ANNUAL REPORT

2022

PPF Banka

PPF Banka

Where others see obstacles, wee see opportunity

Annual Report 2022
PPF banka

Contents

Chairman's Statement

Dear Shareholders, Clients,
Business Partners, and Colleagues,

For all of us who cherish freedom and refuse to let it be trodden underfoot, last year was a very trying time. Russia's unprovoked aggression against Ukraine in February wrought a great deal of suffering, fear and loss of life. The war sparked one of the largest refugee waves in Europe since the Second World War. In response, we and other PPF Group companies began to provide urgent and effective assistance to Ukrainians, especially women and children, who were seeking safety and freedom in the Czech Republic. Ukraine's strongest support, however, lies in the alliance of nations committed to safeguarding the value of freedom. Until the war broke out in Ukraine, we may have started taking for granted the foundations on which our society stands, the very foundations that allow both the economy and PPF banka to thrive.

I am pleased that, despite the economic turmoil caused by the war and, shortly before that, by the covid pandemic, PPF banka was able to build on its previous successes and continue to grow in 2022 while maintaining above-average profitability. We made a pre-tax profit of CZK 2.7 billion and posted a 17% return on equity. Advances to customers increased by 4.4% to CZK 45.3 billion. Meanwhile, we strengthened our capital adequacy, with the capital ratio increasing by 4.5 percentage points to 24.8%.

In the past year, our focus was on the development of customised products and services, support for customers' business activities, client data security, and expertise grounded in years of experience. We are also delighted that, in 2022, we once again came second in the Czech Ministry of Finance's annual ranking of primary dealers among large Czech and international banks, reaffirming our established position as one of the largest dealers in Czech government bonds.

Besides donating resources to Ukrainian refugees, in 2022 we also engaged in other non-profit projects supporting education or enriching the cultural scene. In 2022, we remained the general sponsor of the Cirk La Putyka troupe and the Jatka78 theatre. Here, PPF Group's support was also directed towards a number of young talented students from Ukraine, helping to nurture their artistic self-fulfilment despite the war.

We have long been – and will continue to be – involved in this and other CSR activities, as we believe this is a way in which we can make for a better future.
On a personal note, I also very much appreciate how committed and selfless our employees were last year in getting behind PPF Group's internal initiatives with enthusiasm and dedication.

PPF banka is essential for a strong PPF Group. I would like to extend my gratitude to our shareholders for their support and trust, which we hold in high regard. PPF Group and our company find it natural to help wherever needed. There was a groundswell of solidarity and support for Ukrainian families from our employees and customers, which I very much appreciate, and for which I thank you again.

I look forward to continuing our journey together in 2023.

Petr Jirásko
Chairman of the Board of Directors
and Chief Executive Officer
PPF banka a.s.

Introducing PPF banka

We are a Bank for Unique Clients

We are a bank for corporate, public and private sector clients who appreciate our professional and personalised approach. We build our services on professional expertise, unique solutions and sophisticated financial operations. We regularly earn plaudits for our activity in the financial markets.

We offer wide-ranging banking and financial services with an emphasis on high value added and premium quality.

We specialise in trading on the financial and capital markets. We also provide structured finance services (project, export, acquisition financing services, leverage finance and real estate) including to mergers and acquisitions.

A member of the Prague Stock Exchange, we are one of the most influential securities traders in the provision of investment services in the Czech Republic and on foreign markets.

We support our clients' operations and development by delivering tailor-made solutions. We arrange money market operations, provide investment loans, and analyse and hedge interest-rate and currency risks. We also offer services to the public sector, which includes the engineering of smart solutions for cities and public institutions. Lastly, we also focus on private banking that takes an exceptional approach to the way clients' individual financial needs are handled.

We are integral to PPF Group as the hub of its financial activity. For other PPF Group companies, we carry out international payments and manage financial assets and trading on the capital markets.

Besides engaging with clients, we are a socially responsible company that supports the work of The Kellner Family Foundation, the PPF Foundation, and Pipan, a bilingual nursery school for the hearing impaired. We stand alongside other PPF Group companies as a long-term partner of the Summer Shakespeare Festival and the Jára Cimrman Theatre. In 2021, PPF banka became a general partner of Cirk La Putyka and the Jatka78 theatre, thus helping to advance Czech culture.

Our Mission

- **To create value for the Bank's shareholders, clients, and employees.**
- **To continue building on our core pillars of integrity, diligence and cooperation.**
- **To promote and maintain, through our activities, the building of intangible values, especially reliability, transparency, respect, and trust.**
- **To engage in corporate social responsibility that extends beyond these values.**

Our Vision

- **To be active in the provision of services to corporate, private, and institutional clients and government entities.**
- **To stand out from other banks thanks to our high value added, flexibility, and the superior quality of the services we provide.**
- **To harness synergies within PPF Group.**
- **To be a trusted partner with a long-term sustainable position on the Czech market.**

Corporate Profile

General Information

Company name:	PPF banka a.s.
Legal form:	public limited company (akciová společnost)
Registered office:	Evropská 2690/17, Praha 6, 160 41, Czech Republic
Registration number:	47116129
Court of registration:	Municipal Court in Prague, Section B, File 1834
Date of incorporation:	31 December 1992

Date and Method of Establishment

PPF banka was established by a deed of incorporation of 3 December 1992, without a share subscription, under the company name of ROYAL BANKA CS, a.s. On 14 December 1994, the general meeting decided to change the Company's name to První městská banka, a.s., which was accompanied by a change in the Company's registered office, and approved a one-off increase in registered capital, including a merger with Společnost pro založení První městské banky, a.s. with effect as of 31 January 1995. On 23 June 2004, the annual general meeting of První městská banka, a.s. decided to change the Company's name to PPF banka a.s. with effect as of 1 September 2004.

Registered capital:	CZK 769 million
Equity:	CZK 17,331 million
Total assets:	CZK 288,650 million
Shares:	registered, dematerialised shares maintained in the Central Securities Depository Prague

Note: figures valid as at 31 December 2022

History

1992 – Company established as ROYAL BANKA CS, a.s.
1995 – renamed První městská banka, a.s., with the City of Prague becoming the majority shareholder
2002 – Česká pojišťovna a.s., a PPF Financial Group company, becomes the majority shareholder and a strategic partner
2003 – full integration into PPF Group
2004 – renamed PPF banka a.s.

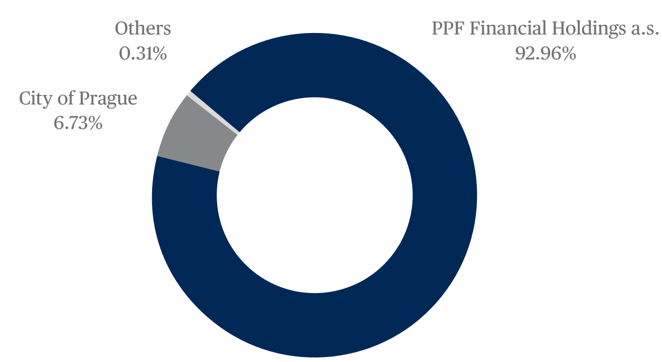
Objects of Business

PPF banka's business objects comprise all types of banking transactions and the provision of banking and financial services together with related services, on both domestic and international markets. The Bank's services are primarily tailored to Czech clients in the municipal and corporate segments. The Bank specialises in trading on financial and capital markets in accordance with applicable legislation and on the basis of licences granted by the Czech National Bank.

PPF banka membership

- Czech Banking Association;
- Czech Institute of Internal Auditors;
- Chamber of Commerce of the City of Prague;
- Prague Stock Exchange;
- Bank Card Association;
- International Swaps and Derivatives Association (ISDA).

Shareholder Structure



Precise web address containing the Bank's mandatory disclosures: https://www.ppfbanka.cz/en/important-documents#document-category-1807

Significant Events in 2022

In 2022, we continued developing services for our customers and supporting their business activities. This included investing in digitalisation and cybersecurity. We were engaged in projects that make sense to us.

We are ranked among the top dealers in Czech government bonds

PPF banka has long played a prominent role as a market maker on the Czech government bond market, as evidenced by the fact that it regularly finishes in the top positions in the Ministry of Finance's rankings of the best primary dealers. In 2022, PPF banka was rated second in competition with large Czech and international banks, thus reaffirming its established status as one of the largest dealers in Czech government bonds.

We help PPF Group and its clients to invest

PPF banka offers investment and transaction opportunities not only to PPF Group, but also to a wide range of corporate and private clients. In its financial market trading, PPF banka recorded one of the best results in its history, with trading revenues in 2022 far exceeding expectations, mainly on account of high transaction activity among customers.

We launched mobile banking

PPF banka's Smart Banking is a new app that offers customers an overview of their accounts – managed by state-of-the-art technology – at any time, wherever they may be. Apart from making it easier for them to manage their finances and make payments, it also clearly displays their accounts and debit cards, with certain settings that can be changed online directly in the app.

Another innovative approach can be observed in technological improvements in internet banking, such as bulk data imports and operational stability, e.g. in the form of a solution that is never disrupted.

We are continuing to invest in IT and cybersecurity

The Bank's strategic goal is to run applications that are always reliable, cost-effective and secure, accompanied by downstream infrastructure and support systems, including business process support. Activities in in-house development saw progress in the support of committee agendas and the computerisation of the process of setting DFT limits. We also focused on making the generation and storage of client documentation much more efficient. The client API handed prominent customers the opportunity to manage their accounts in their own app. In automating the process of planning and assessing customer profitability, we implemented IBM Planning Analytics, which, in addition to its business benefits, serves as a pilot project for the process of integrating cloud services into the IT services portfolio in accordance with the applicable prudential rules governing the regulation of banking entities. Our ongoing commitment to cybersecurity resulted in all-round improvements to our threat detection and response capabilities.

We helped to improve the general public's financial literacy

In 2022, in partnership with the Czech Banking Association, we again involved our colleagues in "Bankers Go To School", an educational project promoting greater financial literacy and knowledge of cybersecurity basics for Year 8 and 9 students of primary schools and Year 1 and 2 year students of secondary and grammar schools.

Following on from the Investment Outlook web conference in January, organised by EMUN PARTNERS family office, we continued our role as the main partner behind the Investment Breakfasts for investors and all those interested in what was happening in the economy and on capital markets and wanted to know what the prospects were going forwards. These were held as hybrid offline/online events.

The Czech cultural scene is close to our hearts

In 2022, we became the general partner of the Cirk La Putyka ensemble and the Jatka78 theatre because we believe in the importance of supporting projects, activities, and people who are constantly looking for ways and opportunities to develop themselves. With our support, they can continue to offer culture vultures unique performances and outstanding cultural experiences. Their projects – thanks in part to their international dimension – have long been among the best rated on the Czech cultural scene.

We got involved in aid for Ukraine

It is in our DNA to help where it makes sense to do so. This is reflected in our sustained support of the PPF Foundation and The Kellner Family Foundation, which in 2022 supported eucation and integration of refugee children from war-torn Ukraine. Within this support the Textbooks for Ukraine portal went live on 1 June 2022 as a launchpad for the distribution of 340,000 copies of textbooks, dictionaries and guides for teaching Czech as a second language. These resources, encompassing all ages and skill levels, were supplied free of charge to schools, other educational institutions, and individuals.

The Kellner Family Foundation also sponsored 75 young Ukrainian refugees by giving them the opportunity to take free one-year courses at Charles University's Institute for Language and Preparatory Studies in advance of their studies at Czech universities. In addition, it extended support to teachers and assistants of primary schools participating in the Helping Schools Succeed project that welcomed children from Ukraine into their classrooms, along with other organisations involved in the integration and education of refugee children from Ukraine.

Additionally, PPF Group's employees also pitched in to help Ukraine by holding an internal initiative in which they purchased essentials for Ukrainian families in the Czech Republic.

Key Non-Consolidated Financial Indicators

Key Non-Consolidated Financial Indicators

Until 2014: under Czech Accounting Standards
As of 2015: under International Financial Reporting Standards (IFRS)

Profit before tax

(CZK millions)	
2010	804
2011	758
2012	1,144
2013	784
2014	893
2015	1,583
2016	1,473
2017	1,908
2018	2,689
2019	2,629
2020	1,311
2021	2,127
2022	**3,181**

Total assets

(CZK millions)	
2010	52,361
2011	65,718
2012	76,843
2013	104,818
2014	108,237
2015	103,084
2016	136,625
2017	232,941
2018	235,162
2019	226,958
2020	169,723
2021	236,622
2022	**288,650**

Key Non-Consolidated Financial Indicators

under International Financial Reporting Standards (IFRS)

(CZK millions)	2022	2021
ASSETS		
Cash and balances with central banks	158,707	127,050
Financial assets at fair value through profit or loss	33,037	36,813
Financial assets at fair value through other comprehensive income	24,844	22,894
Financial assets at amortised cost	15,049	-
Receivables from banks	10,468	5,227
Receivables from customers	45,275	43,351
Ownership interests	237	237
Other assets	1,033	1,050
TOTAL ASSETS	288,650	**236,622**
EQUITY AND LIABILITIES		
Deposits from banks	23,980	41,333
Deposits from customers	210,578	145,548
Debt securities issued	5,117	4,411
Financial liabilities at fair value through profit or loss	30,420	27,632
Other liabilities	1,224	1,156
Registered capital	769	769
Other components of equity	16,562	15,773
TOTAL EQUITY AND LIABILITIES	288,650	**236,622**
INCOME STATEMENT		
Net interest income	6,438	2,827
Net fee and commission income	242	224
Net income/expense from financial operations	(1,307)	252
General administrative expenses	(1,065)	(954)
Impairment losses	(785)	187
Other operating profit or loss	(342)	(409)
Income tax expense	(442)	(380)
PROFIT OR LOSS FOR THE YEAR	2,739	1,747
KEY RATIOS		
Non-performing client loans/total client loans	0.99 %	4.14%
Total capital ratio	24.80 %	20.33%
ROAA	1.03 %	0.86%
ROAE	16.70 %	10.87%
Assets per employee (CZK millions)	1,218	994
Administrative expenses per employee (CZK millions)	4	4
Net profit per employee (CZK millions)	12	7

Details of capital and capital requirements at Bank level, as required by Articles 437 and 438 of EU Regulation 575/2013, are disclosed under the “Capital management” section in the Separate Financial Statements.

Board of Directors Report on the Company’s Business Activities and Assets

Macroeconomic Developments in the Czech Republic

Russia's aggression against Ukraine and the ensuing crisis on the energy market had a profound impact on 2022. The Czech economy emerged from the dire situation much better than initial catastrophic scenarios had indicated.

In the first quarter, the Czech economy kept up a decent pace, reporting 0.6% quarter-on-quarter growth. The robust year-on-year growth was bolstered in part by the low basis for comparison provided by early 2021, when the repercussions of the pandemic were still being felt. Although savings remained high, in the first quarter the domestic consumption momentum posted a year-on-year decline (-0.3% q/q), but household consumption surged by more than 8% thanks to the low basis for comparison and contributed 3.7 pp to overall GDP growth. Investment and the change in inventories also helped to fuel the rapid year-on-year growth. With inflation running high and real incomes falling, the quarter-on-quarter decline in the momentum of household consumption continued throughout the year, holding back overall economic growth along with it. The economy still recorded quarter-on-quarter growth of 0.4% in the second quarter, but by the second half of the year it had started to decline, entering a technical recession in the process. The two consecutive quarter-on-quarter declines in Q3 and Q4 were very moderate (0.2% and 0.3% q/q respectively), however, so the recession experienced by the Czech Republic in the second half of the year was only shallow.

Against a low basis for comparison, GDP reported 2.5% growth for 2022 as a whole. Consequently, economic growth was much faster than the situation following Russia's invasion of Ukraine had implied it would be, when the threat of widespread supply disruptions for certain commodities, notably natural gas, loomed large.

As things turned out, storage facilities were filled above average by drawing on supplies beyond Russian sources, and the warm winter meant that not only was there plenty of gas throughout the year and no forced curtailment of production, but that gas prices actually dipped back down again quite markedly. Industrial production was thus able to continue recovering during the year. The restoration of supply chains was particularly encouraging for the automotive industry, which was the driving force for most of 2022. Overall, industrial production in 2022 was up 1.7% on the previous year and drew level with pre-covid 2019.

Despite the recession that hit the Czech economy in the second half of the year, the situation on the labour market remained very healthy. In fact, the unemployment rate fell after a slight upturn in 2021. While the number of vacancies gradually dropped, it still remained higher than the number of people registered as jobless throughout the year. According to the Czech Statistical Office, the average unemployment rate in 2022 was 2.3%, 0.5 pp lower than in the previous year.

Ultimately, the energy crisis did not have as severe an impact on the real economy as had been widely predicted. However, it was amply evident in inflation, which outpaced forecasts as it spiralled upwards throughout 2022. Rising energy costs pushed overall pricing higher. Inflationary pressures were further fuelled by domestic demand. Inflation hit double digits as early as February and then remained on the rise.

It was only thanks to intervention by the Czech Statistical Office that it ultimately fell short of the 20% mark. The Czech Statistical Office artificially reduced inflation in the final three months of 2022 by means of the methodology it used to factor in the new energy cost saving tariff, so that, in its statistics, the across-the-board government subsidisation of energy bills was counted as a de facto reduction in energy prices. As a result, inflation in December stood at just 15.8%, as opposed to the 19.3% it would have been without the energy cost allowance. The average annual inflation rate eventually came to 15.1%, the second highest level since the Czech Republic became independent. The only year it was higher was 1993 (20.8%). In the first half of the year, the Czech National Bank persevered in its fight against inflationary pressures by making more of the sharp rate hikes it had initiated back in 2021. The CNB board reshuffle in June brought monetary tightening to an end, with rates holding steady since then (a repo rate of 7%, 3.25 pp higher than at the start of the year).

Higher interest rates took their toll on lending momentum. Loans to non-financial corporations rose by 4% in 2022, but only on the back of higher demand for euro-denominated borrowing, with the share of foreign-currency loans to non-financial corporations rising by 10 pp to 45.5%. The corporate market was not as badly affected by the high rates as the market in household mortgages, which make little or no use of foreign-currency lending. Taking 2022 as a whole, banks and building societies granted mortgages worth CZK 197 billion, a drop of 60% on 2021, when the mortgage market was experiencing an unprecedented boom in anticipation of rising rates.

Fiscal expansion continued in 2022. The state budget ended up CZK 360.4 billion in the red, CZK 80 billion more than the originally planned deficit. The deficit was mainly widened by the expenditure side of the budget in the form of pension indexation, benefit increases, and the assistance granted to households as they struggled with expensive energy. The CZK 360.4 billion deficit, the third worst in the country's history, pushed up the debt-to-GDP ratio further, taking it to 43.4% of GDP.

PPF banka’s Financial Performance

In 2022, building on its previous very successful years, PPF banka reported the best after-tax result in its history. Profit after tax came to CZK 2,739 million in 2022, an increase by almost CZK 1 billion on the previous year’s result.

Total comprehensive income for 2022 stood at CZK 2,281 million, more than CZK 1.1 billion higher than in 2021. The value of other comprehensive income can mainly be attributed to the fair value reserve (debt instruments measured at fair value through equity).

In April 2022, PPF banka’s General Meeting approved the payment of a CZK 1,492 million dividend. Even so, equity still rose.

Equity rose by 4.8% to CZK 17,331 million on the back of the excellent overall result. The return on average equity amounted to almost 17%. The capital ratio is 24.8%. The Bank’s liquidity is very sound and stable, as expressed by LCR of 140%.

The balance-sheet total at the end of 2022 was CZK 289 billion, an increase of CZK 52 billion on the end of 2021. On the asset side, this change is concentrated in reverse repo operations with the central bank, which increased by CZK 27 billion to CZK 150 billion at the end of 2022.

In keeping with its strategy, PPF banka added assets measured at amortised cost to its financial asset portfolio during 2022. This portfolio, consisting primarily of Czech government bonds, amounted to CZK 15 billion. Advances to customers increased by CZK 2 billion to CZK 45.3 billion.

Deposits from customers, the main source of funding within total liabilities, is spread between demand deposits, time deposits, and repo operations. The amount of these liabilities to customers rose by CZK 65 billion year on year to almost CZK 211 billion. Demand deposits grew by CZK 31 billion and time deposits by CZK 9 billion, and the volume of repo operations with financial institutions also increased. The overall change in the volume of liabilities therefore mainly reflects shifting business opportunities in response to rising interest rates over the course of 2022.

Operating income in 2022 versus the year before was influenced by the increase in interest rates and ended up above average at CZK 5,379 million.

Net interest income more than doubled year on year between 2021 and 2022, rising from CZK 2,827 million to CZK 6,438 million, mainly on account of high interest rates during 2022. Higher average balance-sheet volumes of advances to customers and the size of the investment portfolio also played a significant role in the growth. Net fee and commission income in 2022 increased slightly on 2021, going up by CZK 242 million, primarily due to administration services for customers. The increase in interest rates impacted the overall net result from financial operations. The loss of CZK 1,307 million for 2022 is the result of realising losses on the portfolio of securities remeasured under other comprehensive income, as well as losses on the portfolio of securities remeasured directly in the income statement.

For 2022, PPF banka reported an asset impairment loss of CZK 785 million, attributable to the very prudent approach taken to the provisions for corporate bonds exposed to risk relating to the Russian Federation.

Total operating expenses rose by CZK 46 million to CZK 1,413 million. Personnel costs remained at 2022 levels. The slight increase here was driven by IT costs, donations and consulting services.

The significant year-on-year decrease in the effective tax rate from 17.9% in 2021 to 13.9% in 2022 is related to bonds issued by EU member states, representing tax-free income.

In 2022, PPF banka continued its charity work and considers corporate social responsibility to be one of its core values.

Business Activities in 2022

PPF banka operates as PPF Group's hub for access to financial markets. The same investment and transaction services are also provided to a wide range of corporate and private customers.

Activity on Financial Markets

In its financial market trading, PPF banka recorded one of the best results in its history, with trading revenues in 2022 far exceeding expectations, mainly on account of high transaction activity among customers. In the financial statements, this result is split across two lines, net interest income and net income/expense from financial operations.

Bonds

As in previous years, PPF banka was very active in the Czech government bond market, both in primary auctions and in secondary market trading.

Institutional customers' growing interest in investing in bonds, coupled with the Bank's vigorous trading activity, contributed to higher trading volumes, which increased by 61% compared to the previous year.

PPF banka has long played a prominent role as a market maker on the Czech government bond market, as evidenced by the fact that it regularly finishes in the top positions in the Ministry of Finance's rankings of the best primary dealers.

For 2022 as a whole, PPF banka was rated second in competition with large Czech and international banks (both in the overall ranking and in the subrankings for the primary and secondary markets), thus reaffirming its established status as one of the largest dealers in Czech government bonds.

Equities

PPF bank also offers its customers transaction services in the field of equities, leveraging the advantages of direct access to all major exchanges, as well as some select exotic ones. Besides handling regular orders, the Bank also facilitates block trading and securities management, thereby providing a comprehensive equity service. In 2022, we brokered over CZK 20 billion of equity trades for corporate and private customers.

Securities issuance

Despite the sharp downturn on the capital markets, PPF banka was actively involved in the issuance of debt securities with a total volume equivalent to CZK 17,336 million. This included the issuance of CETIN Group bonds totalling EUR 500 million (as lead manager), Air Bank bonds totalling CZK 1,500 million (as sole lead manager), and investment certificates backed by underlying assets in the form of the debt of PPF Group members totalling the equivalent of CZK 2,227 million.

Depending on the type of transaction, the Bank acted as lead manager/arranger, distributor, administrator, or calculation agent for the securities issued.

Foreign exchange and derivative markets

In its trading with customers, PPF banka recorded significant growth in revenues, primarily due to corporate customers' keen demand for currency hedging and generally increasing volumes of foreign exchange transactions. The above-average volatility of the EUR/CZK exchange rate in the first few months of the year together with an attractive interest rate differential were among the main factors contributing to higher customer transaction activity in 2022. Customers made extensive use of favourable market opportunities and hedged the exchange rate for their future foreign currency collections through standard derivative products and more sophisticated structures at attractive levels. Income from interest rate derivatives, used by the Bank's customers to hedge interest rates on loans ahead of the expected tightening of monetary policy by the CNB and the ECB, also had a positive impact on performance.

Cooperation with PPF Group

As in previous years, PPF banka acted as PPF Group's treasury bank, playing various roles in helping to hedge the market risks faced by the Group's companies. For individual transactions, the Bank acted as a counterparty and collateral provider, or as an auction organiser.

Corporate Banking and the Public Sector

In 2022, as always, many customers drew on our help to launch new investment projects, expand production capacity, cover rising operating costs, and pursue new business opportunities to grow their client portfolios. Some of our customers used financing from PPF banka to acquire other companies. With others, we worked on revising their operational financing structure and optimising their mix of banking products. The terms we cam up with for our deposit products were attractive to customers and drove forward the growth of our deposit portfolio.

