–	–	436,809	436,809
Investment securities at fair value through other comprehensive income	–	–	302,689	302,689
Loans and advances to banks	–	174,220	–	174,220
Loans and advances to customers	2,622,344	10,820,467	–	13,442,811
Trade receivables and other financial assets under risk management	84,708	–	–	84,708
Total	**5,169,686**	**10,994,687**	**739,498**	**16,903,871**

in thousands of CZK	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities				
Loans from banks	2,391,938	–	–	2,391,938
Loans from customers	5,715,984	11,538,512	–	17,254,496
Debt securities issued	–	3,514	–	3,514
Other financial liabilities under risk management	89,139	82,470	–	171,609
Total	**8,197,061**	**11,624,496**	**–**	**19,821,557**

The lines of credit that are available to the Company total CZK 3,190,643 thousand as at 31 December 2019.

(ii) Contractual maturities of financial liabilities, including estimated interest payments (undiscounted cash flow)

31 December 2020

in thousands of CZK	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Loans from banks	3,352,690	(3,436,188)	(425,340)	(3,010,848)	–	–
Loans from customers	13,363,823	(13,413,452)	–	(1,649,860)	(11,763,592)	–
Debt securities issued	3,615	(3,615)	(3,615)	–	–	– –
Other financial liabilities under risk management	468,855	(468,855)	(390,233)	(10,941)	(67,681)	–
Total	**17,188,983**	**(17,322,110)**	**(819,188)**	**(4,671,649)**	**(11,831,273)**	**–**
Amount committed/guaranteed[2]						
Loan commitments	1,136	(6,772,838)	(6,772,838)	–	–	–
Financial guarantee contracts	85,445	(12,610,451)	(12,610,451)	–	–	–
Total	**86,581**	**(19,383,289)**	**(19,383,289)**	**–**	**–**	**–**

31. prosince 2019

in thousands of CZK	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Loans from banks	2,391,938	(2,419,070)	(1,934,458)	(484,612)	–	–
Loans from customers	17,254,496	(17,254,496)	–	(5,715,984)	(7,039,099)	(4,499,413)
Debt securities issued	3,514	(3,514)	–	–	(3,514)	–
Other financial liabilities under risk management	171,609	(176,785)	(61,201)	(27,938)	(73,807)	(13,839)
Total	**19,821,557**	**(19,853,865)**	**(1,995,659)**	**(6,228,534)**	**(7,116,420)**	**(4,513,252)**
Amount committed/guaranteed[2]						
Loan commitments	135	(4,673,505)	(4,673,305)	–	–	–
Financial guarantee contracts	1,155	(11,867,690)	(11,867,690)	–	–	–
Total	**1,290**	**(16,541,195)**	**(16,541,195)**	**–**	**–**	**–**

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

Expected liquidity
In general, contractual cash flows do not differ significantly from expected contractual future cash flows of financial instruments.

38.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Company uses various methods for management of interest rate risk. The Company continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Company is taken into account which then serves as a basis for the purchase of fixed or variable bonds.

The priorities of the Company for interest rate risk management of liabilities comprise:
- Stability of liabilities, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on liability products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Company's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non-interest-bearing are grouped together in the "maturity undefined" category.

A summary of the Company´s interest rate gap position as per the carrying amounts is as follows:

As at 31 December 2020

in thousands of CZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	765,810	–	–	–	–	765,810
Financial assets for trading	23,728	–	115,641	601,617	–	740,986
Hedging derivatives	287,544	–	–	–	–	287,544
Investment securities measured at fair value through profit or loss	–	–	–	–	73,808	73,808
Investment securities at fair value through other comprehensive income	–	–	–	–	302,691	302,691
Loans and advances to customers	348,403	6,230,544	8,728,092	–	–	15,307,039
Trade receivables and other financial assets under risk management	54,711	30,205	–	–	–	784,916
Total	**1,480,196**	**6,260,749**	**8,843,733**	**601,617**	**376,499**	**17,562,794**
Financial liabilities						
Loans from banks	620,845	2,731,845	–	–	–	3,352,690
Loans from customers	–	–	13,363,823	–	–	13,363,823
Issued bonds	–	–	–	–	3,615	3,615
Other financial liabilities under risk management	332,533	7,879	10,087	76,898	41,457	468,855
Total	**953,378**	**2,739,724**	**13,373,910**	**76,898**	**376,499**	**17,188,983**
Net position (excluding Off balance sheet)	**–**	**3,521,025**	**(4,530,177)**	**524,719**	**331,426**	**373,811**
Off balance net position	**318,415**	**–**	**–**	**–**	**–**	**318,415**
Net position (including Off balance sheet)	**845,233**	**3,521,025**	**(4,530,177)**	**524,719**	**331,479**	**692,226**

As at 31 December 2019

in thousands of CZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	2,223,529	—	—	—	—	2,223,529
Financial assets for trading	—	6,920	—	—	—	6,920
Hedging derivatives	232,185	—	—	—	—	232,185
Investment securities measured at fair value through profit or loss	—	—	—	—	436,809	436,809
Investment securities at fair value through other comprehensive income	—	—	—	—	302,689	302,689
Loans and advances to customers	—	—	174,220	—	—	174,220
Trade receivables and other financial assets under risk management	—	2,788,765	10,654,046	—	—	13,442,811
Trade receivables and other financial assets under risk management	56,056	3,127	—	312	25,213	84,708
Total	**2,511,770**	**2,798,812**	**10,828,266**	**312**	**764,711**	**16,903,871**
Financial liabilities						
Loans from banks	—	482,752	1,909,186	—	—	2,391,938
Loans from customers	—	5,369	12,749,714	4,499,413	—	17,254,496
Issued bonds	—	—		—	3,514	3,514
Other financial liabilities under risk management	56,320	14,368	—	—	100,921	171,609
Total	**56,320**	**502,489**	**14,658,900**	**4,499,413**	**104,435**	**19,821,557**
Net position (excluding Off balance sheet)	**2,455,450**	**2,296,323**	**(3,830,634)**	**(4,499,101)**	**660,276**	**(2,917,686)**
Off balance net position	**135,137**	**—**	**—**	**—**	**—**	**135,137**
Net position (including Off balance sheet)	**2,590,587**	**2,296,323**	**(3,830,634)**	**(4,499,101)**	**660,276**	**(2,782,549)**

There are no financial assets or financial liabilities sensitive to changes in market rates as all of them bear interest at a fixed rate. As a result the Company is not expected to be affected by the so called IBOR reform.

(ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands of CZK is as follows:

As at 31 December 2020

in thousands of CZK	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash balances at central banks	42,559	720,676	19	2,556	–	765,810
Financial assets for trading	702,398	38,588	–	–	–	740,986
Hedging derivatives	–	287,544	–	–	–	287,544
Investment securities measured at fair value through profit or loss	73,808	–	–	–	–	73,808
Investment securities at fair value through other comprehensive income	302,691	–	–	–	–	302,691
Loans and advances to customers	10,889,220	4,402,366	–	15,453		15,307,039
Trade receivables and other financial assets under risk management	44,780	20,418	–	–	19,718	84,916
Total	**12,055,456**	**5,469,592**	**19**	**18,009**	**19,718**	**17,562,794**
Off balance sheet assets:	–	19,046,847	–	–	–	19,046,847
Ccy forwards	1,807,877	–	–	–	485,960	2,293,837
Assets under management	10,851,393	8,432,140	–	–	–	19,283,533
Loan commitments and guarantees	287,715	317,697	–	–	–	605,412
Other Off balance sheet assets	–	19,046,847	–	–	–	19,046,847
Total	**12,946,985**	**27,796,684**	**–**	**–**	**485,960**	**41,229,629**
Financial liabilities						
Loans from banks	3,352,567	123	–	–	–	3,352,690
Loans from customers	3,992,133	9,371,690	–	–	–	13,363,823
Issued bonds	–	3,615	–	–	–	3,615
Other financial liabilities under risk management	445,288	23,567	–	–	–	468,855
Total	**7,789,988**	**9,298,995**	**–**	**–**	**–**	**17,418,983**
Off balance sheet liabilities						
Ccy forwards	18,728,432	–	–	–	–	18,728,432
Loan commitments received	522,006	152,751	–	–	–	674,757
Other Off balance sheet liabilities	590,579	818,511	–	–	–	1,409,090
Total	**19,841,017**	**971,262**	**–**	**–**	**–**	**20,812,279**
Net position (excluding Off balance sheet)	**4,265,468**	**(3,929,403)**	**19**	**18,009**	**19,718**	**373,811**
Net position (including Off balance sheet)	**(2,628,564)**	**22,896,019**	**19**	**18,009**	**505,678**	**20,791,161**