We have continued to help many clients who are industry leaders, supporting them in their acquisitions, the expansion and upgrading of their production capacity, and the further development of their business activities, both in the Czech Republic and other parts of the world.

Our largest transactions take the form of club financing in cooperation with other major Czech and international banks.

We always try to seek out the optimal financing structure for the customer and, where appropriate, we complement bank financing, for example, with the possibility of issuing bonds. We assist our customers in the financing of construction or investment in residential, commercial, and industrial real estate.

In the public sector, in 2022 the Bank successfully built on the active cooperation it had established in previous years with the Czech Republic's regions and statutory cities. In the pursuit of our strategy of being an active partner for the public sector, we also offer our services to companies in which regions and municipalities have participating interests.

In 2022, we again focused on fostering our product range and developing the Bank's key client systems. We are confident that they will improve our work together so that customers are able to manage their finances as efficiently as possible.

Private Banking for Individuals

PPF banka's Private Banking Department is dedicated to the most discriminating private clients, providing them with transaction and investment services. Outstanding customer care is underpinned by a quality team of experienced private bankers, their expert knowledge and their ability to offer the best solutions to meet the exact needs of our customers.

Last year may have been fraught with challenges, but it also yielded a number of exciting investment opportunities. We succeeded in increasing the number of customers served and the volume of customers' assets under our management, and we executed numerous issues of structured and investment products so that our customers could effectively increase the value of their free funds.

The deployment of PPF banka's new Smart Banking app made it more convenient and easier for clients to manage their accounts directly from their mobile phones. Hand in hand with our growing portfolio, we expanded our team of private bankers and are now ready to provide our existing top-notch services to additional new customers of the Bank.

We are confident that we stood up to our customers' expectations and remained a strong and stable partner even in the midst of such a difficult year. Our long-term strategy is to maintain an individual and professional approach, foster mutual trust and concentrate on the satisfaction of our customers. It is and will be essential for us to be guided by these values, as this is the only way we will be able to continue delivering premium banking services to our customers.

Information Technology and Information System Security

The Bank's strategic goal is to run applications that are always reliable, cost-effective and secure, accompanied by downstream infrastructure and support systems, which is why in 2022, once again, it could not have managed without a reliable IT department safeguarding the secure operation and development of its systems.

In 2022, PPF banka continued to move forward with its enterprise architecture concepts by integrating them more deeply into project activities. The building of a coherent application model for the Bank has made it possible to run impact analyses and plan the right architectural development. Activities in in-house development saw progress in the support of committee agendas and the computerisation of the process of setting DFT limits, their approval and enforcement in the Bank's key downstream systems. We also focused on making the generation and storage of client documentation much more efficient as a prerequisite for the Bank's ongoing digitalisation. The introduction of a system of automated tests was an important step forward in verifying the quality of parts of customer systems.

For our customers, the beginning of 2022 saw the introduction of new mobile banking. Smart Banking, PPF banka's brand new app built on cutting-edge and secure technologies, went online for customers. This app allows us to be close to our clients at all times.

The development of the app fully respected the latest UX/UI approaches so that contact with mobile banking is natural for customers and promptly addresses their current needs. The new app came with features ensuring that customers can manage their accounts with ease, whether they want to display an overview, make payments, change limits, or handle other account management options. Mobile and internet banking capabilities keep lockstep with modern trends in mobile banking standards on the market. Another innovative approach can be observed in technological improvements in internet banking, such as bulk data imports and operational stability in the form of a stop-free solution or CI/CD functionalities, including the containerisation of solutions.

The PPF banka e-Token application greatly improves customer convenience by eliminating the need to copy the SMS codes generated for logging into internet banking.

Another important digital channel is the client API, which in 2022 provided prominent customers with the ability to manage their accounts in their own app. The advantage of this solution is that it connects customers to PPF banka via a single, efficient solution, not only from a preview perspective, but also in terms of the active operations that our customers can use. The technological and organisational challenges of implementing this solution were enormous. We are strategically moving the client API to an online version that will facilitate fast and secure real-time data transfer between the Bank and clients. In the future, this functionality will make it possible, among other things, for us to place investment orders online.

In 2022, we also upgraded the core Midas system to ensure that all operational and security patches would remain available, and so that it would be compatible with new versions of this environment.

As part of the migration of Target2, the European payment system, to a new platform supporting the ISO 2022 standard, we implemented a project ensuring the implementation of the payment-related modifications necessary to the SWIFT and payments components.

In automating the process of planning and assessing customer profitability as a key performance indicator for individual customer segments, we implemented IBM Planning Analytics in SaaS mode, which, in addition to its business benefits, serves as a pilot project for the process of integrating cloud services into the IT services portfolio in accordance with the applicable prudential rules governing the regulation of banking entities.

In 2022, we experienced no major outages in the operation of our IT systems. The operation of all the Bank’s IT applications and systems continues to be a high priority on the day-to-day agenda of IT Division staff. The Bank also invested in new security perimeters and optical active SAN elements in connection with the continuous development of the network environment. The Bank did not record any cybersecurity incidents in 2022.

In 2022, the personnel capacity of the unit responsible for information security management was completely reorganised, refreshed and strengthened to ensure that the Bank is able to deal adequately with dynamic developments in this area.

Activities planned to meet the regulatory requirements of the CNB and the National Cyber and Information Security Agency continued. The main thrust of development was to strengthen the overall capability to detect and respond early to cyber threats. Major headway was made as part of the long-term activity to have the ability to take a structured approach to the analysis and management of information system risks. Close cooperation with IT units continued in 2022 to guarantee a high level of operational security with the least possible impact on the user experience enjoyed by the Bank’s employees.

Our People

We are conscious of the fact that it is our people who shape the kind of Bank we are. They define how we treat each other, how proactive, professional and stable we are as a Bank, what quality of service we provide to our customers and where we are headed in general.

That is why it is very important for us to recruit people of high quality, and then to motivate them and give them a sense of fulfilment so that they have no reason to change their employer. The most important qualities we value are respect, trust, initiative, effort and the desire to move things forward. This is the only way we can be a bank for exceptional clients served by exceptional employees.

In line with these values, in 2022 we approved a new HR strategy to support the Bank's and individual divisions' strategies, the primary objectives of which are to boost internal and external communication, to develop our people in a targeted and effective way, and to simplify processes and administration.

Professional and personal development is very important to us, which is why a training and development strategy for 2023 was drawn up in 2022. Besides providing professional and personal development training, it also aims to work better with the succession process in individual teams. Another strand of our people development builds on awareness across the Bank through a series of IT, finance, business, HR and risk management lectures that we plan to introduce in 2023.

To further their personal development, our colleagues also actively participated in the "Bankers Go To School" lecture series, organised by the Czech Banking Association to promote greater financial literacy and knowledge of cybersecurity basics for Year 8 and 9 students of primary schools and Year 1 and 2 year students of secondary and grammar schools.

Nor do we neglect important social issues, such as diversity in gender representation, equal conditions for men and women in all areas, including pay, and diversity of opinion, experience and age.

We are believers in the potential of young people and know that we can reward their drive and desire by passing on the invaluable experience of our senior professionals. That is why, in 2022, we also began to take the steps necessary to collaborate with secondary schools and universities.

We are a stable and experienced employer with strength, courage, respect and outstanding human relations coursing through our veins. We are delighted to have exceptional employees who work every day to keep us that way.

Remuneration of Senior Management and Supervisory Board Members

Senior management comprises members of the Board of Directors and the managing directors of divisions. These managing directors work for the Bank under employment contracts drawn up in accordance with the relevant provisions of Act No 262/2006, the Labour Code, as amended. The Bank's contractual relationship and the conditions of its employment relationship with managing directors are subject to approval by the Board of Directors. By law, a board of directors is a governing body responsible for a company's business management.

The Bank's Board of Directors performs its duties with loyalty, the necessary expertise and due diligence. It acts in good faith and in the best interests of the Bank. The members of the Board of Directors adhere to ethical standards and are liable for any damage they may cause if they breach their legal obligations.

Members of the Board of Directors are remunerated on the basis of an "Agreement on the Service of a Member of the Board of Directors" concluded in accordance with the relevant provisions of Act No 90/2012 on companies and cooperatives, as amended (the "Business Corporations Act"), and Act No 89/2012, the Civil Code, as amended.

Individual agreements on the service of members of the Board of Directors and the amount of remuneration due to them are subject - along with the Remuneration Policy of PPF banka a.s. - to approval by the Supervisory Board. Members of the Board of Directors receive payment that has both a fixed and a variable part. According to Implementing Decree No 163/2014 on the performance of the activities of banks, savings and loan associations, and securities dealers, as amended, some of the variable component is deferred and retained. The Chairman of the Board of Directors and the Board member responsible for risk management also benefit from non-cash instruments. Reflecting the application of this risk-based Remuneration Policy, there is a contractual obligation under the Agreements on the Service of a Member of the Board of Directors that members of the Board will not use insurance or apply other hedging strategies to their remuneration or liability that might compromise or curtail the effects of the risk-based elements of the Remuneration Policy. In addition, they are subject to the possibility of a "malus" and "clawback", especially in cases where:

- capital and liquidity ratios fall below the value set by the Bank for a given period;
- the Bank's financial performance deteriorates significantly;
- a person has engaged in or was responsible for conduct that led to significant Bank losses, and in cases where a person has not complied with the standards of trustworthiness, professional competence, and experience that have been set for them, or where they have perpetrated serious misconduct or violated work discipline;
- a person, as a result of their work activities (or misconduct), has significantly tarnished the Bank's reputation or caused a sanction to be imposed that has a significant impact on the Bank's finances or capital.

Members of the Supervisory Board are paid on the basis of an "Agreement on the Service of a Member of the Supervisory Board" concluded in accordance with the relevant provisions of the Business Corporations Act. Individual agreements on the service of members of the Supervisory Board and on the amount of their remuneration are subject to approval by the General Meeting.

In keeping with the aforementioned Implementing Decree, the Internal Audit Department reviews compliance with the Remuneration Policy, including related legislative and regulatory requirements and the internal regulatory basis, once a year and reports its findings to the Supervisory Board and the Board of Directors. For 2022, approved monetary remuneration was paid out. No in-kind income was provided.

Audit and Non-Audit Services

Fees paid to the external auditor for audit services rendered to PPF banka in 2022 amounted to CZK 5,8 million (2021: CZK 6 million). All external auditor services in 2022 and 2021 are related to the auditing of the financial statements, the annual report, the underlying documentation for consolidation, the condensed interim financial statements, and the MiFID report.

The audit and non-audit services provided to PPF banka and its subsidiary by an external auditor, or by member firms of the external auditor, are listed in the table below:

PPF banka a.s. (CZK millions)	2022	2021
Audit services	5.8	6.0
Other assurance services	2.0	2.0
Advisory services	0.8	-
TOTAL	**8.6**	**8.0**

Subsidiary of PPF banka a.s. (CZK millions)	2022	2021
Audit services	1.0	1.1
Other assurance services	-	-
Advisory services	-	-
TOTAL	**1.0**	**1.1**

Good Causes

Every year, PPF banka contributes to numerous projects primarily geared towards the development of Czech education and culture. Together with other PPF Group companies, the Bank is a long-standing partner of major cultural projects in the Czech Republic.

It supports the activities of The Kellner Family Foundation and the PPF Foundation. It helps to fund Pipan, a bilingual nursery school for the hearing impaired that is part of the Tamtam Children's Hearing Centre.

For many years, it has sponsored the Summer Shakespeare Festival, Europe's largest open-air theatre festival to specialise in the staging of William Shakespeare's works. The festival ran from the end of June to the beginning of September and took place on outdoor stages in Prague, Brno, Ostrava, and Bratislava. Likewise, the Bank sponsors the Jára Cimrman Theatre, which is woven into the very fabric of the Czech theatre scene and has been entertaining audiences and inspiring other professional and amateur theatre ensembles for more than 50 years.

In 2021, PPF banka became the general partner of the Cirk La Putyka company and the Jatka78 theatre because it believes in the importance of supporting projects, activities, and people who are constantly looking for ways and opportunities to develop themselves. With our support, they can continue to offer culture vultures unique performances and outstanding cultural experiences. Their projects - thanks in part to their international dimension - have long been among the best rated on the Czech cultural scene.

Other Information

In 2022 and 2021, the Bank incurred no expenditure on research and development or environmental protection.

The Bank has no branches abroad.

The Bank did not obtain any of its own shares.

The Bank does not foresee any significant changes in the development of its activities.

Risk Management Objectives and Methods

The risk management objectives and methods are described in detail in the Financial Section of the Annual Report on both an individual and consolidated basis.

Subsequent Events

In February 2023, one bond, with a nominal value of USD 10 million and exposed to risk associated with the Russian Federation, matured. As at 31 December 2022, the Bank had held it in its portfolio of financial assets measured at fair value through other comprehensive income. The principal and coupon were paid in RUB to a special account held at Home Credit & Finance Bank. As that account is subject to Russian counter-sanctions cannot be disposed of by the Bank, a provision for 100% of the exposure has been created.

All other corporate bonds in this portfolio that carried a Russian Federation risk were successfully sold by the Bank in February 2023. The sales were above the values of these bonds recorded in the Bank's books as at 31 December 2022, i.e. they had a positive impact on the Bank's earnings in the first quarter of 2023.

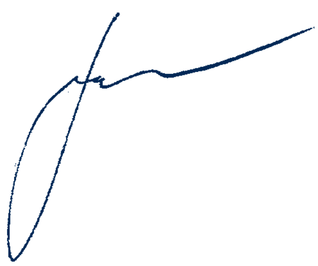
Proposal for the Distribution of Profit for 2022

PPF banka made a profit after tax of CZK 2 738 502 380,34 in 2022.

PPF banka’s Board of Directors proposes the following profit distribution:

Payment of dividends	CZK 1,298,079,304.82
Appropriation to retained earnings	CZK 1,440,423,075.52

Prague, 12 April 2023



Petr Jirásko
Chairman of the Board of Directors of PPF banka a.s.

Miroslav Hudec
Member of the Board of Directors of PPF banka a.s.

Corporate Governance

Board of Directors

Petr Jirásko

Chairman of the Board of Directors since 14 October 2013 (member of the Board of Directors since 8 October 2013) Chief Executive Officer

Born in 1973, Petr Jirásko graduated from the Prague University of Economics and Business. During his university studies, he was employed part-time by Budějovický Budvar, Investa Příbram a.s., Credit Lyonnais Bank Praha a.s. and Tabák Kutná Hora. In 1998, he started working full-time for Credit Lyonnais Bank Praha a.s. as an FX dealer. Between 2000 and 2002, he worked at Komerční banka, a.s. as an FX option dealer and later as the head of the Derivatives Desk. He joined PPF Group in 2002. He worked for PPF burzovní společnost (as a bond dealer and chief dealer) until 2004, when he started working for PPF banka a.s. as Managing Director of Financial Markets. In October 2013, he became the Chairman of the Board of Directors and Chief Executive Officer of PPF banka a.s.

Jaroslava Studenovská

Vice-Chairwoman of the Board of Directors since 9 December 2016 (member of the Board of Directors since 16 April 2012) Managing Director of Operations

Born in 1968, Jaroslava Studenovská graduated in General Economic Theory from the Prague University of Economics and Business. Between 1992 and 1998, she worked for Česká spořitelna a.s. in various investment banking positions, her last position being back office director. Between 1999 and 2001, she worked as back office director at IPB/ČSOB. From 2001 to 2005, she was the director of Back-office Treasury at Raiffeisenbank a.s. She joined PPF banka a.s. in 2006 as a specialist in the Group's Treasury Division. She has been the Managing Director of Operations since 2007. She was named a member of the Board of Directors in 2012, and has been Vice-Chairwoman of the Board of Directors since December 2016.

Miroslav Hudec

Member of the Board of Directors since 1 May 2016 Managing Director of Financial Management

Born in 1966, Miroslav Hudec graduated from the University of Chemistry and Technology in Pardubice, majoring in Industry Economics and Management. He headed the financial departments at Monokrystaly Turnov a.s. and Šroubárna Turnov a.s. Later, he worked for Česká spořitelna, a.s. as the head of the internal bank and held various positions in the company's Finance Division. Prior to joining PPF banka a.s., he worked as the head of controlling and deputy chief financial officer at Credit Lyonnais Bank Praha and held the same position at Credit Agricole Bank Praha. He has worked for PPF banka since 1 September 2012, starting out as an adviser to the Chief Executive Officer. He became Managing Director of Financial Management in January 2014 and a member of the Board of Directors in May 2016.

Luboš Prchal

Member of the Board of Directors since 3 November 2021
Managing Director of Risk Management since 3 November 2021

Born in 1980, Luboš Prchal graduated in Mathematical Statistics from the Faculty of Mathematics and Physics of Charles University, where he also completed his PhD studies combined with studies at Paul Sabatier University in Toulouse, France. He gained extensive experience in the financial sector at Ernst & Young, s.r.o., where he worked from 2007 to 2019, from 2016 as a partner and from 2018 as CESA Financial Services Risk Management Leader. He joined PPF banka a.s. in November 2020 as adviser to the CEO, then adviser to the Managing Director of Risk Management, and in November 2021 he became a member of the Board of Directors and Managing Director of Risk Management.

Karel Tregler

Member of the Board of Directors since 3 November 2021
Managing Director of Commercial and Investment Banking since 3 November 2021

Born in 1978, Karel Tregler graduated from the Prague University of Economics and Business with a master's degree and PhD in Finance. In 2009, he successfully completed his postgraduate studies at CFA Institute. He joined PPF Group in 2000. He initially worked for PPF burzovní a.s. as an equity analyst, before joining PPF Asset Management as a portfolio manager in 2004. Starting in 2008, he worked for Generali PPF Asset Management as a senior portfolio manager. In 2014, he joined PPF banka a.s. as Managing Director of Financial Markets, and in November 2021 he was appointed to the Board of Directors and made Managing Director of Commercial and Investment Banking.

Supervisory Board

Ladislav Chvátal

Chairman of the Supervisory Board since 20 August 2015 (Member of the Supervisory Board since 29 April 2015)

Born in 1963, Ladislav Chvátal graduated from the Prague University of Economics and Business, majoring in Automated Control Systems in Economics. He joined PPF Group in 1994. Within PPF Group, he has held a number of key managerial positions. Between 1998 and 2007, he managed Home Credit Group's development and international expansion as its CEO while serving as PPF Group's Executive Director for Retail Banking and Consumer Finance with responsibility for the strategic management of eBanka and ČP Leasing. Between 2009 and 2014, he was part of PPF Partners' management team.

Jiří Janoušek

Vice-Chairman of the Supervisory Board since 10 December 2019 (member of the Supervisory Board since 26 September 2019)

Born in 1978, Jiří Janoušek graduated from the Faculty of Law of Charles University, Prague. In 2012, he passed the bar examination and he is now a lawyer registered with the Czech Bar Association. His wide-ranging experience began as a corporate lawyer at financial institutions such as Československá obchodní banka, a.s. and Českomoravská stavební spořitelna, a.s., before he went on to practise at several law firms. In his legal practice, he specialises in insolvency law, commercial and civil law, civil procedural law, and arbitration, including related insolvency and enforcement legislation.

Nadežda Priečinská

Member of the Supervisory Board since 1 May 2021

Born in Nitra in 1974, Nadežda Priečinská graduated from the Faculty of Law of Charles University in Prague. On completing her studies in 1997, she joined a law firm as an articled clerk. She passed the bar exam in 2000 and is registered with the Czech Bar Association. Since 2001, she has practised law independently. In her law practice, she specialises in real estate law, commercial law, civil law, and corporate law. Since 2007, she has been a member of the supervisory board of Accredio, a.s.

Bohuslav Samec

Member of the Supervisory Board since 16 January 2009

Born in 1959, Bohuslav Samec graduated from a two-semester Monetary Economics and Banking course at the University of Economics, Prague. Between 1985 and 1993, he held managerial positions in services. He has worked for PPF Group since 1994, in which time he has held various managerial positions. He has served as a member of the board of directors of PPF burzovní společnost and a member of the supervisory board of Slezan Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works for Česká pošta in the CEO's Section. Since 2006 he has been a member of the Supervisory Board of PPF banka a.s. Since 2009, he has also been a member of the Audit Committee of PPF banka a.s.

Lenka Baramová

Member of the Supervisory Board since 7 January 2009

Born in 1965, Lenka Baramová graduated from the University of Economics and Business and joined Komerční banka, a.s. in 1987 (when it was still an SBČS branch). Between 1993 and 1994, she worked in the Credit Risk Department of ABN AMRO Bank N.V. in Prague. Between 1994 and 2000, she worked for Calyon (then known as Credit Lyonnais Bank Praha a.s.), initially in the Corporate Banking Department and then in Corporate Finance. Between 2000 and 2002, she worked for the consultancy firm Celestis Finance s.r.o. Since 2002 she has worked for PPF banka a.s. and is currently a Senior Sales Consultant.

Martin Hýbl

Member of the Supervisory Board since 2 June 2011

Born in 1974, Martin Hýbl graduated from the Faculty of Business and Management of the Silesian University, Karviná, majoring in Business Economics. In 1998, he joined ČP Leasing a.s. and progressively held the positions of financial analyst, head of financial management, chief financial officer and member of the board of directors. Between 2003 and 2005, he worked for PPF Group in various financial management positions. Since 2005, he has been with PPF banka a.s., initially heading the HC Treasury Department and now in charge of Institutional and Corporate Client Banking Services.

Audit Committee

Valdemar Linek

Chairman of the Audit Committee since 1 October 2021 (member of the Audit Committee since 10 December 2009; Vice-Chairman of the Audit Committee from 13 April 2010 to 30 September 2021)

Born in 1971, Valdemar Linek graduated from the Prague University of Economics and Business, majoring in Corporate Economics and Accounting and Corporate Financial Management. He also completed a postgraduate two-semester course in Internationally Accepted Accounting Standards and is a certified balance sheet accountant and registered assistant auditor. In 1997–2003, he worked for HZ Praha, spol. s r.o. as auditing division director, where he was responsible for audit engagements, economic consulting, due diligence and forensic investigation. Since 1999, he has been a managing director of PRAGUE ACCOUNTING SERVICES s.r.o. (an expert institute in the field of economics), where he is responsible for the preparation of expert opinions on business combinations, accounting, taxes and valuations of assets and companies. Since 2005, he has been a director at PRAGUE TAX SERVICES a.s., where he is responsible for economic, accounting and tax consulting. Since 2003, he has been the board chairman, a director and a partner at NEXIA AP a.s., where he is responsible for forensic engagements and project consultancy contracts. In 2011–2018, he was a member of the audit committee of Air Bank a.s.

Jitka Mašátová

Vice-Chairwoman of the Audit Committee since 1 October 2021 (member of the Audit Committee from 29 April 2013, Chairwoman of the Audit Committee from 29 April 2013 to 30 September 2021)

Born in 1978, Jitka Mašátová graduated from the Prague University of Economics and Business, where she studied Monetary and Economic Politics at the Faculty of Finance and Accounting. While still studying, she joined the Banking Supervision Section of the Czech National Bank, where she held various positions over the course of four years. Since 2005, she has worked for PPF a.s.'s Group Internal Audit Department. Since 2007, she has been the Head of Group Internal Audit. In 2011, she was a member of the supervisory board of SAZKA sázková kancelář, a.s. Since 2018, she has been a member of the Supervisory Board of PPF banka a.s. Since 2021 she has also worked for PPF Financial Holdings a.s.in a position of Chief Internal Audit Officer.

Bohuslav Samec

Member of the Audit Committee since 10 December 2009

Born in 1959, Bohuslav Samec graduated from a two-semester Monetary Economics and Banking course at the Prague University of Economics and Business. Between 1985 and 1993, he held managerial positions in services. He has worked for PPF Group since 1994, in which time he has held various managerial positions. For ten years he has served as a member of the board of directors of PPF burzovní společnost and a member of the supervisory board of Slezan Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works for Česká pošta in the CEO's Section. Since 2006, he has been also a member of the Supervisory Board of PPF banka a.s.