As at 31 December 2019

in thousands of CZK	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash balances at central banks	1,578,413	599,643	45,311	162	—	2,223,529
Financial assets for trading	8	6,912	—	—	—	6,920
Hedging derivatives	—	232,185	—	—	—	232,185
Investment securities measured at fair value through profit or loss	322,173	114,636	—	—	—	436,809
Investment securities at fair value through other comprehensive income	302,689	—	—	—	—	302,689
Loans and advances to banks	—	—	174,220	—	—	174,220
Loans and advances to customers	8,525,539	4,889,010	—	28,262	—	13,442,811
Trade receivables and other financial assets under risk management	56,714	12,006	—	—	15,988	84,708
Total	**10,785,536**	**5,854,392**	**219,531**	**28,424**	**15,988**	**16,903,871**
Off balance sheet assets:						
Ccy forwards	—	17,815,102	—	—	—	17,815,102
Assets under management	974,629	—	—	—	468,215	1,442,844
Loan commitments and guarantees	8,553,039	7,887,952	—	—	—	16,440,991
Other Off balance sheet assets	726,202	1,041,710	—	—	—	1,767,912
Total	**10,253,870**	**26,744,764**	**—**	**—**	**468,215**	**37,466,849**
Financial liabilities						
Loans from banks	2,391,938	—	—	—	—	2,391,938
Loans from customers	7,961,905	9,292,591	—	—	—	17,254,496
Issued bonds	—	3,514	—	—	—	3,514
Other financial liabilities under risk management	158,459	13,083	—	—	67	171,609
Total	**10,512,302**	**9,309,188**	**—**	**—**	**67**	**19,821,557**
Off balance sheet liabilities						
Ccy forwards	17,532,900	—	—	—	—	17,532,900
Loan commitments received	3,058,148	132,495	—	—	—	3,190,643
Other Off balance sheet liabilities	1,046,530	1,538,627	—	—	—	2,585,157
Total	**21,637,578**	**1,671,122**	**—**	**—**	**—**	**23,308,700**
Net position (excluding Off balance sheet)	**273,234**	**(3,454,796)**	**219,531**	**28,424**	**15,921**	**(2,917,686)**
Net position (including Off balance sheet)	**(11,110,474)**	**21,618,846**	**219,531**	**28,424**	**484,136**	**11,240,463**

An analysis of the Company's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

Translation risk arising from translating the financial statements of a foreign operation into the presentation currency of the Company, does not meet the definition of currency risk. Consequently, translation risk should not be included in the sensitivity analysis. However, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the balance sheet, the effect on profit or loss of their revaluation is not fully eliminated.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

in thousands of CZK	Impact on Profit or Loss 31 December 2020	Impact on Profit or Loss 31 December 2019	Impact on Other Comprehensive Income 31 December 2020	Impact on Other Comprehensive Income 31 December 2019
EUR	139,595	173,981	(2,997)	(2,997)

(iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Company, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of investment securities at fair value through other comprehensive income and fair value through profit or loss equity securities.

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of investment securities at fair value through other comprehensive income would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

in thousands of CZK	Impact on Profit or Loss 31 December 2020	Impact on Profit or Loss 31 December 2019	Impact on Other Comprehensive Income 31 December 2020	Impact on Other Comprehensive Income 31 December 2019
Level 1 – quoted market prices	738	–	–	–
Level 2 – derived from quoted prices	6,165	4,368	2,983	2,983
Level 3 – calculated using valuation techniques	1,008	–	44	44
Total	**7,911**	**4,368**	**3,027**	**3,027**

in thousands of CZK	Total impact on Equity 31 December 2020	Total impact on Equity 31 December 2019
Level 1 – quoted market prices	738	0
Level 2 – derived from quoted prices	9,147	7,351
Level 3 – calculated using valuation techniques	1,052	44
Total	**10,938**	**7,395**

38.4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Company's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

This responsibility is supported by the development of overall standards within the Company for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Company's database of operational risk events
- This overview of the Company's operational risk events allows the Company to specify the direction of steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
- accepting the individual risks that are faced;
- initiating processes leading to limitation of possible impacts; or
- decreasing the scope of the relevant activity or discontinuing it entirely.

39. Related parties

Identity of related parties

The Company has, or had, related party relationships as identified in the following table, either at 31 December 2020 and 2019 or during the years with:

(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Subsidiaries of the Company
(4) Associates of the Company
(5) Joint ventures in which the Company is a venturer
(6) Key management personnel (i. e. Board of Directors) of the Company

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, DANILLA EQUITY LIMITED, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these produce publicly available consolidated financial statements which include the Company.

The summary of transactions with related parties during 2020 and 2019 is as follows:

in thousands of CZK	31 December 2020 Accounts receivable	31 December 2020 Accounts payable	31 December 2019 Accounts receivable	31 December 2019 Accounts payable
Ultimate shareholders and companies they control	–	41,214	–	39,903
Subsidiaries	9,089,970	14,041,618	8,326,104	17,334,560
Key management personnel of the entity or its parent and companies they control or jointly control	–	–	–	–
Total	**9,089,970**	**14,082,832**	**8,326,104**	**17,374,463**

The summary of transactions with related parties during 2020 and 2019 is as follows:

in thousands of CZK	2020 Revenues	2020 Expenses	2019 Revenues	2019 Expenses
Ultimate shareholders and companies they control	–	–	–	–
Subsidiaries	933,897	1,053,257	588,398	1,037,263
Key management personnel of the entity or its parent and companies they control or jointly control	–	–	–	–
Total	**933,897**	**1,053,257**	**588,398**	**1,037,263**

The summary of guarantees with related parties at year-end is as follows:

in thousands of CZK	31 December 2020 Guarantees received	31 December 2020 Guarantees granted	31 December 2019 Guarantees received	31 December 2019 Guarantees granted
Other key management personnel of the entity or its parent and companies they control or jointly control	–	12,464,752	–	4,665,858
Total	**–**	**12,464,752**	**–**	**4,665,858**

The amount of Guarantees received represents mainly the guarantee that subsidiaries of J&T Integris group limited (bond issuers) will meet their obligation to their creditors.

The summary of loan commitments with related parties at year-end is as follows:

in thousands of CZK	31 December 2020 Loan commitments received	31 December 2020 Loan commitments granted	31 December 2019 Loan commitments received	31 December 2019 Loan commitments granted
Other key management personnel of the entity or its parent and companies they control or jointly control	674,757	6,772,838	3,190,643	4,673,505
Total	**674,757**	**6,772,838**	**3,190,643**	**4,673,505**

39.1. Transactions with directors and key management

Total remuneration included in “personnel expenses” and loans to directors and key management are as follows:

in thousands of CZK	31 December 2020	31 December 2019
Remuneration	2,755	3,012
Loans	339	156

Of the loans to directors and key management, new loans of CZK 183 thousand were granted during 2020 (2019: CZK 156 thousand). The Company's key management personnel received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

40. Subsequent events

In February 2021 the Company established new subsidiary J&T Credit Participation, s.r.o.

There are no other subsequent events to be reported in these separate financial statements for the period ended as 31 December 2020.

41. Group entities

The list of the Group entities as at 31 December 2020, 31 December 2019 and 1 January 2019 is set out below:

Company name	Country of incorporation	31 December 2020 Consolidated %
J&T FINANCE GROUP SE	Czech Republic	
J&T BANKA, a.s.	Czech Republic	100.00
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00
J&T IB and Capital Markets, a.s.	Czech Republic	100.00
XT-Card a.s.	Czech Republic	32.00
Colorizo Investment, a.s.	Czech Republic	52.60
OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.	Czech Republic	–
OAMP Hall 1 s.r.o.	Czech Republic	50.00
OAMP Distribution s.r.o.	Czech Republic	50.00
OAMP Infrastructure s.r.o.	Czech Republic	50.00
OAMP Holding s.r.o.	Czech Republic	50.00
OAMP Hall 2 s.r.o.	Czech Republic	50.00
OAMP Hall 3 s.r.o.	Czech Republic	50.00
OAMP Hall 4 s.r.o.	Czech Republic	50.00
OAMP Hall 5 s.r.o.	Czech Republic	50.00
OAMP Hall 6 s.r.o.	Czech Republic	50.00
CI Joint Venture s.r.o.	Czech Republic	50.00
Logistics Park Nošovice a.s.	Czech Republic	50.00
ARITIMA, a.s.	Slovakia	–
SPERIDA, a.s.	Slovakia	100.00
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00
Moskovskij Neftechnimiceskij Bank[2]	Russia	
TERCES MANAGEMENT LIMITED[3]	Cyprus	100.00
Interznanie OAO[4]	Russia	100.00
J&T REALITY otevřený podílový fond[5]	Czech Republic	88.88
J&T Banka d.d. (VABA d.d. banka Varaždin)[6]	Croatia	96.03
J&T Leasingová společnost, a.s.	Czech Republic	100.00
Rentalit s.r.o.	Czech Republic	100.00
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	100.00
J&T VENTURES I uzavřený podílový fond	Czech Republic	94.14
J&T DIVIDEND Fund	Malta	56.77
Rustonka Development II s.r.o.	Czech Republic	100.00
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00
Bayshore Merchant Services Inc.	Barbados	100.00
J&T Trust Inc.	Barbados	100.00
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00