Senior Management

Petr Jirásko
Chief Executive Officer
since 14 October 2013

Jaroslava Studenovská
Managing Director of Operations
since 1 May 2007

Miroslav Hudec
Managing Director of Financial Management
since 1 January 2014

Luboš Prchal
Managing Director of Risk Management
since 3 November 2021

Karel Tregler
Managing Director of Commercial and Investment Banking
since 3 November 2021

Daniel Votápek
Managing Director of IT
since 1 June 2022

David Marek
Managing Director of IT
since 1 December 2018
to 11 February 2022

Organizational Structure

Organizational Structure as of 31. 12. 2022

Risk Committee

Supervisory Board

Audit Committee

Board of Directors

003 Compliance Department
004 Internal Audit Department

Chief Executive Officer

010 Office of the CEO and HR Department
030 Concierge Department
040 Legal Department

200 Financial Management Division
- 210 Accounting Department
- 240 Controlling and Reporting Department

500 IT Division
- 510 User and Aplication Department
- 520 IT Infrastructure Department
- 530 Digital, Transactions Systems, Backoffice Department
  - 532 Front and Back Office Systems Unit
  - 534 Core Banking and Transactions Systems Unit
- 540 Loans, invesments and Architecture Department
- 550 Project Management Office and Datamanagement Department
  - 533 Datamanagement Unit
  - 535 Testing Unit

600 Operations Division
- 610 Client Contact Centre Department
- 620 Passive Product Methodology Department
- 630 Validation and Control Department
- 640 Payment Department
- 650 Back Office Financial Markets Department
  - 651 Back Office Money Market Unit
  - 652 Back Office Capital Market Unit
- 660 Loan Administration Department
- 670 Custody Department
- 680 Middle Office Financial Markets Department
- 690 Electronic Payment Systems Department

700 Risk Management Division

- 710 Market Risk Management Department
- 720 Credit Risk Management Department
  - 721 Financial Institutions Analysis Unit
  - 723 Corporate Clients Analysis Unit
  - 727 Credit Controlling Unit
- 730 Restructuring and Workout Department
- 770 Information Security Department
  - 771 Security Supervision Unit
- 780 Operational Risk Management Unit

800 Commercial and Investment Banking Division

300 Investment Banking Section

- 310 Investment Products and Analysis Department
- 320 Trading Department
- 330 Corporate and Municipal Client Sales Department
- 340 Treasury Department
- 350 Institutional and Corporate Client Banking Services
- 370 Institutional Client Sales Department
- 380 Private Banking Department

400 Commercial Banking Section

- 410 Export and Structured Financing Department
- 420 Transaction Service Department
- 430 Real Estate Financing Department
- 460 Corporate Banking Department
- 470 Public Sector Department

Financial Section

Independent Auditor’s Report

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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 PPF banka a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of PPF banka a.s. (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the statement of changes in equity and the 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 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Loss allowances for loans to and receivables from customers

Loss allowances for loans and advances to customers amounted to CZK 964 million as at 31 December 2022 (31 December 2021: CZK 1,138 million). Gross amount of loans and advances to customers amounted to CZK 46,239 million as at 31 December 2022 (31 December 2021: CZK 44,489 million).

Refer to Note 3 (Significant accounting policies), Note 20 (Loans and receivables) and Note 43 (Risk management) in the notes to the separate financial statements.

Key audit matter	How the audit matter was addressed
The Company's management makes significant judgments and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers (together "loans"). We consider the area to be associated with a significant risk of material misstatement, which, coupled with the significantly higher estimation uncertainty stemming from the current market conditions, required our increased attention in the audit. As such, we determined it to be a key audit matter. The loans are assigned to one of three stages in line with the requirements of IFRS 9 *Financial instruments* for the purposes of estimating the loss allowances. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination. Stage 3 loans are non-performing, i.e. credit-impaired loans. Impairment allowances for the performing exposures are determined by modelling techniques taking into account historical experience, forward-looking information and management judgment. Key assumptions and	Assisted, where applicable, by our own credit risk, valuation and information technology (IT) specialists, we performed, among others, the procedures outlined below: We critically assessed the Company's credit and loan accounting policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, SICR, and allocating of loans to respective stages. We also inspected the Company's ECL methods and models and assessed their compliance with the relevant requirements of the financial reporting standards. We tested the IT control environment for data security and access, and also tested the design, implementation and operating effectiveness of IT-based and manual controls over the identification and timely consideration of SICR and credit-impairment. The controls tested included those over the calculation of the loans' days past due, matching loan repayments to instalments and calculation of ECLs. We evaluated whether in its loan staging and ECL measurement the Company appropriately considered the effects of the market disruption resulting from the current market conditions.

Key audit matter	How the audit matter was addressed
judgments relevant to the assessment of performing exposures comprise: — definition of default and of significant increase in credit risk (SICR); — probability of default (PD) - estimated by statistical models, based on historical data and forward looking information (FLI) based on macroeconomic scenarios; — exposure at default (EAD) - decreased by the net realisable value of collateral estimated based on appraisals adjusted for historical data; — loss given default (LGD) – based on historical data from the collection process; — management overlays (post-model adjustments). Loss allowances for all Stage 3 loans are determined on an individual basis by discounting the probability-weighted scenarios of estimated future cash flows from the borrower. The key judgments and assumptions therein are those in respect of the estimated amount and timing of future cash repayments, including the net realisable value of underlying collateral.	We obtained the relevant forward-looking information and macroeconomic projections used in the Company's ECL assessment and management overlays (post model adjustments). We independently assessed the information by means of corroborating inquiries of the Management Board and inspecting publicly available information. We challenged the LGD, net realisable value of collateral and PD parameters, by assessing back-testing of historical defaults and by reference to historical realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; For use in the following procedures, we challenged on a sample basis the valuation methods and models applied in estimating the net realizable values of the loan collaterals by the valuation experts engaged by the Company, whose experience, competence and objectivity we also independently assessed For a sample of Stage 1 and Stage 2 loans, by reference to respective loan files and inquiries of the credit risk personnel, we: — determined whether a significant increase in credit risk occurred or whether the loan was credit-impaired; — traced the net realisable value of related collateral to the appraisals by the valuation experts engaged by the Company; — assessed whether appropriate PD and LGD parameters were assigned to the loans in the sample; — checked other characteristics of selected loans relevant for the ECL calculation. For a sample of Stage 3 loans, we challenged the estimated cash flow scenarios and their probabilities. In performing the procedure, we focused on

Key audit matter	How the audit matter was addressed
	the key assumptions, such as the realisable value of the underlying collateral, which we traced to the appraisals by the valuation experts engaged by the Company, or other supporting evidence where collateral less relevant in the process of recovery. We examined whether the Company's loan impairment and credit risk-related disclosures in the separate financial statements appropriately include the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

As described in Note 1 to the financial statements, PPF banka a.s. has not prepared an annual report as at 31 December 2022, as it includes the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

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

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

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

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 27 April 2022 and our uninterrupted engagement has lasted for 24 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 29 March 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Veronika Strolená is the statutory auditor responsible for the audit of the financial statements of PPF banka a.s. as at 31 December 2022 based on which this independent auditor's report has been prepared.

Prague
12 April 2023

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

Veronika Strolená
Partner
Registration number 2195

Separate Financial Statements

for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (IFRS)

Separate Statement of Comprehensive Income

for the year ended 31 December 2022

In millions of CZK	Note	2022	2021
Interest and similar income*	7	12,746	3,788
Interest expense and similar charges	7	(6,308)	(961)
Net interest and similar income		**6,438**	**2,827**
Fee and commission income	8	576	555
Fee and commission expense	8	(334)	(331)
Net fee and commission income		**242**	**224**
Net income/expense from financial operations	9	(1,307)	252
Other operating income		6	4
Operating income		5,379	3,307
Personnel expenses	10	(445)	(445)
Other general administrative expenses	10	(620)	(509)
General administrative expenses		**(1,065)**	**(954)**
Depreciation and amortisation	11	(92)	(98)
Other operating expenses	12	(256)	(315)
Operating expenses		**(1,413)**	**(1,367)**
Impairment gains/(losses)	13	(785)	187
Profit before income tax		**3,181**	**2,127**
Income tax expense	14	(442)	(380)
NET PROFIT FOR THE YEAR		**2,739**	**1,747**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (debt instruments measured at fair value through other comprehensive income, tax included):		(467)	(622)
Net change in fair value		(1,137)	(554)
Net amount transferred to profit or loss		670	(68)
Items that will not be reclassified to profit or loss			
Fair value reserve (equity instruments designated at fair value through other comprehensive income, tax included):			
Net change in fair value		9	3
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(458)**	**(619)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,281**	**1,128**

* The breakdown of interest and similar income into one calculated using the effective interest rate and others is set out in note 7.

The notes on pages 52 to 124 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 12 April 2023.

Signed on behalf of the Board of Directors by:

Ing. Petr Jirásko
Chairman of the Board of Directors

Ing. Miroslav Hudec
Member of the Board of Directors

Separate Statement of Financial Position

for the year ended 31 December 2022

In millions of CZK	Note	31. 12. 2022	31. 12. 2021
ASSETS			
Cash and cash equivalents	15	158,707	127,050
Financial assets at fair value through profit or loss	16	33,037	36,813
Financial assets at fair value through other comprehensive income	17	24,844	22,894
Financial assets at amortised cost	18	15,049	-
Loans and advances to banks	19	10,468	5,227
Loans and advances to customers	20	45,275	43,351
Investments in subsidiaries	21	237	237
Property, plant and equipment	22	119	147
Intangible assets	23	183	210
Income tax assets	24	-	236
Deferred tax assets	25	372	138
Other assets	26	359	319
TOTAL ASSETS		**288,650**	**236,622**
LIABILITIES			
Deposits from banks	27	23,980	41,333
Deposits from customers	28	210,578	145,548
Debt securities issued	29	5,117	4,411
Financial liabilities at fair value through profit or loss	31	30,420	27,632
Income tax liabilities	24	239	-
Provisions	32	196	173
Other liabilities	33	789	983
TOTAL LIABILITIES		**271,319**	**220,080**
SHAREHOLDERS' EQUITY			
Issued capital	37	769	769
Share premium	37	412	412
Retained earnings		16,744	15,497
Fair value reserve	38	(594)	(136)
TOTAL SHAREHOLDERS' EQUITY		**17,331**	**16,542**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**288,650**	**236,622**

Separate Statement of Cash Flows

for the year ended 31 December 2022

In millions of CZK	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		3,181	2,127
Adjustments for:			
Depreciation and amortisation	11	92	98
Net impairment loss on investment securities		887	(75)
Net impairment loss on loans and advances and other financial assets		(102)	(112)
Net interest income	7	(6,438)	(2,827)
Revaluation of financial assets and liabilities at fair value through profit or loss		(1,011)	624
Net gain/loss on the sale of financial assets at fair value through other comprehensive income		670	(68)
Other non-cash adjustments		(277)	21
Operating profit before the change in operating assets and liabilities		**(2,998)**	**(212)**
Changes in:			
Financial assets at fair value through profit or loss		4,787	(18,112)
Loans and advances to banks		(5,241)	(1,097)
Loans and advances to customers		(1,137)	(7,522)
Financial assets at amortised cost		(15,049)	
Other assets		(40)	25
Financial liabilities at fair value through profit or loss		2,788	10,922
Deposits from banks		(17,353)	39,323
Deposits from customers		64,983	14,039
Other liabilities		(173)	83
		30,567	**37,449**
Interest received		12,040	3,759
Interest paid		(6,112)	(807)
Income taxes paid		(93)	(418)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**36,402**	**40,047**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		(6,972)	(7,349)
Proceeds from sale of financial assets at fair value through other comprehensive income		2,900	3,072
Acquisition of property and equipment		(16)	(37)
Acquisition of intangible assets		(21)	(49)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(4,109)**	**(4,363)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of debt securities		1,845	2,471
Repayment of debt securities issued		(1,139)	(1,181)
Leasing payments		(21)	(20)
Dividends paid		(1,492)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(807)**	**1,270**
Net increase/(decrease) in cash and cash equivalents		31,486	36,890
Cash and cash equivalents at 1 January	15	127,050	90,096
Effect of exchange rate fluctuations on cash and cash equivalents held		171	64
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**158,707**	**127,050**

Separate Statement of Changes in Equity

for the year ended 31 December 2022

In millions of CZK	Issued capital	Share premium	Fair value reserve	Retained earnings	Total equity
BALANCE AT 1 JANUARY 2022	**769**	**412**	**(136)**	**15,497**	**16,542**
Total comprehensive income for the period					
Net profit for 2022	–	–	–	2,739	2,739
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	–	–	(458)	–	(458)
Total	**769**	**412**	**(594)**	**18,236**	**18,823**
Transactions with owners, contribution and distribution to owners					
Dividends paid	–	–	–	(1,492)	(1,492)
BALANCE AT 31 DECEMBER 2022	**769**	**412**	**(594)**	**16,744**	**17,331**
BALANCE AT 1 JANUARY 2021	**769**	**412**	**483**	**13,750**	**15,414**
Total comprehensive income for the period					
Net profit for 2021	–	–	–	1,747	1,747
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	–	–	(619)	–	(619)
Total	**769**	**412**	**(136)**	**15,497**	**16,542**
Transactions with owners, contribution and distribution to owners					
Dividends paid	–	–	–	–	–
BALANCE AT 31 DECEMBER 2021	**769**	**412**	**(136)**	**15,497**	**16,542**

Notes to the Separate Financial Statements

for the year ended 31 December 2022

1 Introduction

PPF banka a.s. ("the Bank") was established on 31 January 1995 as the successor to the former ROYAL BANKA CS,a.s. (operating on the market from 31 December 1992) by a resolution of Prague City Council in order to create a strong financial partner for cities and municipalities.

The Bank is registered in the Commercial Register as a joint-stock company, with the following scope of business:

– execution of banking transactions and provision of banking services in the Czech Republic and abroad, to the extent permitted by relevant legislation and the licence granted by the Czech National Bank (CNB). The Bank may acquire an interest in other companies both in the Czech Republic and abroad, including non-financial service companies.

On 23 June 2004, the shareholders of the Bank decided to change the name of První městská banka,a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

As at 31 December 2022, the parent company of the Bank is PPF Financial Holdings a.s., with its registered office in the Czech Republic, Prague, Evropská 2690/17, postal code: 16000, registration number: 10907718, the parent company of PPF Financial Holdings a.s. is PPF Group N.V., with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 33264887.

Registered office of the Bank:
PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

The Bank has not prepared a separate annual report, because the Bank includes the relevant information in the consolidated annual report.

2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

3 Significant accounting policies

3.1 Basis of preparation

The financial statements are presented in Czech Crowns, which is the Bank's functional currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss, and assets at fair value through other comprehensive income.

Use of judgements and estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements concerning the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that may have a significant effect on the financial statements in the year ended 31 December 2022 is included in the following notes:

- impairment of financial instruments, determining inputs into the expected credit loss measurement model, including the incorporation of forward-looking information in note 5;
- sensitivity analysis of loss allowance by relevant categories in note 43.1;
- determination of the fair value of financial instruments with significant unobservable inputs in note 3.3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the current and future periods.

Estimates which may have a significant effect on the financial statements in the next year regarding standards that are not yet effective and are relevant to the financial statements are discussed in note 4.

Information about judgements made in the application of accounting policies that may have a significant effect on the financial statements is included in the following notes.

- classification of financial instruments, especially an assessment of the business model and an assessment of whether contractual cash flows are solely payments of principal and interest on unpaid principal (“SPPI”) in note 3.3;
- assessment of whether there has been a significant increase in the credit risk of financial instruments since initial recognition, considering all available and relevant information, including quantitative and qualitative information, an analysis based on historical experience of the Bank and forward-looking information in note 5.

Russian-Ukrainian conflict and its impact on the financial statements and the going-concern assessment

The Bank realises that the geopolitical situation emerging from the Russian-Ukrainian conflict in February 2022 will have significant repercussions for the economy in the Czech Republic and other countries. The Bank’s direct exposure to Russia and Ukraine is insignificant. In 2022, the Bank recognised additional allowances in the amount of expected credit losses to the existing exposures (primarily to corporate bonds bearing the risk of the Russian Federation), see note 13. The Bank’s analysis did not identify any other significant indirect effects because the Bank has limited business activities in Russia and Ukraine and its clients have limited dependence on these regions. The Bank is ready to make the appropriate response if the situation arises.

The Bank is continuously monitoring the situation and, based on its current knowledge and after considering all available information, it does not expect these events to have an impact on its ability to continue as a going concern in the future.

The separate financial statements have thus been prepared on the basis that the Bank is a going concern.

Consolidated entities

In addition to the separate financial statements, the Bank prepares consolidated financial statements, which include the companies stated in note 21.

3.2 Foreign currency

3.2.1 Functional currency

The separate financial statements are presented in Czech Crowns (CZK), which is the Bank's functional currency.

3.2.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the presentation currency at the foreign exchange rate ruling at the dates that the values were determined.

3.3 Financial instruments

3.3.1 Classification and measurement of financial assets

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified under one of these categories on initial recognition.

POCI assets
IFRS 9 also includes so-called POCI assets. POCI assets are purchased or originated financial assets that are credit-impaired on initial recognition.

Business model assessment
The Bank made an assessment of the objective 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 the management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice;
– how the performance of the portfolio is evaluated and reported to the Bank's management;
– 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, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales in prior periods, and the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's business models are as follows:

– "held and collect";
– "held, collect and sell";
– "other".

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

– contingent events that would change the amount and timing of cash flows;
– leverage features;
– prepayment and extension terms;
– terms that limit the Bank's claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
– features that modify consideration for the time value of money, e.g. the periodic reset of interest rates.

3.3.2 Initial recognition of financial assets

On initial recognition, financial assets/liabilities at AC are recognised on the settlement date at fair value adjusted for transaction costs directly attributable to the acquisition/issue or disposal of a financial asset/liability.

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

Financial assets classified at FVOCI are recognised on the date the Bank commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognised in equity as differences from the revaluation of assets.

3.3.3 Fair value measurement principles

Fair value is the price the Bank would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

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

Valuation models
The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework
The Bank has an established control framework with respect to the measurement of fair values. This framework includes Risk Management, which is independent of front office management and which has overall responsibility for independently verifying the results of all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- a review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous period.

When third-party information, such as broker quotes or pricing services, is used to measure fair value, Risk Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

3.3.4 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss as “Net income from financial operations”.

Gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income and become the equity item “Fair value reserve”.

3.3.5 Specific financial instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash deposited with banks and central banks, short-term reverse repo operations and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank (except for those held for trading). The financial assets are measured at amortised cost in line with IFRS 9.

Loans and advances to banks and customers
Loans and advances to banks and customers are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (except for those held for trading). If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, the financial assets are measured at amortised cost in line with IFRS 9. The financial assets are measured at fair value through profit or loss if the contractual terms do not meet the criteria specified above.

Debt securities issued
Own issued debt securities are recognised at amortised cost under “Debt securities issued”. Upon initial recognition, own debt securities are measured at cost, which includes direct transaction costs.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include financial derivatives and non-derivative financial assets and financial liabilities held for trading.

Financial derivatives
Financial derivatives with positive fair value are presented as “Financial assets measured at fair value through profit or loss”. Financial derivatives with negative fair value are presented as “Financial liabilities measured at fair value through profit or loss”.

For presentation purposes, derivatives are split into

- derivatives held for trading; and
- hedging derivatives.

Derivatives held for trading are those which are not designated as hedging instruments. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented in this line item.

Hedging derivatives are those which are designated as hedging instruments in hedges fulfilling the conditions of IFRS 9. The Bank did not apply hedging fulfilling the conditions of IFRS 9 in 2022 or 2021.

Changes in fair value (the clean price) of derivatives are recognised in the income statement in the line item "Net income from financial operations".

3.4 Derecognition and contractual modification

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers the financial asset, provided that the Bank also transfers substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability is accounted for as extinguishment of the original financial liability and recognition of a new financial liability.

Financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income that are sold are derecognised and the corresponding receivables from the buyer are recognised on the day they are delivered (settlement date accounting).

In the event of the derecognition of investments in equity instruments designated at fair value through other comprehensive income, the Bank does not reclassify the cumulative gain or loss from equity to profit or loss. The cumulative gain or loss is transferred within equity.

Debt instruments measured at amortised cost, loans and advances to banks, and loans and advances to customers are derecognised on the day of maturity or on the day they are transferred by the Bank.

Modification

Substantial modification of the contractual cash flows of a financial asset is considered by the Bank to be the expiry of contractual rights to the financial asset. The Bank uses internally defined quantitative and qualitative criteria to assess the significance of a change. As for the quantitative criteria, the Bank considers contractual terms to be significantly changed if the discounted present value of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset as of the date of modification. As for the qualitative criteria, the Bank considers contractual terms to be significantly changed if the new contractual cash flow would not meet SPPI criteria or there would be a change of legal form, tax regime, the currency of the financial assets, or the addition of a convertible option to the financial asset terms. If the Bank considers contractual terms to be significantly changed based on at least one of the qualitative or qualitative criteria, the Bank derecognises the modified financial asset. Where the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is treated as a new financial asset for the Bank's purposes.

In the event of the modification of a financial instrument not measured at fair value through profit or loss that does not result in derecognition, the Bank recalculates the gross carrying amount of the financial asset (the amortised cost of the financial liability) as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's (financial liability's) original effective interest rate and recognises the modification gain or loss in profit or loss.

In the case of modified financial assets, the Bank determines whether there was a significant increase in credit risk and estimates impairment losses on these financial assets in accordance with the accounting methods described in note 5.

3.5 Repurchase transaction

The Bank enters into purchases (sales) of financial assets under agreements to resell (repurchase) identical financial assets at a certain date in the future at a fixed price. Financial assets purchased subject to commitments to resell them at future dates are not recognised in the statement of financial position. The amounts paid are recognised in loans to either banks or customers or cash and cash equivalents. The receivables are shown as collateralised by the underlying security. Financial assets sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policies as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in "Interest and similar income" or "Interest expense and similar charges".

3.6 Offsetting

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

3.7 Impairment gains/(losses)

The Bank assesses impairment loss on financial assets based on a forward-looking "expected credit loss" model in line with IFRS 9. The model assumptions and estimates are described in detail in note 5.

When the expected credit loss increases in the period, the amount of the corresponding impairment loss on the financial asset is recognised in the statement of comprehensive income line item "Impairment gains/losses".

If the expected credit loss decreases in the subsequent period, the amount of corresponding impairment loss reversal is recognised in the statement of comprehensive income line item "Impairment gains/losses".

If the Bank has no reasonable expectations of recovering a financial asset (in either its entirety or a portion of it), it is written off. This is the case when the Bank 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. A write-off constitutes a derecognition event. The Bank may still apply enforcement activities to financial assets being written off. Recoveries resulting from the Bank's enforcement activities are recognised in the statement of comprehensive income in the line item "Impairment gains/losses".

Loss allowances based on the “expected credit loss” model are recognised as follows:

- for financial assets measured at amortised cost: as a decrease of the assets’ gross carrying amount;
- for loan commitments and financial guarantee contracts: generally as a provision;
- for financial instruments that include both the drawn and undrawn portion, the Bank recognises a combined loss allowance for both parts - one is recognised as a decrease in the gross carrying amount of the drawn portion, and the other one exceeding the gross carrying amount of the drawn portion is recognised as a provision; and
- for debt instruments measured at FVOCI: an adjustment relating to the expected credit losses is recognised in profit or loss against the equity line “Fair value reserve”.

3.8 Net interest and similar income

Interest income or expense from all interest-bearing financial instruments except financial instruments measured at fair value through profit or loss is recognised using the effective interest rate (“EIR”) and reported in profit or loss in the line items “Interest and similar income” or “Interest expense and similar charges” as part of revenue/expenses from continuing operations.

The effective interest method calculates the gross carrying amount or amortised cost of a financial asset or a financial liability that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to its net carrying amount. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (but not future credit losses). In respect of POCI financial assets, the Bank uses the effective interest rate that is calculated as an estimate of future cash flows including expected credit losses. The calculation of an effective interest rate also includes transaction costs and paid and received fees that are an integral part of the effective interest rate.

Amortised cost and gross carrying amount of a financial asset
The amortised cost of a financial asset or a financial liability is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The gross carrying amount of financial assets is the amortised cost of a financial asset, before adjustment for any credit loss.

Calculation of interest income and expense
In the calculation of interest income or interest expense, the effective interest rate is applied to the gross carrying amount of assets that are not credit-impaired or to the amortised cost of a liability.

Interest income in respect of financial assets that become credit-impaired after initial recognition is calculated using the effective interest rate method from the amortised cost of an asset. Interest income in respect of POCI financial assets is calculated using the credit-adjusted effective interest rate method from the amortised cost of an asset.

3.9 Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

3.10 Net fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate, and therefore included in “Interest and similar income” or “Interest expense and similar charges”.

Fee and commission income from contracts with customers, under IFRS 15, is measured based on the consideration specified in the contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The fee and commission income arises from financial services provided by the Bank, including cash management services, the central clearing of toll payments, brokerage services, investment advice and financial planning, investment banking services, and project and structured finance transactions. Fee and commission income is recognised when the corresponding service is provided. Penalty fees that have not been claimed or that have been waived are excluded from profit or loss.

A contract with a customer that results in a recognised financial instrument in the Bank’s financial statements may fall partially within the scope of IFRS 9 and partially within the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is within the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, account maintenance and brokerage fees which are expensed as the services are received.

3.11 Net income from financial operations

Net income from financial operations comprises gains less losses related to financial assets and liabilities at fair value through profit and loss and includes all fair value changes. Net income from financial operations also includes realised gains or losses on financial assets at fair value through other comprehensive income (equity instruments excluded) and all foreign exchange differences.

3.12 Investments in subsidiaries

Investment in subsidiary is measured at historical costs decreased by potential accumulated impairment losses.

3.13 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	50 years
Other	1-10 years

Low value tangible assets with a purchase price of less than TCZK 40 and an estimated useful life shorter than 1 year are recognised as expenses in the period in which they are purchased.

3.14 Intangible assets

Software and other intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

3.15 Leases

From a lessee perspective:
The Bank treats a contract as a lease if it conveys the right to control the use of a given asset for a period of time in exchange for consideration.

A right-of-use asset and a lease liability are recognised at the lease commencement date.

A right-of-use asset is initially measured at cost. The cost of a right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs; and an estimate of costs to be incurred in restoring the underlying asset. The asset is subsequently depreciated on a straight-line basis over the estimated useful life of the right-of-use asset, or until the end of the lease term, if earlier.

A right-of-use tangible asset is recognised as a tangible asset in the statement of financial position.

A lease liability recognised in other liabilities is measured at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, variable lease payments that depend on an index, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option or an option to extend or terminate a lease if the Bank is reasonably certain to exercise that option. Lease payments are discounted using the Bank's incremental borrowing rate.

After the commencement date, the Bank revises the remeasurement of lease liabilities to reflect changes to the lease payments. The Bank also makes the corresponding adjustment to the value of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Bank recognises it in profit or loss.

Interest on the lease liability is recognised in interest expense.

From a lessor perspective:
The Bank does not provide leasing services in the capacity of a lessor.

3.16 Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time. Provisions are recognised when:

- there is a legal or constructive obligation as a result of past events;
- it is probable, and the probability exceeds 50%, that an outflow of resources will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

In the statement of financial position, provisions are reported under the line item “Provisions”. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as legal provisions and other provisions. Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item “Impairment gains/losses”. Expenses or income related to other provisions are reported in the statement of income under “Operating expenses”.

3.17 Income taxes

The income tax base is calculated from the current year profit. Expenses considered non-taxable expenses are added and income considered non-taxable income is deducted. The income tax base is modified by tax allowances and tax benefits.

Deferred income tax arises from temporary differences between the accounting values of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated using the tax rates applicable in the periods in which the timing difference is expected to reverse. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

3.18 Financial guarantees

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

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or the present value of the fee receivable. Financial guarantee liabilities are subsequently measured at the higher of the initial fair value, less cumulative amortisation, and an amount equalling the expected credit loss determined in accordance with IFRS 9.

The fee received is recognised in the income statement under “Fee and commission income” and is amortised on a straight-line basis over the life of the guarantee.

4 Standards, interpretations and amendments to published standards that are not yet effective and may be relevant for the Bank’s financial statements

A number of new Standards, amendments to Standards, and Interpretations are not yet effective as at 31 December 2022, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Banks’s operations.

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

Making Materiality Judgments
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IFRS 10 and IAS 28

Sale or contribution of assets between an investor and its associate or joint venture
Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future.

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

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

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements

Non-Current Liabilities with Covenants
Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.

Specific transition requirements apply for companies that have adopted early the previously issued but not yet effective 2020 amendments.

[1] On 31 October 2022, the IASB issued an amendment postponing the effective date until 1 January 2024.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, have removed the requirement for a right to be unconditional and instead require that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IFRS 16 Leases

Lease Liability in a Sale and Leaseback
Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.

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

The amendments confirm the following:

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

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

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

The Bank assessed the new amendments to standards to have no major impact on its financial statements.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning future economic developments. The resulting accounting estimates will, by definition, seldom be equal to the actual results. The estimates and assumptions that carry the most significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below.

5.1 Impairment of financial assets

The Bank assesses impairment loss on financial assets based on a forward-looking "expected credit loss" ("ECL") model in line with IFRS 9.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Financial assets for which the provision is reported at 12-month expected credit losses are referred to as stage 1 financial assets. Financial assets are classified under stage 1 if they are assigned a low credit risk or if their credit risk has not significantly increased since the initial recognition.

Financial assets for which the provision is reported at the level of lifelong expected credit losses are referred to as stage 2 financial assets. Financial assets are reclassified under stage 2 if their credit risk has significantly increased since initial recognition and they are not currently assigned a low credit risk.

Financial assets in default are classified as stage 3 financial assets.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn and the cash flows that the Bank expects to receive from this commitment; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Definition of default

Under IFRS 9, the Bank considers a financial asset to be in default when there is information available that:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without realising collateral; or
- the borrower is more than 90 days past due. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank mainly considers the following indicators:

- approval of the forced restructuring of the receivable, with the effect of a reduction in the borrower's financial liabilities;
- active insolvency proceedings against the borrower in the insolvency register;
- the removal of the borrower's licence for activity for which licensing is required;
- the declaration of a moratorium on payments to international creditors (valid only for central and local government exposures);
- the initiation of steps by the Bank to activate guarantees provided by guarantors for the borrower's commitments;
- a performing exposure with relief in the probationary period is more than 30 days past due during the probationary period;
- the borrower is unlikely (according to an assessment by the Bank) to fully repay liabilities to the Bank, the parent company or subsidiaries without the realisation of collateral;
- loss of the borrower's regular income intended for the repayment of liabilities to the Bank;
- there are reasonable concerns about the borrower's future ability to generate stable and sufficient cash flows;
- a significant increase in the borrower's level of debt, or a reasonable expectation of such an increase;
- breach of covenants laid down in the contract with the borrower;
- a significant delay in the borrower's payments to other creditors is recorded in the Central Credit Register (or in another credit register);
- a crisis in the borrower's sector, accompanied by the borrower's weak position in that sector;
- the disappearance of an active market for a financial asset because of the borrower's financial difficulties;
- the default of another member in an economically linked group;
- a borrower facing financial difficulties receives material financial assistance (for more than 12 months) from the parent company, shareholders or another member of an economically linked group in order to meet liabilities, unless this is financial assistance pre-planned or expected during the lending approval procedure.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Bank considers financial assets no longer subject to the above conditions or indicators to have recovered from default and reclassifies them from stage 3 to stage 1 or 2, as appropriate, if the criteria identifying elevated credit risk are met. All of the following conditions must be met for reclassification from stage 3:

- none of the conditions and indicators for default (see above) have been present for at least 3 months;
- the receivable or part thereof is fewer than 30 days past due for at least 3 months;
- the debtor's behaviour and financial situation indicate that the debtor will continue to be able to repay its debts;
- where the reason for default is restructuring, reclassification is possible, at the earliest, 1 year after the last of the following: (a) the extension of restructuring measures; (b) the date of default; (c) the end of the grace period specified in the terms of the restructuring. In addition, the following conditions must be met:
- the client has made a significant payment/repayment with respect to the original repayment plan;
- payments are made regularly according to the repayment schedule.

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting - based on availability and complexity - of the Bank's historical experience, expert credit assessment and forward-looking information.

In line with IFRS 9, the Bank applies the rebuttable presumption that the credit risk increases significantly when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the credit risk as at the reporting date; with
- the credit risk that was estimated on initial recognition of the exposure.

As for the loan portfolio, the Bank considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for credit ratings see note 43.1);
- the receivable or part thereof has been more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- the exposure has been designated as an exposure with forbearance;
- the exposure has been in the regime of increased monitoring (the so-called "pre-workout");
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

As for the debt securities and other assets, the Bank considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for credit ratings see note 43.1);
- the receivable or part thereof has been more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

The Bank monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the results of assessment are compliant with IFRS 9 and internal guidelines and settings.

If the above reasons for a significant increase in credit risk have passed, the Bank reclassifies these financial assets from stage 2 to stage 1 and recognises an allowance of 12 months' expected credit losses.

Inputs in the measurement of ECLs
The key inputs in the measurement of ECLs are – in general – the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are – separately or collectively – derived from statistical models created on the basis of available market data. Models created on the basis of available market data are periodically back-tested on internal historical data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures.

The migration of a counterparty or exposure between credit ratings results in a change in the estimate of the associated PD.

EAD represents the exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty taking into account the repayment schedules. As for stage 1 and 2 exposures, the EAD of a financial asset is the gross carrying amount at default reduced by the net realisable value of collateral received.

Loss given default (LGD) is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Bank uses external comparative information to assess LGDs as it has insufficient observations and data to derive its own statistically significant LGDs based on an analysis of the Bank's portfolio. For this reason, the Bank bases its determination of LGD on the regulatory loss given default, which is back-tested on the number of observations available. The Bank uses a 0% LGD for the secured part of the exposure. For LGDs assigned to the whole exposure (secured and unsecured), the Bank applies a minimum LGD of 15%, i.e. for every receivable the Bank tests whether the overall LGD ratio for every receivable is at least 15%, and, where this is not the case, the Bank adjusts the calculation and recalculates the expected credit losses with 15% LGD assigned to the whole exposure. This way, the Bank estimates non-zero expected losses even for fully secured loans. These expected losses translate risks related to collateral realisation, which cannot be recognised by other methods.

For stage 3 exposures, the Bank uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flows applying scenario probability weights to measure expected credit losses.

Forward-looking information
Under IFRS 9, the Bank incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of the measurement of ECLs. The external information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

The Bank defines three economic scenarios: (i) the baseline economic scenario, which is the Bank's main scenario and is assigned the highest weight. This scenario is defined internally according to publicly available estimates of trends in key macroeconomic variables by relevant institutions, such as Oxford Economics, the Czech National Bank, the International Monetary Fund, the Organisation for Economic Cooperation and Development, and consensus analyst estimates published by Bloomberg and Reuters; and (ii) two less likely scenarios - optimistic and pessimistic. The Bank monitors the up-to-dateness of macroeconomic scenarios at least on a quarterly basis. The scenarios and their weights applicable as at 31 December 2022 are shown in the table below:

Czech Republic - GDP growth	Weight as at 31 December				
	2021	2022	2023	2024	2025
Baseline scenario	50%	50%	-0.7%	2.5%	2.5%
Optimistic scenario	10%	1%	1.3%	4.5%	4.5%
Pessimistic scenario	40%	49%	-4.2%	-2.3%	-0.2%

World - GDP growth	Weight as at 31 December				
	2021	2022	2023	2024	2025
Baseline scenario	50%	50%	1.7%	3.2%	3.5%
Optimistic scenario	10%	1%	2.7%	4.2%	4.5%
Pessimistic scenario	40%	49%	-1.3%	1.2%	1.5%

The resulting estimated credit losses then reflect the expected development of gross domestic product in the three scenarios above.

On the strength of data availability and resource credibility, the Bank uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

The Bank considers the change in the GDP of the Czech Republic and the change in world GDP as key variables explaining the changes in the historical probability of default. For exposures of clients who account in accordance with Czech accounting standards and whose business risk lies in the Czech Republic, the Bank uses the change in the GDP of the Czech Republic for PD estimates. For other clients' exposures, the Bank uses the change in the world GDP as an explanatory variable.

An analysis of sensitivity to the development of GDP is presented in note 43.1., Sensitivity Analysis of loss allowance by relevant categories.

For risks that were not factored into the macroeconomic model, the Bank recognised additional allowances ("management overlay"). The Bank resorted to management overlay at the end of 3Q 2022 for the first time. In making management overlays, the Bank relies on the regular quarterly stress testing of its loan portfolio, the management overlay amount being based on the expected additional loss on the loan portfolio under a slight stress scenario. Management overlays are remeasured on a quarterly basis.

6 Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2022 to 31 December 2022.

7 Net interest income and similar income

MCZK	2022	2021
Interest and similar income		
Cash and cash equivalents	6,708	928
Loans and advances to banks	486	27
Loans and advances to customers	2,656	2,098
Of which:		
Unpaid interest income from impaired loans	3	3
Unpaid interest income from loans with forbearance	-	-
Financial assets at fair value through other comprehensive income	1,768	514
Financial assets at fair value through profit or loss	847	221
Financial assets at amortised cost	281	-
Of which:		
Interest and similar income - EIR	11,899	3,567
Interest and similar income - other	847	221
	12,746	**3,788**
Interest expense and similar charges		
Deposits from banks	(819)	(144)
Deposits from customers	(5,095)	(534)
Debt securities issued and short sales	(390)	(281)
Lease liabilities	(4)	(2)
	(6,308)	**(961)**
NET INTEREST INCOME AND SIMILAR INCOME	**6,438**	**2,827**

The Bank did not waive any interest past due during the years 2022 and 2021.

8 Net fee and commission income

MCZK	2022	2021
Fee and commission income		
Toll administration fee income*	358	332
Transaction fee with clients	128	149
Custody fees	35	30
Fees from guarantees provided	16	14
Fees from administration of shares/bonds issue	17	9
Transaction fee with banks	6	4
Other	16	17
Of which:		
Fee income - contracts with customers - under IFRS 15	560	541
Fee income - other - under IFRS9	16	14
	576	**555**
Fee and commission expense		
Toll administration fee expense*	(264)	(244)
Transaction fee with other counterparties	(49)	(48)
Transaction fee with banks	(17)	(36)
Other	(4)	(3)
	(334)	**(331)**
NET FEE AND COMMISSION INCOME	**242**	**224**

* Based on contracts concluded between the Bank and CzechToll a.s. and between the Bank and the issuer of fuel cards or the intermediary for card payments, respectively, the Bank has been providing services as a clearing centre for toll payments in the Czech Republic since 1 December 2019. The service also includes the operation of the authorisation centre, which is provided to the Bank by an external company. The Bank collects and pays fees for the services provided and received.

9 Net income/expense from financial operations

MCZK	2022	2021
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	(978)	(271)
Net gains/(losses) from trading derivatives	(585)	(983)
Trading securities	(393)	712
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	(670)	68
Of which:		
Debt instruments	(670)	68
Net realised gains/(losses) on loans and advances to customers	-	36
Foreign exchange gains/(losses)	341	419
TOTAL	**(1,307)**	**252**

All derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented as trading derivatives, as hedge accounting is not applied.

However, the Bank uses derivatives for economic hedging, therefore, the net gain (loss) on derivatives is partially offset by foreign exchange gains (losses) or interest income (expenses).

10 General administrative expenses

MCZK	2022	2021
Personnel expenses		
Wages and salaries	(291)	(278)
Social expenses	(99)	(100)
Liability insurance, pension insurance	(6)	(6)
Remuneration paid to key management personnel*		
Short-term benefits	(40)	(49)
Long-term benefits	(9)	(12)
	(445)	**(445)**
Other general operating expenses		
Gifts	(232)	(202)
Consultancy services	(149)	(117)
IT	(129)	(113)
Other	(110)	(77)
	(620)	**(509)**
TOTAL	**(1,065)**	**(954)**

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2022 and 2021 was as follows:

MCZK	2022	2021
Board of Directors	5	5
Supervisory Board*	6	6
Executives	1	2
Employees**	237	238

* Remuneration paid to key management personnel includes wages and salaries paid to the Board of Directors, Supervisory Board and other executives for the service rendered.
** Two employees are also members of the Supervisory Board and are therefore included in the number both of employees and of members of the Supervisory Board.

11 Depreciation and amortisation

MCZK	2022	2021
Depreciation on property, plant and equipment	(22)	(22)
Depreciation on property, plant and equipment - ROU	(22)	(20)
Amortisation of intangible assets	(48)	(56)
TOTAL	**(92)**	**(98)**

12 Other operating expenses

MCZK	2022	2021
Payment to Resolution Fund	(253)	(311)
Payment to Deposit Insurance Fund	(1)	(2)
Payment to Guarantee Fund	(2)	(2)
TOTAL	**(256)**	**(315)**

The basis for the calculation of the payment to the Guarantee Fund for 2022 amounted to MCZK 102 (2021: MCZK 97).

13 Impairment gains/losses

MCZK	2022	2021
Gains/(Losses) from change in loss allowances:		
Cash and cash equivalents, Loans and advances to banks	(7)	-
Financial assets at fair value through other comprehensive income	(887)	75
Loans and advances to customers	150	224
Other assets	-	(5)
Write-offs - loans and advances to customers*	(31)	(96)
Revenues from previously written-off loans and advances to customers	-	-
Gains/(Losses) from change in provisions - off-balance sheet assets	(10)	(11)
TOTAL	**(785)**	**187**

* The loans and advances to customers that were written-off were fully covered by loss allowances as at the date of write-off.

After the dives caused by the Covid-19 pandemic, the macroeconomic outlook stabilised and then slightly improved in 2021, which led to a slight release of past loss allowances on performing loans and advances to customers. In 2021, no significant pre-pandemic risks materialised and the Bank did not observe any significant defaults. The Bank therefore believed that the effects may have been delayed; this corresponds with significantly higher coverage of performing loans and advances to customers at the end of 2021 compared to the pre-pandemic period.

In 2022, new risks for the economic activity and the pricing and financial stability of both the national and global economies arose due to the war in Ukraine, the extreme hike in energy and commodity prices and the ensuing inflation, as well as the resulting political debate on the mitigation of the impacts of rising energy prices, including the capping of selected energy prices and the imposition of a windfall tax on some types of entities. Accordingly, the Bank recognised additional allowances in the amount of MCZK 251 as management overlay in the course of 2022. Higher losses from change in loss allowances to the financial assets at fair value through other comprehensive income in 2022 were mostly caused by recognition of loss allowances to corporate bonds bearing the risk of the Russian Federation.

14 Income tax expense

Taxes on income consist of current tax on income calculated based on the results reported for tax purposes and the change in deferred taxes.

MCZK	2022	2021
Income tax - current	(576)	(246)
Income tax - related to prior years	8	18
Income tax - deferred	126	(152)
INCOME TAX (EXPENSE)/INCOME	**(442)**	**(380)**

MCZK	2022	2021
Tax rate	**19.0%**	**19.0%**
Profit from operations (before taxation)	3,181	2,127
Computed taxation using applicable tax rate	604	404
Tax non-deductible expenses	94	68
Non-taxable income	(204)	(39)
Tax related to prior years	(8)	(18)
Other items	(44)	(35)
INCOME TAX (EXPENSE)/INCOME – CURRENT	**(442)**	**(380)**
Effective tax rate	**13.9%**	**17.9%**

The significant year-over-year difference in the effective tax rate relates to the higher revenues from bonds issued by EU Member States, which represents non-taxable income.

15 Cash and cash equivalents

MCZK	31. 12. 2022	31. 12. 2021
Cash on hand	63	30
Nostro account balances	3,444	2,418
Balances with the central bank	5,197	1,435
Reverse repo operations with the central bank	150,008	123,167
Loss allowance	(5)	-
NET CASH AND CASH EQUIVALENTS	**158,707**	**127,050**

The technical parameters of a reverse repo operation with the central bank are as follows: maturity of two weeks, interest rate set by the CNB for two-week repo operations (the “2W repo rate”).

16 Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are classified as measured at fair value through profit or loss in accordance with IFRS 9. All financial assets listed below are held within the held-for-trading business model.

MCZK	31. 12. 2022	31. 12. 2021
Bonds and notes issued by:		
Government	10,581	9,551
Corporate	100	145
Shares	266	-
Reverse repo operations	2,508	10,810
Positive fair value of derivatives:		
Interest rate contracts	16,539	14,384
Currency contracts	3,043	1,923
Of which:		
Listed instruments	10,925	9,662
Unlisted instruments	22,112	27,151
TOTAL	**33,037**	**36,813**

Interest income from trading assets and financial assets at fair value through profit or loss is recognised in interest and similar income. The fair value of unlisted instruments was estimated using discounted cash-flow techniques.

17 Financial assets at fair value through other comprehensive income

MCZK	31. 12. 2022	31. 12. 2021
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	17,516	14,063
Corporate bonds	7,106	8,621
Equity instruments at fair value through other comprehensive income		
Shares issued by:		
Other issuers	222	210
Of which:		
Listed instruments	22,155	20,487
Unlisted instruments	2,689	2,407
TOTAL	**24,844**	**22,894**

Debt instruments at fair value through other comprehensive income

Debt instruments at fair value through other comprehensive income were classified under this category on the basis of the Bank's business model for managing financial assets.

Interest income from debt instruments at fair value through other comprehensive income is recognised in interest and similar income.

The fair value of unlisted bonds was estimated using discounted cash-flow techniques.

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income was MCZK 937 as at 31 December 2022 (2021: MCZK 84). The loss allowance for expected credit loss is recognised in the statement of comprehensive income in the line "Impairment gains/losses" against the equity line "Fair value reserve".

A credit risk analysis and a detailed overview of the impairment loss on debt instruments at fair value through other comprehensive income are disclosed in notes 43.1 and 13.

Equity instruments at fair value through other comprehensive income

The Bank designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are not considered trading instruments and are expected to be held in the long term.

MCZK	31. 12. 2022	31. 12. 2021
Swift S.C. (ISIN: BE0016790090)	2	1
CREDITAS ASSETS SICAV a.s. (ISIN: CZ0008047214)	220	209
TOTAL	**222**	**210**

The Bank recognised a gain (loss) due to changes in the fair value of these investments in other comprehensive income. The Bank did not dispose of any equity instruments from the portfolio in 2022 or 2021. The Bank did not receive any dividends from the instruments in 2022 or 2021.

18 Financial assets at amortised cost

MCZK	31. 12. 2022	31. 12. 2021
Debt instruments at amortised cost		
Bonds issued by:		
Government	14,899	-
Corporate bonds	150	-
Loss allowance	-	-
NET FINANCIAL ASSETS AT AMORTISED COST	**15,049**	-

In 2022, the Bank created a new portfolio of financial assets measured at amortised cost with the aim of achieving long-term returns that would have no impact on equity in the event of financial market volatility.

19 Loans and advances to banks

MCZK	31. 12. 2022	31. 12. 2021
Balances with the central bank	2,221	459
Cash collateral for derivative instruments	5,249	4,768
Loans to banks	3,001	-
Loss allowance	(3)	-
NET LOANS AND ADVANCES TO BANKS	**10,468**	**5,227**

At 31 December 2022, loans and advances to banks included balances with the central bank amounting to MCZK 2,221 (31. 12. 2021: MCZK 459), representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Bank's daily business.

A credit risk analysis and a detailed overview of loss allowances on loans and advances are disclosed in note 43.1.

20 Loans and advances to customers

MCZK	31. 12. 2022	31. 12. 2021
Total loans and advances to customers	46,239	44,489
Loss allowance	(964)	(1,138)
NET LOANS AND ADVANCES TO CUSTOMERS	45,275	43,351

A credit risk analysis and a detailed overview of loss allowances on loans and advances are disclosed in note 43.1.

21 Investments in subsidiaries

The Bank controls the following subsidiaries:

	Principal place of business	Registered office	31. 12. 2022 Share (%)	31. 12. 2021 Share (%)	31. 12. 2022 MCZK	31. 12. 2021 MCZK
PPF Co3 B.V.	ID, IN, PH, RS, VN, EU*	NL**	100%	100%	237	237
Investment in subsidiaries					**237**	**237**

* Indonesia, India, Philippines, Serbia, Vietnam, European Union
** Netherlands

In 2016, the Bank purchased 100% of shares in PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia. It is currently used for the purchase and financing of retail loans from companies under Home Credit, the purchase of retail loans from Yettel Bulgaria and Hungary, the depositing of collateral for Yettel Serbia at Mobi Bank, and the financing of the factoring of receivables from telecommunication services.

The Bank held no interest participation with significant influence as at 31 December 2022 and 31 December 2021.

22 Property, plant and equipment

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2021	5	171	15	123	3	317
Additions	–	17	–	19	21	57
Disposals/Transfer	(1)	–	–	(13)	(20)	(34)
At 31 December 2021	4	188	15	129	4	340
At 1 January 2022	4	188	15	129	4	340
Additions	–	5	–	11	11	27
Disposals/Transfer	–	–	–	(5)	(11)	(16)
At 31 December 2022	4	193	15	135	4	351
Depreciation						
At 1 January 2021	5	64	10	86	–	165
Additions	–	21	1	20	–	42
Disposals	(1)	–	–	(13)	–	(14)
At 31 December 2021	4	85	11	93	–	193
At 1 January 2022	4	85	11	93	–	193
Additions	–	22	1	21	–	44
Disposals	–	–	–	(5)	–	(5)
At 31 December 2022	4	107	12	109	–	232
Net book value						
AT 31 DECEMBER 2021	–	**103**	**4**	**36**	**4**	**147**
AT 31 DECEMBER 2022	–	**86**	**3**	**26**	**4**	**119**

At 31 December 2022, the Bank recorded right-of-use assets in the amount of MCZK 81 (2021: MCZK 98).