	31 December 2020 Ownership interest	31 December 2020 Consolidation method	31 December 2019 Consolidated %	31 December 2019 Ownership interest	1 January 2019 Consolidated %	1 January 2019 Ownership interest
	parent company		parent company		parent company	
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Equity	32.00	direct	32.00	direct
	direct	Full	52.60	direct	100.00	direct
	—	—	50.00	direct	50.00	direct
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	direct	Equity	—	—	—	—
	-	—	100.00	direct	—	—
	direct	Full	100.00	direct	—	—
	direct	Full	100.00	direct	100.00	direct
	merged	merged	100.00	direct	—	—
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	88.88	direct	88.88	direct
	direct	Full	96.03	direct	84.17	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	—	—	—	—
	direct	Full	100.00	direct	—	—
	direct	Full	—	—	—	—
	direct	Full	—	—	—	—
	direct	Full	—	—	—	—
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct
	direct	Full	100.00	direct	100.00	direct

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Company name	Country of incorporation	31 December 2020 Consolidated %
Equity Holding, a.s.	Czech Republic	62.64
Butcher313, s.r.o.	Czech Republic	30.00
J&T Finance, LLC	Russia	99.90
Hotel Kadashevskaya, LLC	Russia	99.90
Narcissus s.r.o.	Czech Republic	49.00
J&T Global Finance V., s.r.o.	Slovakia	–
J&T Global Finance VI., s.r.o. v likvidácii	Slovakia	–
J&T Global Finance VII., s.r.o. v likvidaci	Czech Republic	–
J&T Global Finance VIII., s.r.o	Czech Republic	100.00
J&T Global Finance IX., s.r.o	Slovakia	100.00
J&T Global Finance X., s.r.o	Czech Republic	100.00
J&T SERVICES ČR, a.s.	Czech Republic	100.00
J&T SERVICES SR, s.r.o.	Slovakia	100.00
PBI, a.s.[7]	Czech Republic	
Poštová banka, a.s.	Slovakia	98.46
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	78.77
Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.	Slovakia	98.46
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ.spol., a.s.	Slovakia	98.46
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	98.46
PB PARTNER, a.s. v likvidácii	Slovakia	98.46
PB Finančné služby, a.s.	Slovakia	98.46
SPPS, a.s.	Slovakia	39.38
365.fintech, a.s.	Slovakia	98.46
Amico Finance, a.s.	Slovakia	93.53
Cards&Co, a. s.	Slovakia	100.00
DanubePay, a. s.	Slovakia	100.00
J&T NOVA Hotels SICAV, a.s.[8,9]	Czech Republic	99.20
DIAMOND HOTELS SLOVENSKO, s.r.o.	Slovakia	99.20
BHP Tatry, s.r.o.	Slovakia	99.20
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[10]	Czech Republic	99.17
FORESPO SOLISKO a.s.	Slovakia	99.17
FORESPO HELIOS 1 a.s.	Slovakia	99.17
FORESPO HELIOS 2 a.s.	Slovakia	99.17
FORESPO HOREC a SASANKA a.s.	Slovakia	99.17
FORESPO PÁLENICA a.s.	Slovakia	99.17
INVEST-GROUND a.s.	Slovakia	99.17
FORESPO-RENTAL 1 a.s.	Slovakia	99.17
FORESPO-RENTAL 2 a.s.	Slovakia	99.17
FORESPO BDS a.s.	Czech Republic	99.17
DEVEL PASSAGE s.r.o.	Slovakia	99.17
FORESPO DUNAJ 6 a.s.	Slovakia	99.17

31 December 2020 Ownership interest	31 December 2020 Consolidation method	31 December 2019 Consolidated %	31 December 2019 Ownership interest	1 January 2019 Consolidated %	1 January 2019 Ownership interest
direct	Full	62.64	direct	62.64	direct
direct	Full	30.00	direct	30.00	direct
direct	Equity	99.90	direct	99.90	direct
direct	—	99.90	direct	99.90	direct
direct	—	—	—	—	—
—	—	—	—	100.00	direct
—	Full	100.00	direct	100.00	direct
—	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Plná	100.00	direct	100.00	direct
direct	Plná	100.00	direct	100.00	direct
merged	merged	100.00	direct	100.00	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	78.77	direct	78.77	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	98.46	direct	98.46	direct
direct	Equity	39.38	direct	39.38	direct
direct	Full	98.46	direct	98.46	direct
direct	Full	93.53	direct	93.53	direct
direct	Full	—	—	—	—
direct	Full	—	—	—	—
direct	Full	99.20	direct	99.20	direct
direct	Full	99.20	direct	99.20	direct
direct	Full	99.20	direct	99.20	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct
direct	Full	99.17	direct	99.17	direct

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Company name	Country of incorporation	31 December 2020 Consolidated %
RDF International, spol. s r.o.	Slovakia	99.17
J&T LOAN FUND[11]	Malta	99.23
J&T Wine Holding SE	Czech Republic	100.00
OUTSIDER LIMITED	Cyprus	100.00
Chateau Teyssier (Société civile)	France	80.00
CT Domaines	France	80.00
SAXONWOLD LIMITED	Ireland	80.00
World's End	U.S.A.	80.00
KOLBY a.s.	Czech Republic	100.00
Reisten, s.r.o.	Czech Republic	100.00
J&T Mezzanine, a.s.	Czech Republic	100.00
URE HOLDING LIMITED	Cyprus	45.00
JTH Vision, s. r. o.	Czech Republic	50.00
J&T INVESTMENTS SICAV, a.s.	Czech Republic	100.00

The structure above is listed by ownership of companies at the different levels within the Group.

1 The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s. and another 0.055% share through J&T FINANCE GROUP SE.
2 Moskovskij Neftechnimiceskij Bank merge with J&T Bank, a.o.
3 The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA, a.s. and another 1% share through the subsidiary J&T Finance, LLC.
4 The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank, a.o.
5 The Group owns a 53.08% share in J&T REALITY otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary Poštová banka, a.s.
6 The Group owns a 84.17% share in J&T Banka d.d. through J&T BANKA, a.s. and another 11.86% share through the subsidiary ALTERNATIVE UPRAVLJANJE d.o.o.
7 PBI, a.s. merge with J&T FINANCE GROUP SE.
8 NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. merge with new company J&T NOVA Hotels SICAV, a.s.
9 The Group owns a 48.35% share in J&T NOVA Hotels SICAV, a.s. through J&T BANKA, a.s. and another 50.85% share through the subsidiary Poštová banka, a.s.
10 The Group owns a 46.51% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and effectively another 52.66% share through the subsidiary Poštová banka, a.s.
11 The Group owns a 49.99% share in J&T LOAN FUND through J&T BANKA, a.s. and another 49.24% share through the subsidiary Poštová banka, a.s.

31 December 2020 Ownership interest	31 December 2020 Consolidation method	31 December 2019 Consolidated %	31 December 2019 Ownership interest	1 January 2019 Consolidated %	1 January 2019 Ownership interest
direct	Full	–	–	–	–
direct	Full	99.23	direct	99.23	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	80.00	direct	80.00	direct
direct	Full	80.00	direct	80.00	direct
direct	Full	80.00	direct	80.00	direct
direct	Full	80.00	direct	80.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Full	100.00	direct	100.00	direct
direct	Equity	45.00	direct	45.00	direct
direct	Equity	–	–	–	–
direct	Full	100.00	direct	–	–

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

Independent Auditor's Report to the Shareholders of J&T FINANCE GROUP SE

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying separate financial statements of J&T FINANCE GROUP SE ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2020, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2020, 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.

Participation with control and significant influence
Investments in subsidiaries amounted to CZK 40,761,236 thousand as at 31 December 2020 (31 December 2019: CZK 43,243,718 thousand).