23 Intangible assets

MCZK	Software	Software not in use yet	Total
Cost			
At 1 January 2021	535	72	607
Additions	94	49	143
Disposals/Transfer	-	(94)	(94)
At 31 December 2021	629	27	656
At 1 January 2022	629	27	656
Additions	40	24	64
Disposals/Transfer	-	(43)	(43)
At 31 December 2022	669	8	677
Amortisation			
At 1 January 2021	390	-	390
Additions	56	-	56
Disposals	-	-	-
At 31 December 2021	446	-	446
At 1 January 2022	446	-	446
Additions	48	-	48
Disposals	-	-	-
At 31 December 2022	494	-	494
Net book value			
AT 31 DECEMBER 2021	183	27	210
AT 31 DECEMBER 2022	**175**	**8**	**183**

24 Income tax assets/liabilities

As at 31 December 2022, the Bank recognised total income tax assets of MCZK 239 (31. 12. 2021: income tax assets of MCZK 236) in the statement of financial position.

As at 31 December 2022, the tax liabilities of the Bank totalled MCZK 576 (31. 12. 2021: MCZK 246), the Bank paid income tax advances totalling MCZK 334 (31. 12. 2021: MCZK 479), and tax paid abroad amounted to MCZK 3 (31. 12. 2021: MCZK 3).

25 Deferred tax liability/asset

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes, the Bank uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2022 and 2021 the tax rate in the Czech Republic was 19%).

The recognised deferred tax assets and liabilities consist of the following items:

MCZK	31. 12. 2022	31. 12. 2021
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	21	23
Deferred tax asset from financial assets at fair value through other comprehensive income	317	48
Deferred tax asset from loans and advances to customers	48	79
DEFERRED TAX ASSETS	**386**	**150**
Deferred tax liabilities		
Deferred tax liability from penalty interest to loans and advances to customers	(10)	(10)
Deferred tax liability from intangible assets	(4)	(2)
DEFERRED TAX LIABILITIES	**(14)**	**(12)**
NET DEFERRED TAX ASSETS (LIABILITIES)	**372**	**138**

No changes in the tax rate applicable to the deferred tax calculation occurred in 2022. There was no unrecognised item related to deferred tax.

The analysis of the movements of deferred tax is as follows:

MCZK	Total
At 1 January 2022	138
Deferred tax income/(expense) recognised in Profit or Loss	126
Deferred tax income/(expense) recognised in Other comprehensive income	108
AT 31 DECEMBER 2022	**372**
At 1 January 2021	146
Deferred tax income/(expense) recognised in Profit or Loss	(152)
Deferred tax income/(expense) recognised in Other comprehensive income	144
AT 31 DECEMBER 2021	**138**

The difference between the deferred tax income/expense recognised in other comprehensive income and the year-over-year change in the balance of deferred tax assets/liabilities from financial assets at fair value through other comprehensive income relates to the recognition of the expected credit losses to debt instruments measured at FVOCI in profit or loss against the fair values reserve in equity, see note 3.7.

26 Other assets

MCZK	31. 12. 2022	31. 12. 2021
Cash collateral to payment cards	166	161
Trade receivables	67	64
Clearing with securities market	28	25
Prepaid expenses and accrued revenues	102	64
Other	5	14
Loss allowance	(9)	(9)
TOTAL	**359**	**319**

27 Deposits from banks

MCZK	31. 12. 2022	31. 12. 2021
Payable on demand (loro accounts)	523	385
Cash collateral to derivatives	6,974	2,667
Repo operations	16,483	38,281
TOTAL	**23,980**	**41,333**

28 Deposits from customers

MCZK	Payable on demand		Term deposits		Repo operations		Cash collateral to derivatives		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial institutions*	2,441	5,104	4,916	18,031	76,416	51,112	-	107	83,773	74,354
Public sector	22,007	18,261	18,166	10,032	-	-	-	-	40,173	28,293
Non-financial institutions	34,015	17,781	12,633	6,109	125	222	-	88	46,773	24,200
Households/Individuals	4 151	3 375	4 069	1 739	-	-	-	-	8 220	5 114
Holding companies	26,021	13,327	5,414	88	-	-	204	172	31,639	13,587
TOTAL	**88,635**	**57,848**	**45,198**	**35,999**	**76,541**	**51,334**	**204**	**367**	**210,578**	**145,548**

* Holding companies excluded

29 Debt securities issued

	Interest	Maturity	31. 12. 2022 MCZK	31. 12. 2021 MCZK
Investment certificates	fixed	2022-2025	5,117	4,321
Investment certificates	variable		-	90
TOTAL			**5,117**	**4,411**

The Bank has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2022 and 2021.

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

MCZK	Debt securities issued	Lease liabilities	Total
At 1 January 2022	**4,411**	**100**	**4,511**
Net increase/(decrease) in cash and cash equivalents			-
Lease payments	-	(21)	(21)
Changes in lease liabilities	-	4	4
Proceeds from issue of debt securities	1,845	-	1,845
Repayment of debt securities issued	(1,139)	-	(1,139)
Other	10	-	10
Net cash from financing activities	**716**	**(17)**	**699**
Interest expense	225	3	228
Interest paid	(235)	(3)	(238)
AT 31 DECEMBER 2022	**5,117**	**83**	**5,200**
At 1 January 2021	**3,122**	**103**	**3,225**
Net increase/(decrease) in cash and cash equivalents			-
Lease payments	-	(20)	(20)
Changes in lease liabilities	-	17	17
Proceeds from issue of debt securities	2,471	-	2,471
Repayment of debt securities issued	(1,181)	-	(1,181)
Other	(32)	-	(32)
Net cash from financing activities	**1,258**	**(3)**	**1,255**
Interest expense	159	2	161
Interest paid	(128)	(2)	(130)
AT 31 DECEMBER 2021	**4,411**	**100**	**4,511**

31 Financial liabilities at fair value through profit or loss

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2022	31. 12. 2021
Negative fair value of derivatives:		
Interest rate contracts	16,579	15,132
Currency contracts	3,065	2,278
Repo operations	2,413	-
Liabilities from short sales of securities	8,363	10,222
TOTAL	**30,420**	**27,632**

32 Provisions

The development of provisions is disclosed in the following table:

MCZK	Provisions for guarantees provided	Legal provisions	Other provisions	Total
Provisions at 1 January 2022	26	129	18	173
Creation	96	14	1	111
Use	-	(2)	-	(2)
Release	(86)	-	-	(86)
PROVISIONS AT 31 DECEMBER 2022	**36**	**141**	**19**	**196**
Provisions at 1 January 2021	15	130	17	162
Creation	82	1	1	84
Use	-	(2)	-	(2)
Release	(71)	-	-	(71)
PROVISIONS AT 31 DECEMBER 2021	**26**	**129**	**18**	**173**

In 2022, legal provisions are mainly for an incidental application filed by an insolvency practitioner in the case of an alleged ineffective legal act of the debtor vis-à-vis the Bank in the amount of MCZK 118 (31. 12. 2021: MCZK 118). Out-of-court negotiations are ongoing.

33 Other liabilities

MCZK	31. 12. 2022	31. 12. 2021
Liabilities from clearing	193	390
Payables to suppliers	250	220
Lease liabilities	83	100
Accrued expenses and deferred income	73	98
Blocked and escrow accounts	72	68
Other liabilities to employees	24	24
Social and health insurance	9	6
Other payables	85	77
TOTAL	**789**	**983**

34 Lease liabilities

MCZK	31. 12. 2022	31. 12. 2021
Lease liabilities	83	100
Current	20	20
Non-current	63	80
Interest on lease liabilities	4	2

The Bank leases branch and office premises under operating leases.

Variable lease payments depend on the consumer price index set by the Czech Statistical Office, payments are updated annually as at 1 January.

The lease liabilities are recognised under the item “Other liabilities” in the statement of financial position, for details see note 33. Interest on lease liabilities are recognised in the income statement in the line item “Interest and similar income”, for details see note 7.

Maturity analysis – contractual undiscounted cash flows:

MCZK	31. 12. 2022	31. 12. 2021
Less than one year	20	21
Between one and five years	63	82
More than five years	-	-
TOTAL	**83**	**103**

35 Repurchase and reverse repurchase agreements

The Bank purchases financial instruments under reverse repurchase agreements. The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

Assets purchased under reverse repurchase agreements were as follows:

MCZK	Carrying amounts of receivables	Fair value of assets held as collateral
Assets at 31 December 2022:		
Cash and cash equivalents	150,008	147,497
Financial assets at fair value through profit or loss	2,508	4,304
Assets at 31 December 2021:		
Cash and cash equivalents	123,167	121,001
Financial assets at fair value through profit or loss	10,810	10,604

The Bank 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. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

MCZK	Carrying amounts of liabilities	Fair value of assets given as collateral
Liabilities at 31 December 2022:		
Deposits from customers	76,541	73,470
Deposits from banks	16,483	17,405
Financial liabilities at fair value through profit or loss	2,413	4,310
Liabilities at 31 December 2021:		
Deposits from customers	51,334	50,749
Deposits from banks	38,281	39,580

36 Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2022

MCZK	Gross amounts in assets, in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	17,871	17,871	17,871	(7,069)	-	10,802
Reverse repurchase agreements	152,516	152,516	-	-	(151,801)	715
TOTAL	**170,387**	**170,387**	**17,871**	**(7,069)**	**(151,801)**	**11 517**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2022

MCZK	Gross amounts in liabilities in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	(12,727)	(12,727)	(12,727)	5,851	-	(6,876)
Repurchase agreements	(95,437)	(95,437)	-	-	95,184	(253)
TOTAL	**(108,164)**	**(108,164)**	**(12,727)**	**5,851**	**95,184**	**(7,129)**

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2021

MCZK	Gross amounts in assets, in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	14,856	14,856	14,856	(2,980)	-	11,876
Reverse repurchase agreements	133,977	133,977	-	-	(131,605)	2,372
TOTAL	**148,833**	**148,833**	**14,856**	**(2,980)**	**(131,605)**	**14,248**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2021

MCZK	Gross amounts in liabilities in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	(13,025)	(13,025)	(13,025)	4,841	-	(8,184)
Repurchase agreements	(89,615)	(89,615)	-	-	90,329	-
TOTAL	**(102,640)**	**(102,640)**	**(13,025)**	**4,841**	**90,329**	**(8,184)**

The Bank uses repurchase agreements and master netting agreements as a means of reducing the credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

The Bank accepts and provides collateral in the form of cash and marketable securities for the following transactions:

– derivatives;
– repurchase agreements, reverse repurchase agreements.

This collateral is subject to standard market conditions, including the ISDA credit support annex. This means that securities accepted/provided as collateral may be pledged or sold during the transaction period, but must be returned upon maturity of the transaction.

Derivative transactions under the ISDA and similar framework agreements do not meet the criteria for compensation in the statement of financial position as, for both counterparties, they create a right to set off recognised amounts that is enforceable only in the event of default, insolvency or bankruptcy of the Bank or counterparties or further to other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or settle assets and liabilities simultaneously.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in the hands of the lender as collateral in case the borrower defaults in any obligations. Offsetting effects from repurchase agreements are disclosed in the column “Non-cash financial collateral received/pledged”. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction, the value is capped at the level of the carrying amount. The remaining position may be secured by cash collateral.

37 Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2022:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		**769**
As at 31 December 2021:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		**769**

Holders of ordinary shares are entitled to declared dividends and have the right to vote at the General Meeting of the Bank in the amount of 26,025 votes, or 7,000 votes per share, respectively. All ordinary shares have the same rights to the Bank's residual assets.

The shareholder structure as at 31 December 2022 and as at 31 December 2021 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings a.s.	Czech Republic	554,711	715	92.96%
Hlavní město Praha	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
Total		**576,393**	**769**	**100.00%**

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Bank as at 31 December 2022 or 31 December 2021.

The Bank has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares. All shares of the Bank were fully paid. The share premium amounts to MCZK 412 (31. 12. 2021: MCZK 412).

38 Fair value reserve

MCZK	31. 12. 2022	31. 12. 2021
Fair value reserve	(594)	(136)
TOTAL	**(594)**	**(136)**

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income and a loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income, until the assets are derecognised.

39 Dividends paid

The following dividends were paid by the Bank in 2022.

MCZK	2022
CZK 5,048.85 per registered share with a nominal value of CZK 2,602.5 per share	970
CZK 1,358.00 per registered share with a nominal value of CZK 700 per share	522
TOTAL	**1 492**

No dividends were paid in 2021.

40 Proposed allocation of net profit for the year

The Bank proposes to allocate its profit as follows

MCZK	Net profit for the year
Net profit for the year 2022	2,739
Proposed allocation of profit for 2022:	
Dividend payout	(1,298)
Transfer to retained earnings	(1,441)

41 Off-balance sheet items

Commitments and contingent liabilities

Guarantees and credit commitments are subject to the same procedures within the standard lending process, in terms of credit risk monitoring and regulation of the Bank's credit activity.

MCZK	31. 12. 2022	31. 12. 2021
Guarantees issued	1,612	1,135
Undrawn credit commitments	15,646	13,485
Irrevocable credit commitments	4,328	2,572
Revocable credit commitments	11,318	10,913
TOTAL	**17,258**	**14,620**

The total outstanding contractual commitments to extend the credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

A credit risk analysis and a detailed overview of provisions are disclosed in note 43.1.

Values under custody or administration

MCZK	31. 12. 2022	31. 12. 2021
Values under custody or administration	123,620	167,188
TOTAL	**123,620**	**167,188**

The values represent debt and equity securities accepted by the Bank to provide custody or administration services.

Derivatives

MCZK	Notional value		Positive fair value		Negative fair value	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Derivatives						
Interest rate swaps	287,803	363,935	16,526	14,363	(16,551)	(14,937)
Interest rate forwards	-	89,793	-	9	-	(192)
Interest rate futures	28	2,101	13	12	(28)	(3)
FX/Cross-currency swap	139,524	94,476	2,800	1,295	(2,223)	(1,277)
FX forwards	19,569	23,314	238	437	(837)	(810)
FX options purchase	122	6,927	5	191	-	-
FX options sale	122	7,035	-	-	(5)	(191)
			19,582	**16,307**	**(19,644)**	**(17,410)**

Residual maturity of derivatives

The following table represents expected cash outflows and inflows related to derivatives:

MCZK	At 31 December 2022				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(12,302)	(105,382)	(130,180)	(106,034)	(353,898)
Currency derivatives	(81,700)	(43,765)	(33,675)	-	(159,140)
Inflow					
Interest derivatives	12,386	105,496	129,998	106,017	353,897
Currency derivatives	81,357	43,808	33,928	-	159,093
NET POSITION	**(259)**	**157**	**71**	**(17)**	**(48)**

MCZK	At 31 December 2021				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(11,032)	(104,339)	(144,115)	(196,481)	(455,967)
Currency derivatives	(62,334)	(45,206)	(24,560)	-	(132,100)
Inflow					
Interest derivatives	11,016	104,341	144,102	196,370	455,829
Currency derivatives	62,331	44,935	24,486	-	131,752
NET POSITION	**(19)**	**(269)**	**(87)**	**(111)**	**(486)**

42 Fair value disclosures

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in which each fair value measurement is categorised.

MCZK	As at 31 December 2022				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	158,707	-	158,707	158,707
Financial assets at amortised cost	14,575	147	-	14,722	15,049
Loans and advances to banks	-	4,603	5,870	10,473	10,468
Loans and advances to customers	-	602	44,414	45,016	45,275
Financial liabilities					
Deposits from banks	-	23,980	-	23,980	23,980
Deposits from customers	-	210,352	-	210,352	210,578
DEBT SECURITIES ISSUED	**-**	**5,049**	**-**	**5,049**	**5,117**

MCZK	As at 31 December 2021				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	127,050	-	127,050	127,050
Loans and advances to banks	-	5,227	-	5,227	5,227
Loans and advances to customers	-	137	42,944	43,081	43,351
Financial liabilities					
Deposits from banks	-	41,333	-	41,333	41,333
Deposits from customers	-	145,265	-	145,265	145,548
DEBT SECURITIES ISSUED	-	**4,288**	-	**4,288**	**4,411**

The major methods and assumptions used in estimating the fair values of financial instruments shown in the table are summarised below.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and cash equivalents

For cash and cash equivalents the carrying value is deemed to be equal to the fair value.

Loans and advances to banks

Loans and advances with banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Loans and advances to customers

Loans and advances are net of loss allowances. The estimated fair value of loans and advances represents the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine the fair value. For loans and advances that will mature or be renewed within twelve months, the fair value was deemed to be equal to the carrying value.

Deposits from banks

Deposits from banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Deposits from customers

The estimated fair value of deposits is the discounted amount of estimated future cash flows. Expected cash flows are discounted at current market rates to determine their fair value.

Debt securities issued

For issued debt securities, the fair value is calculated based on market inputs.

The following table analyses financial assets and liabilities recognised at fair value based on the quality of entry data used for valuation. The fair value levels are defined in note 3.3:

MCZK	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	10,925	11	11	10,947
Reverse repo operations	-	2,508	-	2,508
Derivatives held for trading	-	19,582	-	19,582
Financial assets at fair value through other comprehensive income	22,155	2,565	124	24,844
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,363	-	-	8,363
Repo operations	-	2,413	-	2,413
Derivatives held for trading	-	19,644	-	19,644

MCZK	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	9,650	46	-	9,696
Reverse repo operations	-	10,810	-	10,810
Derivatives held for trading	12	16,295	-	16,307
Financial assets at fair value through other comprehensive income	20,487	2,407	-	22,894
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	10,222	-	-	10,222
Derivatives held for trading	3	17,407	-	17,410

The following table states the transfers of financial assets recognised at fair value from and to Level 3

MCZK	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance as at 1 January 2022		-	-
Profit and loss from revaluation		-	-
In profit or loss		-	-
In other comprehensive income		-	-
Purchases		-	-
Sales		-	-
Transfers into Level 3	11	124	135
Transfers out of Level 3		-	-
Transfers between portfolios		-	-
BALANCE AS AT 31 DECEMBER 2022	**11**	**124**	**135**

In 2022, there was a transfer of financial assets at fair value through profit or loss in the amount of MCZK 11 and financial assets at fair value through other comprehensive income in the amount of MCZK 124 into Level 3 due to the non-existence of markets for these bonds. In 2021, there were no transfers of financial assets recognised at fair value to or from Level 3.

43 Risk management disclosure

This section provides details of the Bank's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Bank is exposed are:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

43.1 Credit risk

Credit risk management
The Bank is exposed to credit risks in relation to its business activities. Credit risks are managed at the individual business case, client and entire portfolio level. The Credit Risk Management department, part of the Risk Management division, is primarily responsible for the management of credit risks. The Credit Risk Management department is independent of the Sales division in terms of organisation and reports directly to the member of the Board of Directors in charge of the Risk Management division.

The Banks's risk management strategy, risk appetite and other internal standards define the general principles, objectives and methods of its credit risk management. In its internal norms, the Bank also defines competences for the approval of credit exposures and for the Credit Committee.

Managing credit risk at individual business case or client level
At the individual business case or client level, credit risk is managed by assessing and evaluating such risk through credit analysis and the determination of a client's creditworthiness. To assess a client's risk and credit status, the Bank applies a comprehensive set of tools, models and methods, which make up the Bank's rating scheme. When determining the rating of individual clients, the Bank assesses financial and non-financial aspects as well as its economic position. An entity's rating is defined as its ability and will to meet its short-term and long-term liabilities.

The aim of the analysis is to prevent any losses the Bank may incur as a result of the client's failure. In practice, this means estimating the risk arising from the ability to meet short-term and long-term liabilities and assessing the long-term financial stability of the client.

When determining a rating, the Bank also specifies the likelihood of a client's default and what the expected loss relating to the Bank's potential engagement in respect to the client may be.

An internal rating is assigned to each client constituting a credit risk to the Bank, i.e. representing an exposure in both the investment and the trading portfolios. The exposures evaluated include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 ratings (A1-A4, B1-B6, C1-C4). Clients with default receivables must always be assigned one of the C2-C4 grades. The Bank has plotted this internal scale to reflect the rating scales of prominent external rating agencies. Below is a table showing the indicative pairing of the risk level with external ratings.

	Internal rating	External rating
Very low risk	A1	AAA–AA
Low to fair risk	A1–A4	A–BBB
Medium risk	B1–B6	BB–B
High risk	C1	CCC
Default	C2–C4	CC and lower

Credit risk management at the entire portfolio level
This credit risk management level primarily comprises credit portfolio reporting, including analyses and monitoring of trends in individual credit portfolios. The Bank closely monitors its overall credit risk exposure and thus considers all its balance sheet and off-balance sheet exposures. The Bank regularly monitors its credit exposure in individual industries, segments, countries and economically connected groups of debtors. The Bank regularly measures the credit portfolio concentration risk and, where necessary, sets concentration limits for individual segments, countries and economically connected groups of debtors.

Classification of receivables, assessment of impairment losses
The Bank classifies receivables into the following categories:

– performing receivables (without the default of the debtor);
– non-performing receivables (debtor in default).

The Bank assesses the impairment loss on performing receivables at an amount equal to the 12-month expected credit losses (stage 1 under IFRS9) or to the lifetime expected credit losses (stage 2 under IFRS9).

The Bank assesses the impairment loss on non-performing receivables at an amount equal to the lifetime expected credit losses (stage 3 under IFRS). To determine the impairment loss, the Bank applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Bank writes off a receivable when it does not expect any income from the receivable or from received collateral related to such a receivable.

Set out below is an analysis of the gross and net (of loss allowances for impairment) carrying amounts (or fair value where applicable) of financial assets as at year end. The amounts represent the Bank's maximum exposure to credit risk.

The tables analysing changes in loss allowance/provision in the respective categories present the development of loss allowance/provision during the year. These were affected by various factors during the year, such as:

- a change in the stage of a financial asset (see below - an increase or decrease in a loss allowance/provision within the scope of a transfer, as reported in the values of a loss allowance/provision corresponding to the appropriate stage);
- the emergence of new assets (i.e. the recognition of a new loss allowance/provision reported at the stage under which a financial asset was classified at the end of the accounting period);
- the derecognition or write-off of financial assets (i.e. the derecognition of the corresponding loss allowance/provision);
- a change in the PD/EAD/LGD of individual financial assets (i.e. an increase or decrease in the loss allowance/provision);
- a change in the calculation methodology, a modification of the cash flows of financial assets, or a change in the exchange rates of financial assets (and loss allowance/provision) in foreign currencies during the year.

The Bank did not recognise any financial asset in 2022 or 2021 that has been modified since initial recognition and transferred from stage 2 or 3 (the loss allowance measured at an amount equal to lifetime expected credit losses) to stage 1 (the loss allowance measured at an amount equal to 12-month expected credit losses).

In 2022 and 2021, the Bank accounted for modifications; the profit (loss) from the modification was insignificant, both individually and on aggregate.

Financial assets at fair value through other comprehensive income (excluding equity instruments designated at fair value through other comprehensive income)

MCZK	Fair value	
	31. 12. 2022	31. 12. 2021
Debt instruments	24,622	22,684
TOTAL	**24,622**	**22,684**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	17,399	-	-	-	17,399
Low to fair risk	1,636	-	-	-	1,636
Medium risk	4,720	743	-	-	5,463
High risk	-	124	-	-	124
Default	-	-	-	-	-
FAIR VALUE	**23,755**	**867**	-	-	**24,622**
Loss allowance	(45)	(892)	-	-	(937)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	13,362		-	-	13,362
Low to fair risk	2,779		-	-	2,779
Medium risk	5,722	821	-	-	6,543
High risk	-	-	-	-	
Default	-	-	-	-	-
FAIR VALUE	**21,863**	**821**	-	-	**22,684**
Loss allowance	(53)	(31)	-	-	(84)

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income is presented in the equity line item “Fair value reserve”.