Refer to Note 3 (Significant accounting policies) and Note 24 (Investments in subsidiaries).

Key audit matter
The Company has nine directly owned subsidiaries. In the separate financial statements, these investments are carried at cost less impairment losses, if any. As at each reporting date, Management Board assesses whether indications exist that their carrying amounts might not be recoverable. Indications of impairment may include, among other things, significant operating losses, shareholders' equity below the carrying amount of investment or financial performance otherwise below the planned levels.

Once impairment indications are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or the value-in-use, using internal model.

The determination of the recoverable amounts, performed primarily, but not only, on the basis of discounted cash flow models, involves significant Management Board judgment and estimates, in respect of the model assumptions such as growth rates, discount rates and forecasted net operating profit.

Based on the above-mentioned circumstances, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.

Jak byla daná záležitost auditu řešena
Our procedures, performed with the support from our own valuation specialists, included, among others:

Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance;

Testing the design and implementation of the selected key controls within the financial reporting process relating to the impairment testing of investments in subsidiaries, including those over the validation of the impairment test outcomes;

Evaluating the accuracy and completeness of the Company's disclosures regarding the key assumptions and judgements applied while assessing the recoverable amounts of the investments in subsidiaries.

Expected credit losses for loans and advances to customers at amortised cost
Expected credit losses for loans and advances amounted to CZK 669,355 thousand as at 31 December 2020 (31 December 2019: CZK 190,022 thousand).

Expected credit losses for loan commitments and guarantees amounted to EUR 86,581 thousand as at 31 December 2020 (31 December 2019: EUR 1,290 thousand).

Refer to Note 3 (Significant accounting policies), Note 21 (Loans and advances to customers) and Note 23 (Amounts arising from expected credit losses) in the notes to the consolidated financial statements.

Key audit matter
The Group's management makes material and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers (together "loans") provided to customers. We consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

In the process, the loans are allocated into one of the three stages prescribed by IFRS 9 Financial instruments in order to estimate the loss allowances. Stage 1 and Stage 2 loans are performing loans, with Stage 2 loans being those for which significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, credit-impaired loans.

Key assumptions and judgements in the calculation of the Expected Credit Losses include the following:
- definition of significant increase in credit risk (SICR);
- estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD);
- estimate of credit conversion factor (CCF) for off balance exposures;
- forward-looking information (FLI) based on scenarios of expected development of selected macroeconomic indicators.

PD parameters have been determined based on annualized migration matrix resulting from the Group's historical data. LGD is determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgments and assumptions are estimating future cash repayment scenarios and assigning probabilities to these scenarios taking into account the estimated value and timing of cash flows including estimating the recoverable value of underlying collateral.

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How the audit matter was addressed

Assisted by our credit risk, we performed, among other things, the procedures outlined below:

Applying our knowledge, experience and market standards, we assessed the Group's credit and accounting policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, significantly increased credit risk, and allocating of loans to Stages.

Evaluating whether in its loan staging and ECL measurement including forward looking information the Group appropriately considered the effect of the market disruption resulting from COVID-19 pandemic.

Testing the design and implementation of the selected key controls within the financial reporting process relating to the ECL calculation on loans, including those over the validation of the outcomes. We performed the testing by inquiry in combination with the observation, inspection of underlying documentation, and selected recalculations.

For a sample of loans, by reference to the underlying documentation and through inquiries of the Group's credit officers, we evaluated whether examined loans were allocated to appropriate stages of IFRS 9, and whether appropriate EAD, PD and LGD parameters were applied to loan exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the Group's financial analysis of the borrower,

Assisted by our own valuation specialist, we challenged the valuation methods applied by the Group in respect of valuation of underlying assets on a sample of loans. As part of the procedure, among other things, we challenged the assumptions in the valuations used by the Group by comparing them to our specialist's expectations.

We assessed the accuracy and completeness of the Group's disclosures on the loss allowances and the related credit risk management in the notes to the separate financial statements.

Other Information

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

The Company has not prepared an annual report as at 31 December 2020, as it includes the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

The Supervisory Board, in collaboration with the Audit Committee, is responsible for overseeing the Company's financial reporting process.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 3 October 2014 and our uninterrupted engagement has lasted for 8 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 12 May 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council..

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Ondřej Fikrle is the statutory auditor responsible for the audit of the financial statements of J&T FINANCE GROUP SE as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague, 13 May 2021

Unsigned copy

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

Unsigned copy

Ondřej Fikrle
Partner
Registration number 2525

15,75%

The group is well capitalised for further growth and development

Text part of the annual report

Description of the Company

Company name: J&T FINANCE GROUP SE

Registered office: Sokolovská 700/113a, Karlín, 186 00 Prague 8 (Pobřežní 297/14, 186 00 Prague 8 until 11 November 2020)

Identification number: 275 92 502

Legal form: Societas Europaea (SE)

Recorded in: the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317

Principal business activities: manufacturing, trade and services not listed in appendices 1 to 3 of the Trades Licensing Act

Principal activities: acquisition and holding of ownership interests in legal entities

Board of Directors of the Company as at 31 December 2020

Chairman of the Board of Directors: Ing. Jozef Tkáč

Vice-Chairman of the Board of Directors: Ing. Patrik Tkáč

Vice-Chairman of the Board of Directors: Ing. Ivan Jakabovič

Vice-Chairman of the Board of Directors: Ing. Dušan Palcr

Member of the Board of Directors: Ing. Igor Kováč since 1 July 2020

Member of the Board of Directors: Štěpán Ašer, MBA since 1 July 2020

Member of the Board of Directors: Ing. Gabriela Lachoutová until 30 June 2020

Supervisory Board of the Company as at 31 December 2020

Chairman of the Supervisory Board: RNDr. Marta Tkáčová

Member of the Supervisory Board: Ivan Jakabovič

Member of the Supervisory Board: Jana Šuterová

Description of the decision-making procedures and structure of the statutory body, supervisory board, or another executive or controlling body of the issuer

In accordance with the Company's Articles of Association, its bodies are the board of directors and the supervisory board. The Company has also established an audit committee and a remuneration committee that help the supervisory board to carry out its supervisory activities more effectively. Persons who are members of the corporate bodies meet the requirements related to professional qualification, credibility and experience. In selecting the members of its bodies, the Company applies the diversity principle, taking into account qualification and experience, which is supervised by the appointment committee, which performs its activities at the level of the parent company.

The Board of Directors decides on all matters of the Company unless they fall within the powers of the general meeting or the Supervisory Board or the relevant committees established by the Company, primarily the audit committee and the remuneration committee.

The Company has not adopted and does not apply the Code of Corporate Governance.

Internal control principles and procedures relating to the financial reporting process

To ensure that the accounts give a true and fair view of the state of affairs and that both the separate and consolidated financial statements are prepared in a due manner, the Company uses the services of the subsidiary J&T SERVICES ČR a.s ("J&T Services"), which provides administrative support. J&T Services uses various tools to appropriately recognise individual transactions and to subsequently present them in the financial statements of the issuer and its Group. The key tools include in particular maximum automation of recurring transactions, procedures and processes within appropriate systems and applications, regular monitoring and testing of these systems and setting of access rights to individual systems and applications. In addition to periodical reviews of the general ledger, J&T also applies a system of allocating responsibility and reconciliation of accounts in terms of individual analytical account balances. Each general ledger account has its administrator who has to provide regularly, or on demand, information on the particular analytical account (balance, reconciliation to primary data, breakdown to individual amounts, etc.). J&T Services also lays down the rules and methodology for the preparation of the consolidated financial statements and examines the correctness of the underlying information for the preparation of the consolidated financial statements.

The compliance of the applied accounting policies with, in particular, International Financial Reporting Standards and the setting of the Company's accounting controls fall within the responsibility of the Department of the Board of Directors.

Information about the applied accounting policies, valuation techniques and rules for establishing loss allowances is disclosed in the notes to the financial statements that form an integral part of this annual report.

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

In 2020, the auditor charged the following amounts to the Company and the Group for the audit and other services:

in thousands of CZK	Amounts charged to the Company 2020	Amounts charged to the Company 2019	Amounts charged to the other companies from the Group 2020	Amounts charged to the other companies from the Group 2019
Statutory audit of financial statements	6,972	6,761	25,195	26,372
Other assurance services	0	0	8,653	7,700
Other services	0	0	3,671	0
Total	**6,972**	**5,761**	**37,519**	**34,072**

In 2020, KPMG Česká republika Audit, s.r.o. provided the companies from the Group with the following non-audit services:
- Assurance of the reports for the prudential consolidation unit;
- Regulatory trainings;
- General and tailor-made trainings.