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	53	31	–	–	84
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	(7)	465	–	–	458
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	5	–	–	–	5
Changes in PD/LGD/EADs, unwind of discount	–	435	–	–	435
Derecognition of financial asset	(6)	(5)	–	–	(11)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	(34)	–	–	(34)
NET CHANGE IN 2022	**(8)**	**861**	**–**	**–**	**853**
Loss allowance as at 31. 12. 2022	45	892	–	–	937

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	93	67	–	–	160
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	4	(26)	–	–	(22)
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	19	–	–	–	19
Changes in PD/LGD/EADs, unwind of discount	(54)	(2)	–	–	(56)
Derecognition of financial asset	(7)	(6)	–	–	(13)
Write-offs	–	–	–	–	–
Changes to methodologies	–	(3)	–	–	(3)
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	(2)	1	–	–	(1)
NET CHANGE IN 2021	**(40)**	**(36)**	–	–	**(76)**
Loss allowance as at 31. 12. 2021	53	31	–	–	84

Financial assets at amortised cost

MCZK	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Debt instruments	15,049	-	15,049	-	-	-
TOTAL	**15,049**	-	**15,049**	-	-	

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	14,899	-	-	-	14,899
Low to fair risk	150	-	-	-	150
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
GROSS CARRYING AMOUNT	**15,049**	-	-	-	**15,049**
Loss allowance	-	-	-	-	-
NET CARRYING AMOUNT	**15,049**	-	-	-	**15,049**

Cash and cash equivalents (excl. cash on hand) and loans and advances to banks

	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Nostro account balances	3,444	(5)	3,439	2,418	-	2,418
Balances with the central bank	5,197	-	5,197	1,435	-	1,435
Reverse repo with the central bank	150,008	-	150,008	123,167	-	123,167
Loans and advances to banks	10,471	(3)	10,468	5,227	-	5,227
TOTAL	**169,120**	**(8)**	**169,112**	**132,247**	-	**132,247**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	154,514	-	-	-	154,514
Low to fair risk	14,200	-	-	-	14,200
Medium risk	145	252	-	-	397
High risk	-	9	-	-	9
Default	-	-	-	-	-
GROSS CARRYING AMOUNT	**168,859**	**261**	-	-	**169,120**
Loss allowance	(3)	(5)	-	-	(8)
NET CARRYING AMOUNT	**168,856**	**256**	-	-	**169,112**

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	124,576	–	–	–	124,576
Low to fair risk	5,877	–	–	–	5,877
Medium risk	1,509	285	–	–	1,794
High risk	–	–	–	–	–
Default	–	–	–	–	–
GROSS CARRYING AMOUNT	**131,962**	**285**	–	–	**132,247**
Loss allowance	–	–	–	–	–
NET CARRYING AMOUNT	**131,962**	**285**	–	–	**132,247**

The Bank did not report any accrued interest to individually impaired loans and advances to banks as at 31 December 2022 and 2021.

Loans and advances to customers

MCZK	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	46,239	(964)	45,275	44,489	(1,138)	43,351
TOTAL	**46,239**	**(964)**	**45,275**	**44,489**	**(1,138)**	**43 351**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	1,211	–	–	–	1,211
Low to fair risk	685	–	–	–	685
Medium risk	38,437	4,153	–	–	42,590
High risk	464	833	–	–	1,297
Default	–	–	456	–	456
GROSS CARRYING AMOUNT	**40,797**	**4,986**	**456**	–	**46,239**
Loss allowance	(621)	(130)	(213)	–	(964)
NET CARRYING AMOUNT	**40,176**	**4,856**	**243**	–	**45,275**

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	274	–	–	–	274
Medium risk	38,597	2,048	–	–	40,645
High risk	273	1,453	–	–	1,726
Default	–	–	1,844	–	1,844
GROSS CARRYING AMOUNT	**39,144**	**3,501**	**1,844**	–	**44,489**
Loss allowance	(358)	(157)	(623)	–	(1,138)
NET CARRYING AMOUNT	**38,786**	**3,344**	**1,221**	–	**43,351**

The analysis of the change in provisions in the relevant categories is as follows:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	358	157	623	-	1 138
Transfers between stages:					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	1	-	-	1
Transfer to stage 3	-	-	1	-	1
New financial assets originated or purchased	272	-	-	-	272
Changes in PD/LGD/EADs, unwind of discount	(32)	(24)	13	-	(43)
Derecognition of financial asset	(208)	(6)	(386)	-	(600)
Sale of financial assets	-	-	-	-	-
Write-offs	-	-	(31)	-	(31)
Changes to methodologies	244	6	-	-	250
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX DIFFERENCES AND OTHER CHANGES	(13)	(4)	(7)	-	(24)
NET CHANGE IN 2022	**263**	**(27)**	**(410)**		**(174)**
Loss allowance as at 31. 12. 2022	621	130	213	-	964

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	572	48	1 584	-	2 204
Transfers between stages:					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(53)	88	-	-	35
Transfer to stage 3	(2)	-	2	-	-
New financial assets originated or purchased	316	2	9	-	327
Changes in PD/LGD/EADs, unwind of discount	(344)	31	(1)	-	(314)
Derecognition of financial asset	(127)	-	(45)	-	(172)
Sale of financial assets	-	-	(791)	-	(791)
Write-offs	-	-	(96)	-	(96)
Changes to methodologies	1	(5)	-	-	(4)
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(5)	(7)	(39)	-	(51)
NET CHANGE IN 2021	**(214)**	**109**	**(961)**	-	**(1,066)**
Loss allowance as at 31. 12. 2021	358	157	623	-	1,138

Accrued interest to credit-impaired loans and advances to customers was reported in the amount of MCZK 53 as at 31 December 2022 (31. 12. 2021: MCZK 58).

Financial assets that are written off but still subject to enforcement activities amounted to MCZK 369 as at December 2022 (31. 12. 2021: MCZK 501).

Analysis of loans and advances to customers by days past due

MCZK	2022	2021
Gross	46,239	44,489
Performing	45,783	42,645
Due	45,783	42,645
Past due 1-30 days	–	–
Past due 31-90 days	–	–
Past due 91-360 days	–	–
Past due more than 360 days	–	–
Non-performing	456	1,844
Loss allowance	(964)	(1,138)
TOTAL	**45,275**	**43,351**

Loan commitments

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	600	–	–	–	600
Medium risk	14,914	97	–	–	15,011
High risk	26	–	–	–	26
Default	–	–	9	–	9
Gross amount	15,540	97	9	–	15,646
Loss allowance	(32)	–	–	–	(32)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	10,830	2,454	–	–	13,284
High risk	34	162	–	–	196
Default	–	–	5	–	5
Gross amount	10,864	2,616	5	–	13,485
Loss allowance	(18)	–	–	–	(18)

Financial guarantees, letters of credit

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	1,540	27	-	-	1,567
High risk	-	45	-	-	45
Default	-	-	-	-	-
Gross amount	1,540	72	-	-	1,612
Loss allowance	(3)	(1)	-	-	(4)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	807	266	-	-	1,073
High risk	-	60	-	-	60
Default	-	-	2	-	2
Gross amount	807	326	2	-	1,135
Loss allowance	(5)	(1)	(2)	-	(8)

Set out below is an analysis of changes in provisions to loan commitments, financial guarantees and letters of credit by relevant categories:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	23	1	2	-	26
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	55	-	-	-	55
Changes in PD/LGD/EADs, unwind of discount	(32)	-	-	-	(32)
Derecognition of financial asset	(11)	-	(2)	-	(13)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX DIFFERENCES AND OTHER CHANGES	-	-	-	-	-
NET CHANGE IN 2022	**12**	**-**	**(2)**	-	**10**
Loss allowance as at 31. 12. 2022	35	1	-	-	36

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	10	1	4	–	15
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	55	–	–	–	55
Changes in PD/LGD/EADs, unwind of discount	(37)	–	–	–	(37)
Derecognition of financial asset	(5)	–	(2)	–	(7)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
NET CHANGE IN 2021	**13**	–	**(2)**	–	**11**
Loss allowance as at 31. 12. 2021	23	1	2	–	26

Other assets – Past due, but not impaired

As at 31 December 2022 the Bank reported MCZK 0 of other assets as “Past due, but not impaired” (31. 12. 2021: MCZK: 0).

Sensitivity analysis of loss allowance by relevant categories

The sensitivity analyses of loss allowance/provision in the relevant categories in the following scenarios are presented below:

- Change (increase/decrease) in the probability of default by 10%;
- Change (improvement/deterioration) in credit rating by one notch according to the Bank’s internal scale;
- Change (increase/decrease) in the expected development of GDP by 3 percentage points.

Set out below is the analysis of changes in loss allowance/provision which would occur in the event of an increase in PD by 10%:

2022 MCZK	Loss allowance/provision in the baseline scenario	Increase in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	937	944	7	1%
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	8	8	-	4%
Loans and advances to customers	964	1 014	50	5%
Loan commitments, financial guarantees and letters of credit	36	39	3	10%

2021 MCZK	Loss allowance/provision in the baseline scenario	Increase in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	84	93	9	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	–	–	–	10%
Loans and advances to customers	1,138	1,190	52	5%
Loan commitments, financial guarantees and letters of credit	26	29	3	9%

Set out below is the analysis of changes in loss allowance/provision which would occur in the event of a decrease in PD by 10%:

2022 MCZK	Loss allowance/provision in the baseline scenario	Decrease in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	937	930	(7)	(1%)
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	8	7	(1)	(4%)
Loans and advances to customers	964	914	(50)	(5%)
Loan commitments, financial guarantees and letters of credit	36	32	(4)	(10%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Decrease in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	84	76	(8)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	-	-	-	(10%)
Loans and advances to customers	1,138	1,087	(51)	(5%)
Loan commitments, financial guarantees and letters of credit	26	24	(2)	(9%)

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Bank also discloses an analysis of the sensitivity of a loss allowance/provision to changes in credit rating.

2022 MCZK	Loss allowance/provision in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	964	746	(218)	(23%)
Loan commitments, financial guarantees and letters of credit	36	25	(11)	(29%)

2022 MCZK	Loss allowance/provision in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	964	1 262	298	31%
Loan commitments, financial guarantees and letters of credit	36	82	46	128%

2021 MCZK	Loss allowance/provision in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,138	864	(274)	(24%)
Loan commitments, financial guarantees and letters of credit	26	18	(8)	(32%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,138	1,415	277	24%
Loan commitments, financial guarantees and letters of credit	26	48	22	82%

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Bank also discloses an analysis of the sensitivity of a loss allowance/provision to changes in forward-looking information, specifically to the change in the expected development of GDP.

2022 MCZK	Loss allowance/provision in the baseline scenario	Increase in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	964	767	(197)	(21%)
Loan commitments, financial guarantees and letters of credit	36	32	(4)	(12%)

2022 MCZK	Loss allowance/provision in the baseline scenario	Decrease in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	964	1 201	237	25%
Loan commitments, financial guarantees and letters of credit	36	41	5	14%

2021 MCZK	Loss allowance/provision in the baseline scenario	Increase in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,138	942	(196)	(17%)
Loan commitments, financial guarantees and letters of credit	26	21	(5)	(20%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Decrease in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,138	1,366	228	20%
Loan commitments, financial guarantees and letters of credit	26	32	6	21%

Evaluation of collateral

The Bank generally requires collateral before providing loans to certain debtors. To reduce gross credit exposure, the Bank considers the following to be acceptable types of collateral:

- guarantee;
- pledge on the pledgor’s bank account;
- mortgage on an immovable;
- pledge on receivables arising from supplier-customer relations;
- pledge on securities and ownership interest in a corporation;
- pledge on trademarks and other industrial property concepts;
- pledge on an establishment;
- pledge on movables.

The net realisable value of the collateral assessed by the Bank is usually based on an opinion prepared by an expert acceptable to the Bank. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Bank’s ability to realise the collateral when necessary including the time factor of the realisation.

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit split according to type of collateral:

MCZK	31. 12. 2022	31. 12. 2021
Guarantees	1,563	1,652
Property	9,682	9,038
Cash collateral	306	381
Other collateral	4,412	6,415
Unsecured	47,534	41,623
TOTAL	**63,497**	**59,109**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit classified as non-performing according to type of collateral

MCZK	31. 12. 2022	31. 12. 2021
Guarantees	83	169
Property	164	906
Cash collateral	-	-
Other collateral	-	-
Unsecured	218	776
TOTAL	**465**	**1,851**

The “Unsecured” category also includes loans and advances to customers, loan commitments, financial guarantees and letters of credit that are secured by collateral, but the Bank assigns zero accounting value to the collateral.

Loans with renegotiated terms and the Bank’s forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been significantly modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Bank has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Bank renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The following table shows loans and advances to customers with forbearance:

MCZK	31. 12. 2022	31. 12. 2021
Performing	45,032	42,130
Of which:		
Loans and advances to customers with forbearance:	-	26
Non-performing	243	1,221
Of which:		
Loans and advances to customers with forbearance:	-	866
TOTAL	**45,275**	**43,351**

The following table shows loans and advances to customers with forbearance and without forbearance split by sectors

MCZK	31. 12. 2022	31. 12. 2021
Loans and advances to customers without forbearance:	**45,275**	**42,459**
Residents:		
Financial institutions*	1,087	2,087
Non-financial institutions	17,869	17,190
Households/individuals	100	105
Public sector	1,211	-
Holding companies	2,948	374
Non-residents	22,060	22,703
Loans and advances to customers with forbearance:	**-**	**892**
Residents:		
Financial institutions*	-	-
Non-financial institutions	-	194
Households/individuals	-	-
Public sector	-	-
Holding companies	-	-
Non-residents	-	698
TOTAL	**45,275**	**43,351**

* Holding companies excluded

Concentration of credit risks

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations.

The Bank manages the exposure limits in line with the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) so that the Bank does not incur an exposure, after taking into account the effect of the credit risk to a client or group of connected clients the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value must not exceed 25% of the institution's eligible capital or EUR 150 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in relation to all connected clients that are not institutions, does not exceed 25% of the institution's eligible capital.

The Bank calculates the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Concentration of credit risks according to economic sector/industry

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial institutions*	10,468	5,227	9,929	11,967	2,589	3,564
Public sector	-	-	1,211	-	42,996	23,614
Non-financial institutions	-	-	22,397	21,765	3,983	4,677
Real estate	-	-	8,707	7,569	372	416
Production and distribution of electricity, gas and heat	-	-	3,481	3,134	605	594
Wholesale and retail	-	-	1,464	822	440	613
Accommodation	-	-	1,278	1,040	-	-
Other	-	-	7,467	9,200	2,566	3,054
Households/Individuals	-	-	108	117	-	-
Holding entities	-	-	11,630	9,502	784	525
TOTAL	**10,468**	**5,227**	**45,275**	**43,351**	**50,352**	**32,380**

* Holding entities excluded.

Concentration of credit risk according to geographical areas by country of risk

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Czech Republic	8,673	2,110	26,385	26,134	45,069	24,724
Slovak Republic	-	-	3,173	635	579	649
Netherlands	-	-	793	794	119	131
Other EU countries	1,663	2,254	2,362	2,651	662	1,140
Russian Federation	-	-	-	-	135	1,005
Asia	-	16	11,034	12,671	1,338	1,327
North America	-	-	1,051	-	1,445	1,975
Other	132	847	477	466	1,005	1,429
TOTAL	**10,468**	**5,227**	**45,275**	**43,351**	**50,352**	**32,380**

43.2 Liquidity risk

The liquidity risk represents the Bank's risk of incurring losses due to momentary insolvency. The Bank may also suffer a loss as a result of low liquidity in the market for the financial instruments included in the Bank's portfolios. The liquidity risk threatens the Bank's funding and investment needs. Market liquidity risk represents the risk of not being able to liquidate financial instruments quickly enough, or in sufficient volume and for reasonable prices. If the conditions are not favourable, this risk may substantially worsen the Bank's position.

The Bank has access to diverse sources of funds, which comprise deposits and other savings, loans accepted and equity. This diversification makes the Bank flexible and limits its dependency on any one financing source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors. The Bank also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Residual maturity of the Bank's assets and liabilities

The following table shows the carrying amounts of the Bank's assets and liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Cash and cash equivalents	158,707	-	-	-	-	158,707
Financial assets at fair value through profit or loss	3,724	2,367	11,419	15,261	266	33,037
Financial assets at fair value through other comprehensive income	13	4,475	14,593	5,541	222	24,844
Financial assets at amortised cost	150	173	5,063	9,663		15,049
Loans and advances to banks	7,468	-	3,000	-		10,468
Loans and advances to customers	12,001	7,904	24,850	520	-	45,275
Investments and other assets	250	-	-	-	1,020	1,270
TOTAL	**182,313**	**14,919**	**58,925**	**30,985**	**1,508**	**288,650**
Deposits from banks	22,963	1,017	-	-	-	23,980
Deposits from customers	203,678	6,895	5	-	-	210,578
Debt securities issued	676	1,201	3,240	-	-	5,117
Financial liabilities at fair value through profit or loss	3,657	1,980	11,452	13,331	-	30,420
Other liabilities and provisions	900	255	69		-	1,224
Shareholders' equity	-	-	-	-	17,331	17,331
TOTAL	**231,874**	**11,348**	**14,766**	**13,331**	**17,331**	**288,650**

The negative position of the liquidity gap up to 3 months is mainly caused by current accounts and customer deposits. Based on the historical data analysis these deposits are expected to be extended.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2021						
Cash and cash equivalents	127,050	-	-	-	-	127,050
Financial assets at fair value through profit or loss	11,645	1,968	4,011	19,189	-	36,813
Financial assets at fair value through other comprehensive income	140	414	11,007	11,123	210	22,894
Loans and advances to banks	5,227	-	-	-		5,227
Loans and advances to customers	5,778	13,784	18,348	5,441	-	43,351
Investments and other assets	250	236	-	-	801	1,287
TOTAL	**150,090**	**16,402**	**33,366**	**35,753**	**1,011**	**236,622**
Deposits from banks	24,083	17,250	-	-	-	41,333
Deposits from customers	138,497	1,854	5,197	-	-	145,548
Debt securities issued	933	863	2,615	-	-	4,411
Financial liabilities at fair value through profit or loss	873	1,497	7,830	17,432	-	27,632
Other liabilities and provisions	943	15	198		-	1,156
Shareholders' equity	-	-	-	-	16,542	16,542
TOTAL	**165,329**	**21,479**	**15,840**	**17,432**	**16,542**	**236,622**

Residual maturity of the Banks's off-balance-sheet items

The following table shows the maturity of the Bank's off-balance sheet assets based on the date on which the commitments provided can be drawn or the guarantees provided can be claimed.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Commitments provided	15,646	–	–	–	–	15,646
Guarantees provided	480	–	–	–	–	480
TOTAL	**16,126**	–	–	–	–	**16,126**
At 31 December 2021						
Commitments provided	13,485	–	–	–	–	13,485
Guarantees provided	323	–	–	–	–	323
TOTAL	**13,808**	–	–	–	–	**13,808**

The following table shows undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Deposits from banks	23,074	1,044	–	–	–	24,118
Deposits from customers	203,866	6,968	5	–	–	210,839
Debt securities issued	678	1,230	3,672	–	–	5,580
Financial liabilities at fair value through profit or loss	2,452	56	4,722	5,283	–	12,513
Derivatives	1,209	1,924	7,048	9,463		19,644
TOTAL	**231,279**	**11,222**	**15,447**	**14,746**	–	**272,694**
At 31 December 2021						
Deposits from banks	24,129	17,429	–	–	–	41,558
Deposits from customers	138,549	1,917	5,264	–	–	145,730
Debt securities issued	937	897	2,843	–	–	4,677
Financial liabilities at fair value through profit or loss	22	59	3,357	8,322	–	11,760
Derivatives	851	1,438	4,658	10,462	–	17,409
TOTAL	**164,488**	**21,740**	**16,122**	**18,784**	–	**221,134**

43.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Bank'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.

The Bank buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Department.

Trading
The Bank holds trading positions in certain financial instruments. The majority of the Bank's business activities are based on the requirements of its customers. These positions are also held for the purpose of speculation on the future development of financial markets. The Bank's business strategy is thus affected by speculative expectation and market creation and its goal is to maximise net income from trading.

The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transactions and risk position limits.

Stress testing
The Bank carries out daily stress testing of interest rates, currency risks and changes in prices of equity instruments by applying internally defined improbable scenarios and simulating their impact on the net present value of the Bank's portfolio.

43.3.1 Currency risk

Currency risk is the risk of a change in the value of a financial instrument due to a change in the exchange rates.

Assets and liabilities denominated in foreign currencies including off-balance sheet instruments represent the Bank's exposure to exchange rate risk. Realised and non-realised exchange rate gains and losses are stated directly in the profit and loss statement.

The Bank has set currency risk limits based on its net currency exposure in individual currencies according to their significance. The Bank also sets a limit with respect to the total net currency exposure.

Currency risk exposure

MCZK	CZK	EUR	USD	INR	RUB	Other	Total
At 31 December 2022							
Financial assets	239,815	32,080	10,390	3,563	4	1,752	287,604
Financial liabilities	200,030	52,098	14,145	133	4	4,241	270,651
FX derivatives	(22,582)	19,954	3,087	(3,677)	-	3,172	(46)
NET EXPOSURE	**17,203**	**(64)**	**(668)**	**(247)**	-	**683**	
At 31 December 2021							
Financial assets	193,215	25,147	11,439	3,857	14	1,889	235,561
Financial liabilities	179,335	32,726	6,360	124	58	941	219,544
FX derivatives	1,225	7,525	(5,087)	(3,889)	11	(135)	(350)
NET EXPOSURE	**15 105**	**(54)**	**(8)**	**(156)**	**(33)**	**813**	

The table below shows the sensitivity of the (pre-tax) income statement to currency risk for foreign currencies significantly represented in the Bank's balance sheet as at 31 December 2022 and 2021:

MCZK	2022			2021		
	Net position in foreign currency	5% exchange rate increase	5% exchange rate decrease	Net position in foreign currency	5% exchange rate increase	5% exchange rate decrease
EUR	(64)	(3)	3	(54)	(3)	3
USD	(668)	(33)	33	(8)	-	-
INR	(247)	(12)	12	(156)	(8)	8
RUB	-	-	-	(33)	(2)	2
GBP	667	33	(33)	692	35	(35)
HUF	(7)	-	-	102	5	(5)

The change in the exchange rate of the CZK to foreign currencies had no effect on the Bank's equity components other than the annual profit.

43.3.2 Interest rate risk

The interest rate risk is the risk of a change in the value of a financial instrument due to a change in market interest rates.

The Bank is exposed to interest rate risks resulting from the different maturity or renewal period of interest rates and the different amounts of interest bearing assets and liabilities in these periods. Interest rate management activities are intended to optimise the net interest income of the Bank in accordance with the strategy approved by its Board of Directors.

Part of the Bank's income is generated by the difference between interest rate sensitive assets and liabilities, which is summarised in the table below.

Interest sensitivity of the Bank's assets and liabilities

The following table shows the carrying amounts of the Bank's financial assets and liabilities on the basis of their earliest possible repricing.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Cash and cash equivalents	158,707	-	-	-	-	158,707
Financial assets at fair value through profit or loss	3,724	2,367	11,419	15,261	266	33,037
Financial assets at fair value through other comprehensive income	744	15,609	6,433	1,836	222	24,844
Financial assets at amortised cost	150	173	5,063	9,663	-	15,049
Loans and advances to banks	7,468	-	3,000	-	-	10,468
Loans and advances to customers	23,151	11,877	10,247	-	-	45,275
Investments and other assets	250	-			1,020	1,270
TOTAL	**194,194**	**30,026**	**36,162**	**26,760**	**1,508**	**288,650**
Deposits from banks	22,963	1,017	-	-	-	23,980
Deposits from customers	203,678	6,895	5	-	-	210,578
Debt securities issued	676	1,201	3,240	-	-	5,117
Financial liabilities at fair value through profit or loss	3,657	1,980	11,452	13,331	-	30,420
Other liabilities and provisions	900	255	69	-	-	1,224
Shareholders' equity	-	-	-	-	17,331	17,331
TOTAL	**231,874**	**11,348**	**14,766**	**13,331**	**17,331**	**288,650**
Gap	(37,680)	18,678	21,396	13,429	(15,823)	-
Cumulative gap	(37,680)	(19,002)	2,394	15,823	-	-
At 31 December 2021						
Cash and cash equivalents	127,050	-	-	-	-	127,050
Financial assets at fair value through profit or loss	11,645	4,068	3,731	17,369	-	36,813
Financial assets at fair value through other comprehensive income	532	7,587	8,884	5,681	210	22,894
Loans and advances to banks	5,227	-	-	-	-	5,227
Loans and advances to customers	20,740	15,039	4,540	3,032	-	43,351
Investments and other assets	250	236	-	-	801	1,287
TOTAL	**165,444**	**26,930**	**17,155**	**26,082**	**1,011**	**236,622**
Deposits from banks	24,083	17,250	-	-	-	41,333
Deposits from customers	138,497	1,854	5,197	-	-	145,548
Debt securities issued	933	863	2,615	-	-	4,411
Financial liabilities at fair value through profit or loss	873	1,497	7,830	17,432	-	27,632
Other liabilities and provisions	943	15	198	-	-	1,156
Shareholders' equity	-	-	-	-	16,542	16,542
TOTAL	**165,329**	**21,479**	**15,840**	**17,432**	**16,542**	**236,622**
Gap	115	5,451	1,315	8,650	(15,531)	-
Cumulative gap	115	5,566	6,881	15,531	-	-

The carrying amounts of assets and liabilities are recorded either in the period in which they are due or in the period in which the interest rate changes, whichever occurs earlier.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged.