Powers of the general meeting
The powers of the general meeting include mainly the decisions on changes in the Articles of Association, the amount of registered capital, and the authorisation of the board of directors to increase the registered capital, election and removal of the members of the supervisory board, approval of the regular, extraordinary or consolidated financial statements and, in cases when their preparation is stipulated by another legal regulation, of the interim financial statements. The general meeting also decides on the distribution of profit and other own resources or the settlement of a loss, it gives instructions to the board of directors and approves the principles of the board of directors' activity unless they are contrary to legal regulations. The general meeting can particularly prohibit certain legal actions to any board member if it is the interest of the company. The powers of the general meeting are regulated in the Company's Articles of Association in force and the relevant legal regulations, in particular Act No. 90/2012 Coll., on Corporations.

Remuneration

in thousands of CZK	2020
Members of the statutory body	3,038
Members of the supervisory board	80
Other persons with managing powers	7,857

The Company's key management received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

The remuneration committee submits the proposed remuneration for the members of the board of directors to the general meeting for approval, supervises the remuneration of the individual key employees who execute internal controlling functions, and submits recommendations for their remuneration to the Company's supervisory board.

Information about the activities of the Company
The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges their volume.

Financial results of the Company
The Company has a long history as a strong and stable institution. As at 31 December 2020, the Company reported total assets of CZK 58.6 billion, equity of CZK 41.3 billion and registered capital of CZK 15.8 billion. It achieved a profit of CZK 1.2 billion in 2020.

The balance of Company's assets and its financial position are disclosed in the financial statements prepared as at 31 December 2020, which form a separate part of the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

Information about expected economic development in 2021
In 2021, the Company will continue to focus all its activities on the administration of own assets through holding ownership interests in its subsidiaries and providing guarantees and on fulfilment of the related obligations.

Information about the administrative branches of the Company
The Company has a branch which was established in Slovakia. It was recorded in the Commercial Register under name J&T FINANCE GROUP SE, organizačná zložka, ID: 47 251 735, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovakia.

Securities, rights and obligations of their holders
In 2020, based on an approval of the Czech National Bank J&T FINANCE GROUP SE, ID: 275 92 502, Legal Entity Identifier (LEI): 315700E9POA724IWFP59, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, file no. 1317 ("the Company" or "the Issuer") issued subordinated unsecured yield certificates without a maturity date with a yield of 7.5% p. a., at the nominal value of CZK 100,000, ISIN CZ0003527657 ("the Certificates").

The Certificates are unnamed securities issued in the Czech Republic in compliance with Czech law. They are hybrid financial instruments, combining the characteristics of equity and debt securities and are issued as book-entered bearer securities.

Provided that the conditions stipulated in Article 52 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 are met, the Certificates can be included to additional Tier 1 capital of the Company.

The Certificates are traded on the Prague Stock Exchange. The volume of the issued certificates as at 31 December 2020 was CZK 500 million.

As at 31 December 2020, neither the Certificates nor the Company had a valid rating.

Data on the number of shares, their nominal value and the Issuer's shareholder structure are stated in the financial statements. The Issuer's persons with managing powers do not own any shares, options or comparable investment instruments whose value relates to the shares or similar securities representing an ownership interest in the Issuer.

Rights and obligations of shareholders and certificate holders
Certificates are not bonds as defined in Act No. 190/2004 Coll., on Bonds, as subsequently amended. The holders of the Certificates are not the Company's shareholders and are not entitled to dividend payments.

The certificate holders have no ownership interest in the Company's equity and their Certificates do not entitle them to exercise any direct or indirect voting rights. As approved by the Czech National Bank, the Company is not subject to the obligations stipulated in Section 118 (5) (a) though (l) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended.

The other rights and obligations are stipulated in the terms and conditions of the issue.

Acquisition of own shares or ownership interests
In the reporting period, the Company did not acquire any own shares.

Research and development expenditures
In the reporting period, the Company did not incur any research and development expenditures.

Environmental protection
In the period from 1 January 2020 to 31 December 2020, the Company realised no environmental protection activities.

Material subsequent events
The material subsequent events are disclosed in the notes to the financial statements. The Company's management is not aware of any other events that have occurred since the balance sheet that would have any material impact on the annual report and the financial statements.

Representation
The Board of Directors represents that this annual report gives a true and fair view of the Company's financial position, business activities and operational results for the past accounting period and all information and data in this annual report correspond to the future outlook of the financial position, business activities and operational results and no significant circumstances have been omitted.

Prague, 30 April 2021

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

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

Report on relations

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for the reporting period 2020 of J&T FINANCE GROUP SE prepared in accordance with Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Business Corporations)

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipal Court in Prague, section H, insert No. 1317 („the Company"), based on data available. The period covered by the report: from January 1, 2020 to December 31, 2020 (hereinafter referred to as the "2020 accounting period").

I.The structure of relations between the controlling entities and the controlled entity, and between the controlled entity and entities controlled by the same controlling entity, the role of the Company in the structure, and manner and means of control.

1.1 The Board of Directors of the Company is aware that during the period from January 1, 2020 to December 31, 2020, the Company was directly controlled by the following persons:

Ing. Ivan Jakabovič,
Date of birth: October 8, 1972, residing at 32 rue COMTE FELIX GASTALDI, 98000 Monaco, Monaco, who, along with Jozef Tkáč (see below), controls J&T FINANCE GROUP SE (hereinafter „Ivan Jakabovič" or also „Controlling entity")

In addition, Ivan Jakabovič owns shares in the following companies:

J & T Securities, s.r.o.
ID: 31 366 431, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

KOLIBA REAL a.s.
ID: 35 725 745, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

KPRHT 3, s.r.o.
ID: 36 864 781, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic,

KPRHT 14, s.r.o.
ID: 36 864 765, s with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

KPRHT 19, s.r.o.
ID: 36 864 889, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

Ing. Jozef Tkáč,
Date of birth: June 16, 1950, residing at Júlová 10941/32, 831 01 Bratislava – Nové Mesto, Slovak Republic, who, along with Ivan Jakabovič (see above), controls J&T FINANCE GROUP SE (hereinafter „Jozef Tkáč" or also „Controlling entity")

1.2 The Board of Directors of the Company is aware that during the accounting period 2020 the Company was part of the following structure:

J&T FINANCE GROUP SE controls below mentioned entities:

J&T BANKA, a.s.
ID: 471 15 378, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

ALTERNATIVE UPRAVJANJE d.o.o.
ID: 30770704700, with its registered office at ALEJA KRALJA ZVONIMIRA 1, Varaždin, Republic of Croatia

In addition, this company owns a share in:

J&T banka d.d. (VABA d.d. banka Varaždin)
IČ: 0675539, se sídlem Aleja kralja Zvonimira 1, 42000, Varaždin, Chorvatská republika. ALTERNATIVE UPRAVJANJE d.o.o. má v této společnosti podíl 11,86 %.

ATLANTIK finanční trhy, a.s.
ID: 262 18 062, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.
ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic
J&T FINANCE GROUP SE holds 100% of founders' shares of the investment found. The Company indirectly holds 46.51 % of allotment certificates through J&T BANKA, a.s. and another 53.49 % of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

Devel Passage s. r. o.
ID: 43 853 765, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO BDS a.s.
ID: 272 09 938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00 Prague 5, Czech Republic

FORESPO DUNAJ 6 a. s.
ID: 47 235 608, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 1 a. s.
ID: 47 234 032, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 2 a. s.
ID: 47 234 024, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HOREC A SASANKA a. s.
ID: 47 232 994, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO PÁLENICA a. s.
ID: 47 232 978, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 1 a.s.
ID: 36 782 653, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 2 a. s.
ID: 36 781 487, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO SOLISKO a. s.
ID: 47 232 935, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

INVEST-GROUND a. s.
ID: 36 858 137, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

OSTRAVICE HOTEL, a.s.
ID: 275 74 911, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. has 50% share in this company

J&T Bank, a.o.
ID: 1027739121651, with its registered office at Kadashevskaya Embankment 26, Moscow, Russian Federation
J&T BANKA, a.s. has 99.945% share in this company

In addition, this company owns a share in:

Interznanie OAO
ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035 Moscow, Russian Federation
J&T Bank, a.o. has 50% share in this company

Moskovskij Neftechnimiceskij Bank
ID: 1027739337581, with its registered office at 49 Bolshaya Nikitskaya Str., 121069 Moscow, Russian Federation (merger with J&T Bank, a.o. on 27.3.2020)

J&T BANKA, a.s., pobočka zahraničnej banky
ID: 35 964 693, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T banka d.d.
ID: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000, Varaždin, Republic of Croatia
J&T BANKA, a.s. has 84.17% share in this company

J&T IB and Capital Markets, a.s.
ID: 247 66 259, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

Colorizo Investment, a.s.
ID: 079 01 241, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

CI Joint Venture s.r.o.
ID: 078 99 327, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic
Colorizo Investment, a.s. has 50 % share in this company

In addition, this company controls:

Logistics Park Nošovice a.s.
ID: 285 78 651, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.
ID: 289 38 186, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic
Colorizo Investment, a.s. has 50 % share in this company

Skytoll CZ s.r.o.
ID: 033 44 584, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

SPERIDA, a.s.
ID: 52 424 693, with its registered office at Dúbravská cesta 14, 841 04 Bratislava – Karlova Ves, Slovak Republic

XT-Card a.s.
ID: 274 08 256, with its registered office at Seifertova 327/85, 130 00 Prague 3, Czech Republic
J&T IB and Capital Markets, a.s. has 32 % share in this company

J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 476 72 684, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Leasingová společnost, a.s.
ID: 284 27 980, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

Rentalit s.r.o.
ID: 088 06 594, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC
ID: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta
The Company holds 49.99% of investment shares through J&T BANKA, a.s. and another 50.01% of investment shares through Poštová banka, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda

J&T NOVA Hotels SICAV, a.s. (merger with NOVA Hotels, a.s. otevřený podílový fond REDSIDE investiční společnost, a.s., IDO: 242 44 601, on 1.11.2020)
ID: 096 41 173, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, J&T FINANCE GROUP SE holds 100% of founders' shares of the investment found. The Company indirectly holds 48.35% of allotment certificates through J & T BANKA, a.s. and another 51.65% of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

BHP Tatry s. r. o.
ID: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

DIAMOND HOTELS SLOVAKIA, s.r.o.
ID: 35 838 833, with its registered office at Hodžovo nám.2, 816 25 Bratislava, Slovak Republic

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 715 07 949, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic.
The Company holds 53.08% of allotment certificates through J&T BANKA, a.s. and another 36.36% of allotment certificates through Poštová banka, a.s.

Rustonka Development II s.r.o.
ID: 055 85 571, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

TERCES MANAGEMENT LIMITED
ID: HE 201003, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 23, P.C. 1061, Nicosia, Republic of Cyprus
J&T BANKA, a.s. has 99% share in this company

In addition, this company controls:

Interznanie OAO
ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 113035 Moscow, Russian Federation, TERCES MANAGEMENT LIMITED has 50 % share in this company

J&T Bank, a.o.
ID: 1027739121651, with its registered office at Kadashevskaya Embankment 26, Moscow, Russian Federation
J&T FINANCE GROUP SE has 0.055 % share in this company

In addition, this company owns a share in:

Interznanie OAO
ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035 Moscow, Russian Federation
J&T Bank, a.o. has 50% share in this company

J&T Bank Switzerland Ltd. in liquidation
ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001, Zurich, Swiss Confederation

J&T INVESTMENTS SICAV, a.s.
ID: 088 00 693, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T INTEGRIS GROUP LIMITED
ID: HE 207436, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301, P.C. 1082, Nicosia, Republic of Cyprus

In addition, this company controls:

Bayshore Merchant Services Inc.
ID: 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands

In addition, this company controls:

J&T Trust Inc.
ID: 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados

J&T Global Finance VI., s.r.o. v likvidácii
ID: 50 195 131, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Global Finance VIII., s.r.o.
ID: 060 62 831, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance IX., s.r.o.
ID: 51 836 301, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Global Finance X., s.r.o.
ID: 074 02 520, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T MINORITIES PORTFOLIO LIMITED
ID: HE 260754, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P.C. 1082, Nicosia, Republic of Cyprus

In addition, this company controls:

Butcher313, s.r.o.
ID: 072 82 010, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic
J&T MINORITIES PORTFOLIO LIMITED has 30 % share in this company

Equity Holding, a.s.
ID: 100 05 005, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic
J&T MINORITIES PORTFOLIO LIMITED has 62.64% share in this company

J&T FINANCE, LLC
ID: 1067746577326, with its registered office at Kadashevskaya embankment, 26, Moscow, Russian Federation
J&T MINORITIES PORTFOLIO LIMITED has 99.9% share in this company

In addition, this company controls:

Hotel Kadashevskaya, LLC
ID: 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035 Moscow, Russian Federation

TERCES MANAGEMENT LIMITED
ID: HE 201003, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 23, P.C. 1061, Nicosia, Republic of Cyprus
J&T FINANCE, LLC a.s. has 1 % share in this company

Narcissus s.r.o.
ID: 078 47 653, with its registered office at Na Hřebenech II 1718/8, Nusle, 140 00 Prague 4, Czech Republic
J&T MINORITIES PORTFOLIO LIMITED has 49 % share in this company

J&T Mezzanine, a.s.
ID: 066 05 991, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

JTH Vision s. r. o.
ID: 059 41 750, with its registered office at Krupská 33/20, 415 01 Teplice, Czech Republic
J&T Mezzanine, a.s. has 50 % share in this company

URE HOLDING LIMITED
ID: HE 379721, with its registered office at 16 Iouniou 1943, 9 AREA B, Flat/Office 202, 3022, Limassol, Republic of Cyprus
J&T Mezzanine, a.s. has 45 % share in this company

J&T SERVICES ČR, a.s.
ID: 281 68 305, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

J&T SERVICES SR, s.r.o.
ID: 46 293 329, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Wine Holding SE
ID: 063 77 149, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

KOLBY, a.s.
ID: 255 12 919, with its registered office at Česká 51, 691 26 Pouzdřany, Czech Republic

OUTSIDER LIMITED
ID: HE 372202, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Office 21, P.C. 1061, Nicosia, Republic of Cyprus
In addition, this company controls:

SOCIETE CIVILE D'EXPLOITATION AGRICOLE DU CHATEAU TEYSSIER
ID: 316 809 391, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France
OUTSIDER LIMITED has 80% share in this company

In addition, this company controls:

CT Domaines SARL
ID: 507 402 386, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France

Reisten, s.r.o.
ID: 255 33 924, with its registered office at Zahradní 288, 692 01 Pavlov, Czech Republic

SAXONWOLD LIMITED
ID: 508611, with its registered office at 2 Aurburn Villas Carrickbrennan Road Monkstown Co. Dublin, A94HX03, Ireland
J&T Wine Holding SE has 80% share in this company

In addition, this company controls:

WORLD´S END LLC
ID: 200807010154, with its registered office at 5 Financial Plaza, 116, Cnr Trancas & Big Ranch Road, Nap, California, 94558, United States of America

Poštová banka, a.s.
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic
J&T FINANCE GROUP SE has 98.46% share in this company

In addition, this company controls:

Amico Finance, a.s.
ID: 48 113 671, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic
Poštová banka, a.s. has 95% share in this company

Cards&Co, a. s.
ID: 51 960 761, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic (since 10.11.2020)

In addition, this company controls:

DanubePay, a.s.
ID: 46 775 111, with its registered office at Miletičova 21, 821 08 Bratislava, Slovak Republic (since 10.11.2020)

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.
ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic, J&T FINANCE GROUP SE

holds 100% of founders' shares of the investment found. The Company indirectly holds 46.51% of allotment certificates through J&T BANKA, a.s. and another 53.49% of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

Devel Passage s. r. o.
ID: 43 853 765, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO BDS a.s.
ID: 272 09 938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00 Prague 5, Czech Republic

FORESPO DUNAJ 6 a. s.
ID: 47 235 608, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 1 a. s.
ID: 47 234 032, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 2 a. s.
ID: 47 234 024, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HOREC A SASANKA a. s.
ID: 47 232 994, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO PÁLENICA a. s.
ID: 47 232 978, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 1 a.s.
ID: 36 782 653, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 2 a. s.
ID: 36 781 487, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO SOLISKO a. s.
ID: 47 232 935, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

INVEST-GROUND a. s.
ID: 36 858 137, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

OSTRAVICE HOTEL, a.s.
ID: 275 74 911, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. has 50% share in this company

Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.
ID: 35 904 305, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC
ID: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta
The Company holds 49.99% of investment shares through J&T BANKA, a.s. and another 50.01% of investment shares through Poštová banka, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda

J&T NOVA Hotels SICAV, a.s. (merger with NOVA Hotels, a.s. otevřený podílový fond REDSIDE investiční společnost, a.s., ID: 242 44 601, on 1.11.2020)
ID: 096 41 173, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, J&T FINANCE GROUP SE holds 100% of founders' shares of the investment found. The Company indirectly holds 48.35% of allotment certificates through J&T BANKA, a.s. and another 51.65% of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

BHP Tatry s. r. o.
ID: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

DIAMOND HOTELS SLOVAKIA, s.r.o.
ID: 35 838 833, with its registered office at Hodžovo nám. 2, 816 25 Bratislava, Slovak Republic

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 476 72 684, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic
The Company holds 53.08% of allotment certificates through J & T BANKA, a.s. and another 36.36% of allotment certificates through Poštová banka, a.s.

PB Finančné služby, a. s.
ID: 35 817 453, with its registered office at Hattalova 12, 831 03 Bratislava, Slovak Republic

PB PARTNER, a. s. v likvidácii
ID: 36 864 013, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

PB Servis, a. s.
ID: 47 234 571, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a. s.)
ID: 31 405 410, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic
Poštová banka, a.s. has 80% share in this company

PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.
ID: 31 621 317, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

SPPS, a. s.
ID: 46 552 723, with its registered office at Nám. SNP 35, 811 01 Bratislava, Slovak Republic,
Poštová banka, a.s. has 40% share in this company

365.fintech, a.s.
ID: 51 301 547, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic

1.3 The Board of Directors of the Company is aware that during the accounting period 2020 the Company was controlled by the same entities as the following other controlled entities, which, however, were no longer related parties as at December 31, 2020.

J&T Global Finance VII., s.r.o. v likvidácii
ID: 052 43 441, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic (till December 17, 2020)

Together with the Company, the above mentioned parties are in this report further referred to as „related parties".

1.4 The role of the Company
The Company acts as a holding company with shares in other legal entities.

1.5 Manner and means of control
The controlling entities control the Company by holding Company's shares of 90.1 % of the voting rights. Therefore, the exercise of the voting rights is the principal means of control. In the accounting period from January 1, 2020 to December 31, 2020, no particular contracts between the controlling entities and the Company in respect of manner and means of control.

II. Summary of acts made in the accounting period which were made at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity if these acts concerned assets the value of which exceeds 10% of the controlled entity's equity identified from the last financial statements.

In the accounting period, the Company performed no acts at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity in respect of assets the value of which exceeds 10% of Company's equity.

III. Summary of contracts entered into between the controlled entity and the controlling entity or between controlled entities.

In the accounting period 2020, the following contracts were entered into between the Company and the controlling entity or between the entities controlled by the same controlling entities:

Contracts between the Company and Jozef Tkáč:
- Performance contract
  Scope: Chairman of the Board of Directors

Contracts between the Company and Ivan Jakabovič:
- Performance contract
  Scope: Vice-Chairman of the Board of Directors

Contracts between the Company and Equity Holding, a.s.:
- Loan agreement
  Scope: lending Company's funds

Contracts between the Company and J&T BANKA, a.s.:
- Guarantee Agreement
  Scope: guarantees performance for selected clients of the bank
- Contract on the business lease of movable property
  Scope: inventory lease
- Contract on the lease of movable property and financial settlement
  Scope: inventory lease in the building at Dvořákovo nábrežie 8, Bratislava
- Contract on cooperation in the provision of J&T Family and Friends banking services and participation in the Magnus loyalty programme
  Scope: provision of J&T Family and Friends and Magnus loyalty system programme
- Contract on financial settlement
  Scope: settlement of receivables and liabilities resulting from value added tax as they are members of one VAT group
- Contract on mediation
  Scope: concluding contracts with potential clients
- Cost allocation contract
  Scope: cost distribution in relation to the entry of the strategic investor
- Agreement on cost distribution
  Scope: distribution of cost of consolidation package audit

- Contract on the provision of services
  Scope: provision of services related to debt securities
- Framework agreement on trading on the financial market
  Scope: negotiation of currency derivative transactions
- Agreement on deposit of securities
  Scope: ensuring deposit of securities
- Contract on the provision of services
  Scope: maintenance of current account in accordance with bank's Terms and Conditions
- Contract on the provision of services:
  Scope: issue of debit cards in accordance with bank's Terms and Conditions
- Contract on the lease of a safe deposit boxes
  Scope: lease of a safe deposit box in accordance with bank's Terms and Conditions
- Contract on the provision of services
  Scope: fixed term transactions with currency instruments in accordance with bank's Terms and Conditions
- Contract on the provision of Internet banking services
  Scope: provision of Internet banking services
- Contract with the administrator and Special arrangement to the contract with the administrator
  Scope: the perpetuity issue
- Overdraft contract
  Scope: lending Company's funds
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to controlling function (internal audit and compliance)
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to risk management
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to analytical functions

Contracts between the Company and J&T BANKA, a.s., pobočka zahraniční banky:
- Framework agreement / consignment agreement on arranging a purchase or sale of securities
  Scope: provision of services related to securities
- Contract on the provision of banking services
  Scope: provision of banking services
- Framework agreement on the provision of services for legal entities
  Scope: provision of banking and investment services

Contracts between the Company and J&T FINANCE LLC:
- Loan agreement
  Scope: lending Company's funds

Contracts between the Company and J&T Global Finance VI., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VIII., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance IX., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance X., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T INTEGRIS GROUP LIMITED:
- Novation agreement and loan agreement
  Scope: lending Company's funds
- Contract on set-off of receivables
  Scope: set-off of Company's receivables

Contracts between the Company and J&T Mezzanine, a.s.:
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital
- Loan agreement no. 01/JTFG SE/2017
  Scope: lending Company's funds
- Loan agreement no. 02/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 05/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 06/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 07/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 08/JTFG SE/2019
  Scope: lending Company's funds
- Loan agreement no. 09/JTFG SE/2019
  Scope: lending Company's funds
- Loan agreement no. 10/JTFG SE/2020
  Scope: lending Company's funds
- Loan agreement no. 11/JTFG SE/2020
  Scope: lending Company's funds

Contracts between the Company and J&T MINORITIES PORTFOLIO LIMITED:
- Loan agreement
  Scope: lending funds to a related party

Contracts between the Company and J&T SERVICES ČR, a.s.:
- Contract of mandate on the provision of expert tax assistance and advisory
  Scope: tax advisory services
- Contract on personal data processing
  Scope: personal data processing in HR and payroll
- Contract on the provision of professional assistance
  Scope: personnel and payroll administration

- Contract on the provision of services (outsourcing)
  Scope: preparation of consolidated financial statements under IFRS for selected consolidated entities
- Contract on the provision of services - OLAS
  Scope: provision of logistics services
- Contract on the lease of non-residential premises
  Scope: lease of non-residential premises
- Contract on the provision of services
  Scope: provision of services - KIS application
- Contract on the provision of professional assistance
  Scope: bookkeeping
- Contract on the provision of administration assistance
  Scope: administration
- Contract on the lease of movable assets
  Scope: lease of movable assets
- Contract on the lease of motor vehicle
  Scope: lease of a vehicle
- Contract on the provision of services Legal Managements
  Scope: Legal Management services
- Contract on the lease of motor vehicle
  Scope: lease of a vehicle
- Contract on personal data processing
  Scope: processing of personal data according to GDPR

Contracts between the Company and J&T SERVICES SR, s.r.o.:
- Contract on provision of service
  Scope: provision of all services necessary for the operation of the company

Contracts between the Company and J&T Wine Holding SE:
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital of CZK 5,000,000
- Loan agreement no. 02/JTWH/2020
  Scope: lending Company's funds
- Loan agreement no. 03/JTWH/2020
  Scope: lending Company's funds

Contracts between the Company and Poštová Banka, a.s.:
- Overdraft contract
  Scope: lending Company's funds

Contracts between the Company and Amico Finance a.s.:
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and PB Finančné služby, a.s.:
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

IV. Assessment of whether the controlled entity incurred a loss and judgment of its settlement under Sections 71 and 72 of the Act on Business Corporations.

All contracts listed under Section III of this report on relations were concluded in accordance with the arm's length principle. All performances received or rendered based on these contracts were also realised in accordance with the arm's length principle. Thus, the Company incurred no loss in relation to these transactions that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

During the accounting period 2020, no other legal acts except those listed in this report were adopted, no other measures were made, no performances were rendered or received in the interest or at the instigation of controlling entities or controlled entities on which the Company would incur a loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

V. Assessment of advantages and disadvantages arising from relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the controlled entity.

Having reviewed the relations between the Company and the controlling entity and the entities controlled by the same controlling entity, the Board of Directors declares that the Company did not gain any advantages or suffer any disadvantages arising on the relations between the Company and the controlling entity and/or entities controlled by the same controlling entity. The Company incurred no loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

VI.The Board of Directors declares that it has collated and reviewed the information for the purpose of this report on relations with due diligence. The conclusions made were drawn upon a thorough review of collated available information, and the Board of Directors considers all information disclosed in this report on relations as true and complete.

In Prague, March 31, 2021

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

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

Report of the Board of Directors of J&T FINANCE GROUP SE for the period from January 1, 2020 to December 31, 2020

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317 („the Company"), in accordance with Section 436 of Act No. 90/2012 Coll., on Commercial Companies and Coopera-tives („The Act on Business Corporation")

I. The composition of Company's statutory bodies in the period from January 1, 2020 to December 31, 2020 was as follows:

Board of Directors of the Company:
Chairman of the Board of Directors: Jozef Tkáč
Vice-Chairman of the Board of Directors: Patrik Tkáč
Vice-Chairman of the Board of Directors: Ivan Jakabovič
Vice-Chairman of the Board of Directors: Dušan Palcr
Member of the Board of Directors: Ing. Igor Kováč since July 1, 2020
Member of the Board of Directors: Štěpán Ašer, MBA since July 1, 2020
Member of the Board of Directors: Ing. Gabriela Lachoutová until June 30, 2020

Dozorčí rada Společnosti:
Chairman of the Supervisory Board: RNDr. Marta Tkáčová
Member of the Supervisory Board: Ivan Jakabovič
Member of the Supervisory Board: Jana Šuterová

II. Business activities of the Company and the balance of its assets

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company admin-isters its assets and enlarges its volume.

During the period from January 1, 2020 to December 31, 2020, the Company continued to hold and administer own assets, consisting of

A) 100% share in the companies:

J&T BANKA, a.s.,
ID: 471 15 378, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 1731,

J&T Bank Switzerland Ltd. in liquidation,
ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001 Zurich, Swiss Confederation,

J&T INVESTMENTS SICAV, a.s.
ID: 088 00 693, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T INTEGRIS GROUP LIMITED,
IČ: HE 207436, se sídlem 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P.C. 1082, Nikósie, Kypr,

J&T Mezzanine, a.s.,
ID: 066 05 991, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 23005,

J&T NOVA Hotels SICAV, a.s.
ID: 096 41 173, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 25770,

J&T SERVICES ČR, a.s.,
ID: 281 68 305, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 12445,

J&T Wine Holding SE,
ID: 063 77 149, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 2007,

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.
ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 20065,

B) 98,46% share in the company:

Poštová banka, a.s.,
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, registered in the Commercial Register maintained by the District Court in Bratislava I, section Sa, insert No. 501/B.

The Company has a long history as a strong and stable institution. As at December 31, 2020, the Company recorded assets of CZK 58.6 billion, equity of CZK 41.3 billion and the registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 1.2 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at December 31, 2020, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

III. Major decisions of Company's bodies

During the period from January 1, 2020 to December 31, 2020, the Board of Directors and the Supervisory Board of the Company adopted necessary decisions relating to the ordinary business activities of the Company and the fulfilment of obligations arising to the members of Companies statutory bodies based on relevant regulations and Company's Statute.

In Prague, April 30, 2021

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

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

Report of the supervisory board of J&T FINANCE GROUP SE for the period from January 1, 2020 to December 31, 2020

This report has been prepared by the supervisory board of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 275 92 502, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, insertion No. 1317 ("the Company").

I. Report on the activities of the supervisory board

In the period from January 1, 2020 to December 31, 2020, the Company's supervisory board was composed as follows:

Předseda dozorčí rady: RNDr. Marta Tkáčová
Člen dozorčí rady: Ivan Jakabovič
Člen dozorčí rady: Jana Šuterová

Chairman of the Supervisory board: RNDr. Marta Tkáčová
Member of the Supervisory board: Ivan Jakabovič
Member of the Supervisory board: Jana Šuterová

The Company's supervisory board performed its activity in compliance with relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended ("the Business Corporations Act") and the Company's articles of association. In the past period, the Supervisory board supervised the activity of the Board of directors, examined the Company's accounting books, and, at its meetings, evaluated the Company's economic situation and management, its interim results of operations and activities in the period from January 1, 2020 to December 31, 2020.

II. The Company's financial statements and the proposed settlement of the profit/loss for the period from January 1, 2020 to December 31, 2020 made by the Board of directors

The Supervisory board has reviewed the Company's financial statements for the period from January 1, 2020 to December 31, 2020, audited by an auditor whose opinion on the financial statements was unqualified, and the proposed settlement of the Company's profit/loss for the period from January 1, 2020 to December 31, 2020 made by the Board of directors.

The Company's supervisory board declares that the Company's financial statements for the period from January 1, 2020 to December 31, 2020 correspond with reality, have been prepared in compliance with valid Czech legislation, that the Company's accounting and accounting records and books present the Company's financial position in all material aspects and that the financial statements prepared based on these accounting records present a true and fair view of the Company's object of accounting and its financial position.

The Supervisory board has no objections to the proposed settlement of the profit/loss for the period from January 1, 2020 to December 31, 2020 made by the Board of directors and recommends that the general meeting approve the financial statements and the proposed settlement of the Company's profit/loss for the period from January 1, 2020 to December 31, 2020, as made by the Company's board of directors.

III. Report of the Board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2020 to December 31, 2020

The Supervisory board has reviewed the report of the Board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2020 to December 31, 2020, prepared by the Company's board of directors in compliance with Section 82 et seq. of the Business Corporations Act, and declares that it has no objections to this report and that in connection with contracts and agreements concluded between related parties, no damage was caused to the Company in the accounting period from January 1, 2020 to December 31, 2020.

IV. Report on control activities of the Supervisory board

Evaluating the results for the period from January 1, 2020 to December 31, 2020, the Supervisory board declares that it has ascertained neither any fundamental or formal defects in the Company's operation and activity, nor any fundamental or formal defects in the discharge of the duties of the Company's members of the Board of directors and that the Company's business activities were carried out in compliance with relevant legislation and the Company's articles of association

Based on the above matters, the Company's supervisory board recommends that the Company's general meeting approve:
- the financial statements for the period from January 1, 2020 to December 31, 2020;
- the proposed settlement of the Company's profit/loss for the period from January 1, 2020 to December 31, 2020, as made by the board of directors;
- the report of the board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2020 to December 31, 2020.

In Bratislava, April 28, 2021

Marta Tkáčová
Chairman of the Supervisory board
J&T FINANCE GROUP SE

Report of the Board of Directors of J&T FINANCE GROUP SE on the balance of its assets for the period from January 1, 2020 to December 31, 2020

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317 („the Company").

The Board of Directors states that the financial statements as at December 31, 2020 include all operations occurring in the period from January 1, 2020 to December 31, 2020. The details regarding respective parts are disclosed in the financial statements.

The Company's financial statements as at December 31, 2020 will be audited by an external auditor, KPMG Česká republika Audit, s.r.o, with its registered office at Pobřežní 648 / 1a, 186 00 Prague 8, ID: 496 19 187, registered in the Commercial Register maintained by the Municipality Court in Prague, section C, insert No. 24185.

The Company's Board of Directors states that the Company's financial statements correspond to the reality and are in accordance with the applicable legislation of the Czech Republic, the Company's accounting and accounting records show the Company's financial position in all material respects, and the financial statements prepared on the basis of these accounting records provide a true and fair picture of the subject of accounting and financial situation of the Company.

Main indicators of Financial Statement as at December 31, 2020 (in TCZK):

Total assets	58,570,118
Fixed assets	40,975,777
Current assets	17,594,341
Total liabilities	58,570,118
Equity	41,289,473
Liabilities	17,280,645

The profit for the period from January 1, 2020 to December 31, 2020 amounts to CZK 1,199,758,602.34.

The accumulated retained earnings of previous years amount to CZK 17,400,823,429.65 as at December 31, 2020.

The Board of Directors proposes to the General Meeting to approve the annual financial statements of the Company as at December 31, 2020.

The Board of Directors of the Company proposes to the General Meeting to approve the following settlement of the economic result for the period from January 1, 2020 to December 31, 2020:

The Board of Directors of the Company proposes to the General Meeting to decide that:
- Profit of CZK 307,500,000.- will be transferred to the perpetuity fund account
- The remaining profit of CZK 892,258,602.34 will be transferred to retained earnings of previous years

In Prague, April 30, 2021

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

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

J&T FINANCE GROUP SE
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