Effective interest rate

The effective interest rate on significant categories of financial assets and liabilities of the Bank as at 31 December 2022 and 2021 were as follows:

In % p.a.	2022	2021
Financial assets		
Cash and cash equivalents	6.62	3.38
Financial assets at fair value through profit or loss	4.46	2.97
Financial assets at fair value through other comprehensive income*	5.41	2.95
Financial assets at amortised cost	1.88	-
Loans and advances to banks	2.82	1.45
Loans and advances to customers	4.75	4.63
Financial liabilities		
Deposits from banks	5.00	2.04
Deposits from customers	3.05	0.57
Debt securities issued	6.61	4.29
Financial liabilities at fair value through profit or loss*	2.61	1.75

* The effective interest rate is calculated from debt securities, repo and reverse repo operations only.

Apart from the gap analysis as indicated above, the Bank monitors its exposure to interest rate risk by Basis Point Value (BPV) and stress testing. Both of these methods measure the potential impact on the Bank's overall position or shift of interest rate yield curves.

Basis point value

Basis point value measures how much monetary positions of the Bank will gain or lose for a 100 basis point (1.00%) movement in the yield curve in terms of fair value changes. Therefore, it quantifies the Bank's interest rate risk for changes in interest rates.

"Trading book" means the portfolio of all positions in financial instruments held by the Bank with trading intent, in accordance with the definition of a trading book under Article 4(1)(86) of Regulation (EU) No 575/2013. A banking book contains all positions that are not included in the trading book.

As at 31 December 2022, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(454)	21
EUR	261	(25)
USD	(118)	1
GBP	(4)	-
HUF	2	-
INR	(2)	-
TOTAL BPV (ABSOLUTE)	**841**	**47**

As at 31 December 2021, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(9)	(97)
EUR	57	28
USD	(202)	31
GBP	(5)	(1)
HUF	1	–
INR	–	–
TOTAL BPV (ABSOLUTE)	**274**	**157**

Stress testing

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in significant currencies with respect to the Bank in related yield curves. The analysis of the Bank's trading book sensitivity to an increase or decrease in market interest rates in terms of fair value changes (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

MCZK	2022		2021	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
Impact on profit or loss as at 31 December	(3)	3	(38)	38
Average for the period	(26)	26	50	(50)
Maximum for the period	88	173	226	121
Minimum for the period	(173)	(88)	(121)	(226)

The Bank uses yield curve shifts to monitor and measure interest rate risk in the banking book in order to track the potential impact of changes in market interest rates. The baseline analysis addresses the sensitivity of net interest income and the economic value of equity and is based on stress scenarios for investment portfolio interest rate risk management in accordance with European Banking Authority Guidelines EBA/GL/2018/02, which anticipate shifts and changes in the shape of the yield curve. The Bank also performs stress testing based on a parallel 200 basis point shift in the yield curve.

The table below shows the sensitivity of the banking book to changes in interest rates:

MCZK	31 December 2022	31 December 2021
Change in annual net interest income		
Impact of +200 bp interest rate movement	(423)	(152)
Impact of -200 bp interest rate movement	411	(153)
Change in the economic value of equity		
Impact of +200 bp interest rate movement	(1,404)	(697)
Impact of -200 bp interest rate movement	624	387

The change in the annual net interest income shows the impact of interest rate movements on net interest income over a 12-month horizon. The change in the economic value of equity shows the impact of interest rate movements on the difference between the present value of assets and liabilities. The results presented are in line with the methodology described in the EBA/GL/2018/02 Guidelines.

43.3.3 Equity risk

The equity risk is the risk of a change in the value of a financial instrument due to a change in market prices of equities or equity-related instruments.

The Bank is exposed to equity risk resulting from open positions in equities or equity-related instruments in accordance with the strategy approved by its Board of Directors.

43.3.4 Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Bank is only exposed to immaterial settlement risk as most of its transactions are settled in a delivery-versus-payment manner.

43.4 Operational risk

43.4.1 Operational risks

The Operational Risk Management department is responsible for managing operational risks, i.e. the risks of losses caused by deficiencies in or failures of internal processes, the human factor or systems, or from losses caused by external factors, including legal risk. Operational risk excludes strategic and reputational risk.

Operational risks are usually the cause of an increase in the Bank's expenses, a decrease in the Bank's income, fines, penalties, damage, loss of the Bank's tangible and intangible assets and the failure of information systems.

The Operational Risk Management department prepares the operational risk management methodology, identifies, monitors, measures and assesses the operational risks, and proposes measures to mitigate the operational risks. As part of operational risk management, it is further responsible for physical security. The Information Security Management department ensures the management of the security management system of information systems. Both units thus jointly identify and monitor, measure and assess physical and information security, and prepare the methodology for the management and mitigation of the risks.

The Operational Risk Management department manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages the risk in terms of arranging supplies of banking services, the launch of new products, and the utilisation of outsourcing by the Bank. It also manages models, frauds, insurance and legal risk. The Operational Risk Management department also regularly informs the management and relevant employees about operational risks and significant events that have arisen. Furthermore, it secures training for employees on the identification, reporting and handling of operational risks.

The management and employees in charge of managing operational risks within a division or department are also involved in the management of operational risks. After an operational risk is identified, they propose and arrange the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In proposing the measures to mitigate operational risk, they also assess the impact on Bank's expenses and income.

43.4.2 Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts, insufficient documentation, and changes in the regulatory environment, including accepted case-law and uncertainties in counterparties' acts. The aim is to reduce the risk of loss, the risk of possible or questionable claims against the Bank, or penalties, including damage to the Bank's reputation.

The Compliance department performs activities aimed at harmonising the Bank's internal policies and processes with external regulations. The main compliance activities are to ensure the compliance of internal guidelines with external standards, the mutual compliance of internal guidelines, the compliance of the Bank's activities with internal guidelines and external standards, and the ongoing monitoring of compliance with legal obligations and responsibilities arising from the internal regulations of the Bank, to establish preconditions for achieving this harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Bank and its employees compared to customers, to prevent conflicts of interest, and to mitigate acts which would result in market abuse. It also engages in anti-money laundering activities and activities combating the financing of terrorism (AML-CFT), and runs checks on these activities and handles claims and complaints.

If compliance activities are not performed directly by the Compliance department, they are delegated to another department of the Bank, the Bank's managers or the Bank's employees, with the Compliance department acting as coordinator.

The Bank's managers are responsible for creating conditions for the internal and external regulations to be adhered to. They are also responsible for issuing internal policies governing the activities they are in charge of and they are also obliged to check whether the external regulations and internal policies are observed by subordinates.

43.5 Climate change risks

The Bank increasingly faces climate-related risks and opportunities related to the transition to a low-carbon economy. During 2022, the Bank spent considerable time collecting data to assess the risks associated with climate change which could impact the portfolio differently, depending on factors such as sector, geographic location and duration.

Climate change risks impact key risk categories such as credit, liquidity, market and operational risk. The Bank classifies climate change risks into two main categories:

- physical risks; and
- transition-related risks.

Physical risks arise from acute climate events (windstorms, tornadoes, floods and fires) and long-term changes in climate phenomena (sustained warmer temperatures, heat waves, droughts and rising sea levels).

Transition risks arise as a result of measures taken to mitigate the impacts of climate change and the transition to a low-carbon economy (changes in laws and regulations, litigation due to failure to mitigate or adapt, or changes in supply and demand for certain commodities, products and services).

The impact of physical and transition risks on the broader macroeconomic environment, including macroeconomic variables such as GDP and unemployment rates, is currently difficult to predict. We expect the most significant impacts of climate change to occur in the medium to long term. However, it is important to monitor the speed and scale of these issues and consider their potential impacts.

Considering the nature of its business model, the Bank assesses climate-related risk factors on a case-by-case basis as part of its regular monitoring of borrower performance and regular collateral valuation and eligibility.

43.6 Capital management

Regulatory capital
The Bank's lead regulator sets and monitors the capital requirements of the Bank. The Bank and individual banking operations are directly supervised by local regulators. As capital regulatory requirements are set only for banks, the structure of Tier 1 capital and Tier 2 capital is set only for the Bank.

In the implementation of current capital requirements, the CNB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve funds and retained earnings after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities. The bank currently has no Tier 2 capital component.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations complied with all externally imposed capital requirements throughout the period.

There were no material changes in the Bank's management of capital during the period.

The Bank's reconciliation between regulatory capital and equity calculated was as follows:

MCZK	Regulatory capital	Equity
At 31 December 2022		
Issued capital	769	769
Share premium	412	412
Retained earnings	14,005	16,744
Profit/(Loss) eligible	2,155	-
Accumulated other comprehensive income	(1,136)	(594)
Less value adjustment due to requirements of prudent valuation	(88)	-
Less intangible assets	(105)	-
Mitigation of impact of IFRS 9 implementation	964	
Tier 1 capital	16,976	
TOTAL	**16,976**	**17,331**
At 31 December 2021		
Issued capital	769	769
Share premium	412	412
Retained earnings	13,750	15,497
Profit/(Loss) eligible	-	-
Accumulated other comprehensive income	(177)	(136)
Less value adjustment due to requirements of prudent valuation	(87)	-
Less intangible assets	(108)	-
Mitigation of impact of IFRS 9 implementation	429	
Tier 1 capital	14,988	
TOTAL	**14,988**	**16,542**

Capital adequacy ratios are as follows:

%	2022	2021
Tier 1 common capital ratio	24.80%	20.33%
Tier 1 capital ratio	24.80%	20.33%
Total capital ratio	24.80%	20.33%

If the mitigation of the impact of IFRS 9 implementation were not applied, the Tier 1 common capital ratio, Tier 1 capital ratio and total capital ratio would be 23.56% as at 31 December 2022 (2021: 19.86%).

Exposures and capital requirements for credit risk related to the following institutions:

MCZK	Exposure	Capital requirement
At 31 December 2022		
Central government or central banks	-	-
Regional governments or local authorities	15	1
Institutions	2,276	182
Corporates	41,953	3,356
Retail	-	-
Secured by mortgages on immovable property	729	58
Exposures in default	271	22
Items associated with particularly high risk	5,743	459
Collective investment undertakings	619	50
Equity	239	19
Other items	1,293	103
TOTAL	**53,138**	**4,250**
At 31 December 2021		
Central government or central banks	312	25
Regional governments or local authorities	6	-
Institutions	2,199	176
Corporates	43,001	3,440
Retail	-	-
Secured by mortgages on immovable property	253	20
Exposures in default	1,315	105
Items associated with particularly high risk	6,360	509
Collective investment undertakings	209	17
Equity	239	19
Other items	968	78
TOTAL	**54,862**	**4,389**

MCZK	2022	2021
Capital requirements for credit risk	4,250	4,389
Capital requirements for market risks	638	858
- for interest rate risk of trading portfolio	609	801
- for equity risk of trading portfolio	-	-
- for foreign exchange risk	29	57
Capital requirements for settlement risk	-	-
Capital requirements for operational risk	541	589
Capital requirements for credit valuation adjustment risk	45	60
TOTAL CAPITAL REQUIREMENTS	**5,474**	**5,897**

Minimum requirements for capital ratios are as follows:

	Minimum requirement	Capital conservation buffer	Counter-cyclical buffer
31. 12. 2022			
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.82%
Tier 1 capital	6%	2.5%	0.82%
Total regulatory capital	8%	2.5%	0.82%
31. 12. 2021			
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.29%
Tier 1 capital	6%	2.5%	0.29%
Total regulatory capital	8%	2.5%	0.29%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect other risks of the transaction. The process of allocating capital is undertaken by those responsible for the operation and is subject to review by the Bank's Capital Strategy Committee.

44 Related-party transactions

As at 31 December 2022, the parent company of the Bank is PPF Financial Holdings a.s., with its registered office in the Czech Republic, Prague, Evropská 2690/17, postal code: 16000, registration number: 10907718, the parent company of PPF Financial Holdings a.s. is PPF Group N.V., with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 33264887.

The Bank considered the transactions with its parent company, PPF Financial Holdings a.s. and its parent company PPF Group N.V., and with all their subsidiaries and associates to be related-party transactions.

The related-party transactions also include transactions with its key management personnel, and enterprises with which it has key management personnel in common.

44.1 Transactions with the parent company

The balances stated below are included in the statement of financial position and represented transactions with the parent company:

MCZK	31. 12. 2022	31. 12. 2021
Financial assets at fair value through profit or loss	-	24
Other assets	-	1
Deposits from customers	(82)	(633)
Other liabilities	-	(1)
TOTAL	**(82)**	**(609)**

The Bank neither accepted nor provided guarantees related to the above-mentioned transactions.

The figures stated below are included in the statement of comprehensive income and represented transactions with the parent company:

MCZK	2022	2021
Interest and similar income	2	1
Interest expense and similar charges	(43)	-
Fee and commission income	2	2
Net income from financial operations	1	-
Other operating income	1	-
TOTAL	**(37)**	**3**

44.2 Transactions with subsidiaries

The balances stated below are included in the statement of financial position and represented transactions with subsidiaries:

MCZK	31. 12. 2022	31. 12. 2021
Loans and advances to customers	8,520	9,616
Deposits from customers	(241)	(456)
Other liabilities	-	(2)
TOTAL	**8,279**	**9,158**

The figures stated below are included in the statement of comprehensive income and represented transactions with subsidiaries:

MCZK	2022	2021
Interest and similar income	621	774
Interest expense and similar charges	(1)	-
Net impairment losses on financial assets	2	138
Other operating income	1	1
TOTAL	**623**	**913**

44.3 Transactions with other related parties

The balances stated below are included in the statement of financial position and represented transactions with other related parties:

MCZK	31. 12. 2022	31. 12. 2021
Cash and cash equivalents	7	31
Financial assets at fair value through profit or loss	563	922
Financial assets at fair value through other comprehensive income	30	-
Loans and advances to banks	5,866	1,353
Loans and advances to customers	5,353	6,014
Other assets	21	52
Deposits from customers	(38,208)	(30,139)
Deposits from banks	(638)	(409)
Financial liabilities at fair value through profit or loss	(4,407)	(2,352)
Provisions	(1)	(3)
Other liabilities	(123)	(131)
TOTAL	**(31,537)**	**(24,662)**

The figures stated below are included in the statement of comprehensive income and represented transactions with other related parties:

MCZK	2022	2021
Interest and similar income	600	280
Interest expense and similar charges	(271)	(25)
Fee and commission income	308	402
Fee and commission expense	(1)	(1)
Net income from financial operations	(2,422)	(773)
Net impairment losses on financial assets	4	(10)
Other operating income	2	4
Other general administrative expenses	(387)	(140)
TOTAL	**(2,167)**	**(263)**

44.4 Key management personnel

The balances stated below are included in the statement of financial position and represented transactions with key management personnel:

MCZK	31. 12. 2022	31. 12. 2021
Financial liabilities at fair value through profit or loss	-	(1)
Deposits from customers	(146)	(83)
TOTAL	**(146)**	**(84)**

The above payables consist mainly of term deposits and balances of current accounts with the Bank.

The balances stated below are included in the statement of other comprehensive income and represented transactions with key management personnel:

MCZK	2022	2021
Interest expense and similar charges	(3)	-
Fee and commission income	1	-
Net income from financial operations	(2)	(1)
General administrative expenses	(49)	(61)
TOTAL	**(53)**	**(62)**

General administrative expenses consist of salaries and remuneration of the Group’s key management personnel, described in detail in note 10.

44.5 Credit commitments and guarantees provided

As a related-party transaction, as at 31 December 2022 the Bank provided a credit commitment to related parties of MCZK 10,938 (31. 12. 2021: MCZK 9,402), a guarantee commitment and a guarantee in the amount of MCZK 0 (31. 12. 2021: MCZK 0).

45 Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes, except for the following:

One bond, with a nominal value of USD 10 million and exposed to risk associated with the Russian Federation, matured in February 2023; the Bank had held this in its portfolio of financial assets measured at fair value through other comprehensive income as at 31 December 2022. The principal and coupon were paid in RUB to a special account held at Home Credit & Finance Bank. As that account is subject to Russian counter-sanctions and cannot be disposed of by the Bank, a provision for 100% of the exposure has been created.

All other corporate bonds in this portfolio that carried a Russian Federation risk were successfully sold by the Bank in February 2023. The sales were above the values of these bonds recorded in the Bank's books as at 31 December 2022, i.e. they had a positive impact on the Bank's earnings in the first quarter of 2023.

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity for 2022

In accordance with Section 82 et seq. of Act No 90/2012 on companies and cooperatives, as amended, ("the AoC"), PPF banka a.s., with its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 47116129, incorporated by entry in the Commercial Register maintained by the Municipal Court in Prague, section B, file number 1834 ("the Company"), has the obligation to prepare the following report on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity ("Report on Relations") for the accounting period from 1 January 2022 to 31 December 2022 ("the Accounting Period").

1. Structure of relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity

By reference to information in the possession of the Board of Directors, in which the Company's governing body, to the best of its knowledge, found no incompleteness, the structure is set out in Appendix 1 to this Report on Relations.

2. Role of the Company

During the Accounting Period, the Company did not adopt or implement any measures or other legal arrangements providing it with special advantages or imposing special obligations on it in the interest or at the initiative of the controlling entity or entities controlled by the same controlling entity. In relation to control, the Company benefits from no special advantages and has no special obligations vis-à-vis the controlling entity and/or entities controlled by the same controlling entity beyond those negotiated in the agreements listed in Section 5 of this Report on Relations.

3. Method and means of control

The controlling entity exercises control through its ownership rights via decisions at the Company's general meetings (or decisions of the Company's sole shareholder). Methods and means of controlling the Company include the Company's articles of association and decisions of the Company's supreme body. No special agreements exist between the Company and the controlling entity with respect to methods and means of controlling the Company.

4. Overview of actions pursuant to Section 82(2)(d) of AoC

In the Accounting Period, the Company did not perform any actions at the initiative or in the interest of the controlling entity or entities controlled by it that related to assets exceeding 10% of the Company's equity as determined from the latest financial statements.

5. Overview of mutual agreements

The Company has concluded the following agreements with the controlling entity or with entities controlled by the same controlling entity:

The following agreements have been concluded with AB 4 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34186049:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with AB-X Projekt GmbH in liquidation, with its registered office at Landsberger 155, Munich, 806 87, Germany, registration number: HRB 247124:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Acolendo Limited, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE 434775:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with AF Airfueling s.r.o., with its registered office at Hůlkova 1075/35, Kbely, 197 00 Praha 9, registration number: 02223953:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Air Bank a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 29045371:

- Confidentiality contract - scope of performance: other services
- Reporting Delegation Agreement - Agreement on EMIR reporting - scope of performance: other services
- Contract with an administrator + special arrangements for the contract with an administrator - scope of performance: financial services
- Contract for opening and maintaining correspondent accounts - scope of performance: financial services
- Framework agreement on trading on financial markets (EMA) - scope of performance: financial services
- Creditor Accesion Undertaking - scope of performance: financial services
- ISDA Master Agreement - scope of performance financial services
- Agency agreement on the provision and settlement of transactions with investment instruments and on investment instrument administration - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services
- Agreement on the provision of services for the blocking of access to electronic banking tools - scope of performance: financial services
- Strongbox rental agreement - scope of performance: financial services
- Service agreement (COVID 3 loans) - scope of performance: financial services
- Customer business agreement - switch - scope of performance: financial services
- Agreement on the procurement of a bond issue - scope of performance financial services
- Participant agreement - scope of performance financial services
- Transfer agreement - scope of performance financial services
- Agreement Reg. No 41630422 on the provision of banking products - scope of performance financial services
- Agreement on Group corporate governance - scope of performance: financial services
- Strongbox rental agreement - scope of performance: financial services
- Agreement on the procurement of a bond issue - scope of performance financial services

The following agreements have been concluded with ANTHEMONA LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE289677:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Asake HW s.r.o. v likvidaci (previously eKasa s.r.o.), with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 05089131:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ASTAVEDO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316792:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Bavella B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52522911:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Bestsport holding a.s., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 06613161:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Bestsport, a.s., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 24214795:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Bolt Start Up Development a.s., with its registered office at Za Brumlovkou 266/2, Michle, 140 00, Praha 4, registration number: 04071336:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with BONAK a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 05098815:

– General agreement on payment and banking services - scope of performance: financial services
– Share pledge agreements - scope of performance: financial services
– Guarantee and shareholder undertaking agreement - scope of performance: financial services
– Winding-up and termination agreement - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with CETIN a.s., with its registered office at Českomoravská 2510/19, 190 00 Praha 9, registration number: 04084063:

– General agreement on payment and banking services - scope of performance: financial services
– Framework contract on trading on the financial market (EMA) - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Confidentiality agreement - scope of performance: other services

The following agreements have been concluded with CETIN Finance B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 66805589:

– General agreement on payment and banking services - scope of performance: financial services
– Dealer agreement - scope of performance: financial services

The following agreements have been concluded with CETIN Finco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 85746592:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Cetin Group N.V. (previously Cetin Group B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65167899:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services

The following agreements have been concluded with CETIN Hungary Zártkörűen Működő Részvénytársaság, with its registered office at 2045, Törökbálint, Pannon út 1, Hungary, registration number: 13-10-042052:

– General agreement on payment and banking services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services

The following agreements have been concluded with CETIN služby s.r.o., with its registered office at Českomoravská 2510/19, Libeň, 190 00 Praha 9, registration number: 06095577:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with CIAS HOLDING a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27399052:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with CME Bulgaria B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34385990:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with CME Investments B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33289326:

– General agreement on payment and banking services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services

The following agreements have been concluded with CME Media Enterprises B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33246826:

– General agreement on payment and banking services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services

The following agreements have been concluded with CME Services s.r.o., with its registered office at Křiženeckého náměstí 1078/5a, 152 00 Praha 5 registration number: 29018412:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with CME Slovak Holdings B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34274606:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Comcity Office Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 64411761:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Cytune Pharma SAS, with its registered office at 3 Chemin du Pressoir Chenaie, 44100 Nantes, France, registration number: 500998703:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Czech Equestrian Team a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 01952684:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with CzechToll s.r.o., with its registered office at Argentinská 1610/4, Holešovice, 170 00 Praha 7, registration number: 06315160:

– General agreement on payment and banking services - scope of performance: financial services
– Cooperation agreements - acceptance of credit cards for the payment of goods and services via a payment gateway and payment terminals - scope of performance: financial services
– Cooperation agreements on the introduction of a full range of services provided in connection with the acceptance of fuel cards - scope of performance: financial services
– Cooperation agreements on the introduction of a full range of services provided in connection with the acceptance of fuel cards - scope of performance: financial services

The following agreements have been concluded with Duoland s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06179410:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Eastern Properties B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 58756566:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with EmbedIT s.r.o. (previously Home Credit SSEA Services s.r.o.), with its registered office e at Evropská 2690/17, 160 00, Praha 6, registration number: 17139708:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with EMPTYCO a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 05418046:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ENADOCO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316486:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Erable B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67330495:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with ESK Developments Limited, with its registered office at British Virgin Islands, Tortola, Belmont Chambers, P.O. Box 3443, registration number: 1611159:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Favour Ocean Limited, with its registered office at Nexxus Building, 41 Connaught Road, Central, Hong Kong, China, registration number: 1065678:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with FO Management s.r.o., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 06754295:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with FO servis s.r.o., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 08446407:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Fodina B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 59400676:

– Agency agreement - scope of performance: financial services
– Special arrangements on remuneration - scope of performance: financial services
– General agreement on payment and banking services - scope of performance: financial services
– Global master repurchase agreement - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with FOSOL ENTERPRISES LIMITED, with its registered office at 10 Diomidous Street, 3. floor, Office 401, 2024, Nicosia, Cyprus, registration number: HE 372077:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with GABELLI CONSULTANCY LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE 160 589:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with German Properties B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61008664:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Grandview Resources Corp., with its registered office at British Wirgin Islands, Road Town, Tortola, Tropic Isle Building, P.O. Box 3423, registration number: 1664098:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with HC Asia B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34253829:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with HC Consumer Finance Philippines, Inc, with its registered office at UnionBank Plaza, 35th Floor, Meralco Avenue Corner Onyx, Pasig, Philippines, registration number: CS201301354:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with HC Philippines Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 35024270:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit a.s., with its registered office at Nové sady 996/25, Staré Brno, 602 00 Brno, registration number: 26978636:

– Contract on cooperation in the performance of work and provision of processing and other services (HC) - scope of performance: other services
– Confidentiality contract - scope of performance: other services
– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit Asia Limited, with its registered office at Nexxus Building, 41 Connaught Road, Central, Hong Kong, China, registration number: 890063:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 69638284:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on Group corporate governance - scope of performance: financial services
– Agreement with the administrator - CZ0000000831, as amended - scope of performance: financial services
– Deed of pledge of registered shares in the share capital of Home Credit Group B.V. - scope of performance: financial services
– Agreement on the assignment of derivative transactions - scope of performance: financial services
– Agreement on the assignment of an agreement on a promissory note programme arrangement and assumption of debt - scope of performance: financial services
– ISDA 2002 master agreement + CSA (VM) - scope of performance: financial services
– Agreement on the assignment of a contract on Group corporate governance - scope of performance other services
– Engagement letter - secured credit facility of up to INR 4,000,000,000 - scope of performance: financial services
– Novation and amendment agreement - scope of performance: financial services
– Agreement on a promissory note programme arrangement - scope of performance: financial services
– Agreement on the assignment of loan agreement 41389616 - scope of performance: financial services
– Agreement on the assignment and amendment of the agreement with the administrator, - scope of performance: financial services
– Agreement on the assignment of a special arrangement for the agreement with the administrator - scope of performance: financial services
– Agreement on a promissory note programme arrangement - scope of performance: financial services
– Creditor accession undertaking - scope of performance: other services
– Secured credit facility of up to INR 4,000,000,000 (may be increased up to INR 9,760,000,000) - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with Home Credit India B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695255:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit Indonesia B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695557:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit International a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 60192666:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Agency agreement on the provision and settlement of transactions with investment instruments and on investment instrument administration - scope of performance: financial services
– Framework agreement on the reallocation of software costs - scope of performance: purchase of software solutions, distribution of software and reinvoicing of expenses
– Agreement on the distribution of licences 1/2019 - scope of performance: distribution of licences and support
– ULA Oracle software licence agreement
– Framework agreement on financial market trading - scope of performance: financial services
– Agreement on the provision of services - scope of performance: financial services

The following agreements have been concluded with Home Credit N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34126597:

– ISDA master agreement, as amended - scope of performance: financial services
– Special arrangement for the agreement with the administrator - scope of performance: financial services
– Agreement on a promissory note programme arrangement - scope of performance: financial services
– Agreement on the assignment of a promissory note programme arrangement and assumption of debt - scope of performance: financial services
– Agreement on the provision of the issue of the notes - scope of performance: financial services
– Agreement on the assignment of derivative transactions - scope of performance: financial services
– Agreement related to a bond offer - scope of performance: financial services
– Loan agreement 41389616 - scope of performance: financial services
– Term facilities agreement - scope of performance: financial services
– Novation and amendment agreement - scope of performance: financial services
– General agreement on payment and banking services - scope of performance: financial services
– Agency agreement on the provision and settlement of transactions with investment instruments and on investment instrument administration - scope of performance: financial services
– Subordination agreement - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Contract on Group corporate governance - scope of performance: financial services
– Agreement on the assignment of a contract on Group corporate governance - scope of performance: financial services
– Agreement on the termination of the agreement on the provision of the issue of notes - scope of performance: financial services
– Creditor accession undertaking - scope of performance: financial services
– Agreement related to a bond offer - scope of performance: financial services

The following agreements have been concluded with Home Credit Slovakia, a.s., with its registered office at Teplická 7434/147, Piešťany 921 22, Slovakia, registration number: 36234176:

- Contract on cooperation in the performance of work and provision of processing and other services (HCS) - scope of performance: other services
- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit US Holding, LLC, with its registered office at 3500 S Dupont Hwy, Dover, DE 19901, USA, registration number: 5467913:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Home Credit US, LLC, with its registered office at,3500 S Dupont Hwy, Dover, DE 19901, USA, registration number: 5482663:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Horse Arena s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 04479823:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ITIS Holding a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 07961774:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with JARVAN HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE310140:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with JONSA LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE 275110:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Letiště Praha Letňany, s.r.o., with its registered office at Hůlkova 1075/35, Kbely, 197 00 Praha 9, registration number: 24678350:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Letňany eGate s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06137628:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Letňany Park Gate s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138446:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with LLC Home Credit & Finance Bank, with its registered office at Ul. Pravdy 8, d.8, 125 040 Moscow, Russia, registration number: 1027700280937:

- Special bank account agreement - RUB - 30230810700001500001 (Shares) - scope of performance: financial services
- Depositary contract - account PO 140103KSB - scope of performance: financial services
- Agreement on Russian rouble loro account opening and maintenance procedures for non-resident bank - rates of commission charge - scope of performance: financial services
- Master agreement + schedule to the 1992 master agreement - scope of performance: financial services
- Framework treasury agreement - scope of performance: financial services
- Agency contract 37-18/005 - scope of performance: financial services
- Agency agreement on the provision of transactions in investment instruments - HCFB Moscow - scope of performance: financial services
- Special bank account agreement - RUB - 30230810600001600001 (Bond) - scope of performance: financial services
- Agreement on the administration of securities - scope of performance: financial services
- Contract on the opening and maintenance of a CZK correspondent account and terms and conditions of account maintenance - 2005840171/6000 - terms and conditions for a correspondent account in CZK - scope of performance: financial services
- Contract on the opening and maintenance of a EUR correspondent account and terms and conditions of account maintenance - 2005840200/6000 - terms and conditions for a correspondent account in EUR - scope of performance: financial services
- Contract on the opening and maintenance of a USD correspondent account and terms and conditions of account maintenance - 2005840198/6000 - terms and conditions for correspondent account in USD - scope of performance: financial services
- Uncommitted loan facility agreement - scope of performance: financial services
- Agreement No 20-4-12/001 on brokerage service provision to legal entities non-resident in the RF - scope of performance: financial services
- Transfer certificate - scope of performance: financial services
- Agreement on terms and conditions for the provision of repository services - scope of performance: financial services
- Cash delivery request and indemnity for acting thereupon in respect of our account(s) 2005840200/6000 - scope of performance: financial services
- Agreement on the maintenance of a foreign-currency correspondent account of a non-resident bank - nostro account USD 21 - scope of performance: financial services

The following agreements have been concluded with Logistics Project RU, with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 14206498:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with LOSITANTO Ltd., with its registered office at Themistokli Dervi, 48, office 603, 6 floor, 1066 Nicosia, Cyprus, registration number: HE157131:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Maraflex s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 02415852:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with MIDDLECAP SEAL HOUSE LIMITED, with its registered office at C/O Middlecap Real Estate Ltd, 15 Stratford Place, London W1C 1BE, United Kingdom, registration number: 11669616:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Millennium Hotel Rotterdam B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67331378:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with mluvii.com s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 27405354:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Miridical Holding Limited, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE 425998:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with MOBI BANKA AD BEOGRAD (NOVI BEOGRAD), with its registered office at Omladinskih brigada 88, Belgrade, Serbia, registration number: 17138669:

- General agreement on payment and banking services - scope of performance: financial services
- ISDA Master Agreement - scope of performance: financial services
- Global Master Repurchase Agreement (GMRA) - scope of performance: financial services

The following agreements have been concluded with Montería, spol. s r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 27901998:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement Reg. No 41562120 on the provision of banking products - scope of performance: financial services
- Agreement Reg. No ZBU/41562120/1 on the establishment of a lien on accounts receivable - scope of performance: financial services

The following agreements have been concluded with Moranda, a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 28171934, registration number: 28171934:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: other services

The following agreements have been concluded with MP Holding 2 B.V., with its registered office at Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands, registration number: 69457018:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with My Air a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 05479070:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Naneva B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67400639:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services
- Global master repurchase agreement (GMRA) - scope of performance: financial services

The following agreements have been concluded with Navigare Yachting AB, with its registered office at Malmö, Norra Vallgatan 66, 21122, Sweden, registration number: 5566862354:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with O2 CRM Services s.r.o. (previously Smart home security s.r.o.) with its registered office at Vyskočilova 1326/5, Michle, 140 00 Praha 4, registration number: 06321399:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with O2 Czech Republic a.s., with its registered office at Za Brumlovkou 266/2, 140 22 Praha 4, registration number: 60193336:

- Framework agreement on payment and banking services - scope of performance: setting of a credit limit for the company and the opening of bank accounts in CZK, EUR, USD
- Framework agreement on financial market trading - scope of performance: hedging against financial risk
- Agreement on the provision of publicly available electronic communications services - scope of performance: provision of publicly available electronic communications services, financial services
- Agreement on the provision of cloud, housing and related services - scope of performance: provision of cloud, housing and related services to the second contracting party, financial services
- Agreement on the provision of the Aculla SIPREC SRS recording system - scope of performance: establishment of conditions for the provision of a recording system to the second contracting party and use thereof for the fulfilment of MiFID regulation requirements, financial services
- Mobile SIPREC service agreement - provision of services in the monitoring and recording of calls to meet the requirements of MiFID (Markets in Financial Instruments Directive) 639131- scope of performance: other services
- Bulk SMS connector service agreement - scope of performance: bulk sending of text messages from applications and provision of development capacities for application development in accordance with the requirements of PPF banka a.s.

The following agreements have been concluded with O2 Financial Services s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 05423716:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with O2 IT Services s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 02819678:

- Bank guarantee contract BZ/30367615 - scope of performance: financial services
- General agreement on payment and banking services - scope of performance: financial services
- Confidentiality agreement - scope of performance: other services

The following agreements have been concluded with O2 Networks, s.r.o., with its registered office at Einsteinova 24, Bratislava, 851 01, Slovakia, registration number: 54639425:

– Bank guarantee contract No BZ/30367615 - scope of performance: financial services

The following agreements have been concluded with O2 Slovakia, s.r.o., with its registered office at Einsteinova 24, Bratislava, 851 01, Slovakia, registration number: 47259116:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with O2 TV s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 03998380:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Office Star Eight a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27639177:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Office Star Nine, spol. s r. o., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27904385:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Paleos Industries B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 66846919:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 25099345:

– LAN service agreement - scope of performance: other services
– Cost reimbursement agreement - scope of performance: financial services
– Contract on the sublease of non-residential premises - E-GATE, as amended - scope of performance: financial services
– Contract on the sublease of parking lots - scope of performance: financial services
– Contract on the provision of services dated 31 March 2006 - scope of performance: other services
– Contract on the sublease of mobile equipment - scope of performance: other services
– Contract on the use of a visual style and the provision of rights to the use of trademarks - scope of performance: other services
– General agreement on payment and banking services - scope of performance: financial services
– Personal data processing agreement - protection of mutually disclosed confidential information and rights and obligations of the parties in the field of personal data processing - scope of performance: other services

The following agreements have been concluded with PPF A4 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63365391:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Advisory (CR) a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 25792385:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Advisory (UK) Limited, with its registered office at Witan Gate House, 500-600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH, United Kingdom, registration number: 5539859:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Art a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 63080672:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Biotech B.V. (previously PPF Capital Partners Fund B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 55003982:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with PPF CO 3 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34360935:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on an IDR 30,000,000,000 credit facility, as amended - scope of performance: financial services
- Framework agreement on consultancy and cooperation - scope of performance: financial services
- Agreement of 2 May 2018 on a USD 25,000,000 credit facility - scope of performance: financial services
- Agreement of 22 November 2018, USD 32,000,000 - scope of performance: financial services
- Agreement of 15 August 2019, INR 4,500,000,000 credit facility - scope of performance: financial services
- Agreement on the provision of investment services, - scope of performance: financial services
- Secured credit facility of up to INR 4,400,000,000 - scope of performance: financial services
- Agreement of 21 November 2019, HUF 6,000,000,000 credit facility - scope of performance: financial services
- Agreement of 21 November 2019, EUR 47,000,000 credit facility - scope of performance: financial services
- Agreement of 16 December 2020, EUR 33,000,000 credit facility - scope of performance: financial services
- Consent letter - USD 25,000,000 credit facility (as amended) - scope of performance: financial services
- Agreement of 22 May 2020, RSD 3,000,000,000 credit facility - scope of performance: financial services
- Agreement of 5 January 2021, INR 5,000,000,000 credit facility - scope of performance: financial services
- Agreement on a CZK 1,500,000,000 credit facility - scope of performance: financial services
- Agreement on a pledge of receivables under a loan agreement, notification of pledge - scope of performance: financial services
- Agreement of 3 May 2021 - USD 40,000,000 - scope of performance: financial services
- Cash automated transfer agreement - scope of performance: financial services
- Agreement of 8 November 2021, EUR 40,000,000 credit facility - scope of performance: financial services
- Facility Agreement EUR 9,200,000 dated 28th July 2022
- Engagement Letter dated on 25th August 2022
- Agreement Dated 8th November 2022 - USD 50,000,000 Credit Facility
- Agreement dated 26th December 2022 for HC Vietnam in the amount of 50 000 000 USD

The following agreements have been concluded with PPF Comco N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 85404632:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of investment services, - scope of performance: financial services

The following agreements have been concluded with PPF Financial Holdings a.s. (change of headquarters, previously PPF Financial Holdings B.V.), with its registered office at Evropská 2690/17, 16000, Praha 6, registration number: 10907718:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Agreement on administration - scope of performance: financial services
– Agreement on administration - scope of performance: financial services
– Agreement on administration - scope of performance: financial services
– Agreement on administration - scope of performance: financial services
– Agreement on administration - scope of performance: financial services
– Contract on Group corporate governance - scope of performance: financial services
– Agreement on the assignment of a contract on Group corporate governance - scope of performance: financial services
– Sublicensing agreement - scope of performance: other services
– Contract of mandate - scope of performance: other services
– Agreement on the provision of credit risk management services - scope of performance: financial services

The following agreements have been concluded with PPF Gastro s.r.o. (previously Mystery Services s.r.o.), with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24768103:

– Contract for employee meals, as amended - scope of performance: other services
– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the coverage of the costs of catering services and refreshments - scope of performance: other services
– Personal data processing agreement - protection of mutually disclosed confidential information and rights and obligations of the parties in the field of personal data processing - scope of performance: other services

The following agreements have been concluded with PPF GATE a.s., with its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 27654524:

– Agreement on the letting of non-residential premises - branch - PPF Gate mandate - scope of performance: other services
– Pledge notice - agreement on the letting of non-residential premises - Branch - PPF Gate mandate - scope of performance: other services
– Construction contract mandate - scope of performance: other services

The following agreements have been concluded with PPF Group N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33264887:

– General agreement - deposits - scope of performance: financial services
– ISDA master agreement, as amended - scope of performance: financial services
– Contract on the administration of securities, as amended - scope of performance: financial services
– Agreement on a guarantee - scope of performance: financial services
– General agreement on payment and banking services - scope of performance: financial services
– Dealer manager agreement - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Facility agreement Reg. No 41585221 - scope of performance: financial services
– Confirmation of continuing security - scope of performance: financial services
– Guarantee and sponsor undertaking - scope of performance: other services

The following agreements have been concluded with PPF Healthcare N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34308251:

– Contract for assignment of a receivable - scope of performance: financial services
– General agreement on payment and banking services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with PPF Industrial Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 71500219:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF RE Consulting s.r.o. (previously PPF Financial Consulting s.r.o.), with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24225657:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF RE Management, with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 17083923:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Real Estate Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34276162:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on a promissory note programme arrangement + PoA - scope of performance: financial services

The following agreements have been concluded with PPF Real Estate I, Inc., with its registered office at Wilmington, Delawere, 1209, Orange street, United States of America, registration number: 7705173:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF Real Estate s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 27638987:

– Agreement on the provision of services - scope of performance: financial services
– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF reality a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 29030072:

– General agreement on payment and banking services - scope of performance: financial services
– Licensing contract assignment agreement - scope of performance: other services

The following agreements have been concluded with PPF Telco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65167902:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services

The following agreements have been concluded with PPF Telecom Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 59009187:

- General agreement on payment and banking services - scope of performance: financial services
- Mandate agreement on the arrangement of trades in derivate investment instruments - scope of performance: financial services
- Agreement on the provision of investment services - scope of performance: financial service
- ISDA 2002 master agreement - scope of performance: financial services

The following agreements have been concluded with PPF TMT Bidco 1 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70498288:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF TMT Bidco 2 B.V. (previously PPF Beer Bidco B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67332722:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF TMT Bidco 2 B.V. (previously PPF Beer Bidco B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67332722:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF TMT Holdco 1 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70498261:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with PPF TMT Holdco 2 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70526214:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Prague Entertainment Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63600757:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Public Picture & Marketing a.s., with its registered office at at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 25667254:

- General agreement on payment and banking services - scope of performance: financial services
- Agreement on the provision of banking products 41516419 - scope of performance: financial services
- Re-invoicing costs for travel desk services and event agency services - scope of performance: financial services
- Agreement on the right to complete a promissory note SD/41516419 - scope of performance: financial services
- Purchase order for travel desk services - scope of performance: financial services
- Purchase order for event agency services - scope of performance: financial services

The following agreements have been concluded with Raytop Limited, with its registered office at Esperidon 5, Strovolos, 2001, Nicosia, Cyprus, registration number: HE415014:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Real Estate Russia B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63458373:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with RHASKOS FINANCE LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316591:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SCT Cell Manufacturing s.r.o., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 14088266:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SCTbio a.s., with its registered office at Jankovcova 1518/2, 170 00 Praha 7, registration number: 24662623:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Seal House JV a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 09170782:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SEPTUS HOLDING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316585:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Skoda B.V. (previously PPF IndustryCo B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67420427:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Intercreditor agreement - scope of performance: financial services
– Funded participation agreement - scope of performance: financial services

The following agreements have been concluded with SOTIO Biotech a.s., with its registered office at Jankovcova 1518/2, 170 00, Holešovice, Praha 7, registration number: 10900004:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SOTIO Biotech AG (previously Cytune Pharma AG), with its registered office at Hochbergestrasse 60C, 4057 Basel, Switzerland, registration number: CHE-354.429.802:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SOTIO Biotech B.V. (previously Cytune Pharma B.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 80316557:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SR-R Limited, with its registered office at Tortola, Belmont Chambers, P.O. Box 3443 British Virgin Islands, registration number: 708998:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Stellar Holding s.r.o., with its registered office at Evropská 2690/17, 16000, Dejvice, Praha 6, registration number: 14005816:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Sun Belt Multi I, LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, 19801, Wilmington, USA, registration number: 20213849720:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Sun Belt Office I Interholdco, LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, 19801, Wilmington, USA, registration number: 20210215807:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Sun Belt Office I, LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, 19801, Wilmington, USA, registration number: 20210116384:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Sun Belt Office II Interholdco, LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, 19801, Wilmington, USA, registration number: 20213597548:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Sun Belt Office II, LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, 19801, Wilmington, USA, registration number: 20213597547:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with SYLANDER CAPITAL LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316597:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Škoda a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00, Praha 6, registration number: 14070421:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ŠKODA EKOVA a.s., with its registered office at Martinovská 3244/42, 72300 Ostrava, registration number: 28642457:

- General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ŠKODA ELECTRIC a.s., with its registered office at Průmyslová 610/2a, 301 00 Plzeň - Doudlevce, registration number: 47718579:

– Financial guarantee agreement 300000195/001/2020 + letter of guarantee - scope of performance: financial services
– Loan contract 41571120 Covid Plus Programme - scope of performance: financial services
– Agreement on fees - scope of performance: commercial services
– Intercreditor agreement - scope of performance: financial services

The following agreements have been concluded with ŠKODA ICT s.r.o., with its registered office at Tylova 1/57, 301 28 Plzeň registration number: 279 94 902:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement 41538220 on the provision of banking products - scope of performance: financial services

The following agreements have been concluded with ŠKODA INVESTMENT a.s., with its registered office at Emila Škody 2922/1,301 00 Plzeň - jižní předměstí, registration number: 265 02 399:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with ŠKODA PARS a.s. (previously Pars nova a.s.), with its registered office at Žerotínova 1833/56, 787 01 Šumperk, registration number: 25860038:

– Financial guarantee agreement 300000206/001/2020 + letter of guarantee - scope of performance: financial services
– Loan contract 41571120 Covid Plus Programme - scope of performance: financial services
– Agreement on fees - scope of performance: commercial services

The following agreements have been concluded with ŠKODA TRANSPORTATION a.s., with its registered office at Emila Škody 2922/1,301 00 Plzeň - jižní předměstí, registration number: 626 23 753:

– General agreement on payment and banking services - scope of performance: financial services
– Framework agreement on trading on financial markets (EMA) - scope of performance: financial services
– Agreement of 26 August 2019 on a CZK 3,500,000,000 credit facility - scope of performance: financial services
– Financial guarantee agreement 300000184/001/2020 + letter of guarantee - scope of performance: financial services
– Loan contract 41571120 Covid Plus Programme - scope of performance: financial services
– Agreement on fees - scope of performance: commercial services
– Approval of an extension to the non-testing period - credit agreement 41571120 - scope of performance: financial services

The following agreements have been concluded with ŠKODA TRANSTECH OY, with its registered office at Elektroniikkatie 2, Oulu, 905 90, Finland, registration number: 1098257-0:

– Loan contract 41571120 Covid Plus Programme - scope of performance: financial services

The following agreements have been concluded with ŠKODA VAGONKA a.s., with its registered office at 1. máje 3176/102, 703 00, Ostrava, registration number: 258 70 637:

– General agreement on payment and banking services - scope of performance: financial services
– Framework agreement on trading on financial markets (EMA) - scope of performance: financial services
– Intercreditor agreement - scope of performance: financial services
– Loan contract 41571120 Covid Plus Programme - scope of performance: financial services

The following agreements have been concluded with TALPA ESTERO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316502:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with TANAINA HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE318483:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Tanemo a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 09834273:

– General agreement on payment and banking services - scope of performance: financial services
– Agreement on the provision of investment services - scope of performance: financial services
– Agreement on administration related to the voluntary tender offer to purchase part of the shares issued by MONETA Money Bank, a.s. (contract on the administration of a voluntary tender offer) - scope of performance: financial services
– Data processing agreement - scope of performance: other services

The following agreements have been concluded with TELISTAN LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE341864:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with TMT Hungary B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 75752824:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with TMT Hungary Infra B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 81357397:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Trigon II B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 56068948:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Trilogy Park Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 60006609:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Trilogy Park Nizhny Novgorod Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67330355:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with TV Holdco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 75983613:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with TV Nova s.r.o., with its registered office at Křiženeckého náměstí 1078/5a, 15200 Praha 5, registration number: 45800456:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with VGMC Limited, with its registered office at Tortola, Belmont Chambers, P.O. Box 3443, British Virgin Islands, registration number: 709492:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Vox Ventures B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65879554:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Vsegda Da N.V. (previously Home Credit Lab N.V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695689:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Wagnerford Holdings Limited, with its registered office at Alphamega Akropolis Building, 3rd floor, Office 40, 2024, Nicosia, Cyprus, registration number: HE 210154:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Yettel Bulgaria EAD (previously Telenor Bulgaria EAD), with its registered office at Business Park Sofia, zh.k. Mladost 6, 1766 Sofia, Bulgaria, registration number: 130460283:

– General agreement on payment and banking services - scope of performance: financial services

The following agreements have been concluded with Yettel Magyarország Zrt. (previously Telenor Magyarország Zrt.), with its registered office at Pannon út 1, 2045 Torokbálint, Hungary, registration number: 13-10-040409:

– General agreement on payment and banking services - scope of performance: financial services
– ISDA master agreement - scope of performance: financial services

The following agreements have been concluded with Yettel Real Estate Hungary Ztr. (previously Telenor Real Estate Hungary Zrt.), with its registered office at Pannon út 1, 2045 Torokbálint, Hungary, registration number: 13-10-041060:

– General agreement on payment and banking services - scope of performance: financial services

6. Assessment of whether the Company incurred damage and assessment of the settlement thereof pursuant to Sections 71 and 72 of the AoC

No actions described in Section 4 of this Report on Relations were performed. All agreements described in Section 5 of this Report on Relations were concluded, at arm's length. Similarly, all supplies provided and received under these agreements were provided at arm's length. The Company incurred no damage as a result of these actions and agreements.

The Company declares that in the Accounting Period there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage and no assessment of damage settlement within the meaning of Sections 71 and 72 of the AoC is thus necessary.

Upon a thorough assessment of the Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity, the Company's Board of Directors declares that relations between the Company and the controlling entity and/or entities controlled by the same controlling entity result in no special advantages or disadvantages to the Company.

The Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity has posed no risk to the Company. Stating whether, how and when damage was or will be settled (within the meaning of Sections 71 and 72 of the AoC) is thus not necessary.

The Report on Relations has been prepared to the best of the author's knowledge, gained from available supporting materials and documents, and with due managerial care. The information contained in this Report on Relations is accurate and complete.

Prague, 25 March 2023

Petr Jirásko
Chairman of the Board

Miroslav Hudec
Member of the Board

Appendix 1 – List of companies directly or indirectly controlled by the same controlling entity

Controlling entity (person):

Since 1. 1. 2022 until 22. 9. 2022 - Petr Kellner / Renáta Kellnerová, administrator of the estate

Since 23. 9. 2022 - Renáta Kellnerová, Petr Kellner, Anna Kellnerová, Lara Kellnerová a Marie Isabella Kellnerová

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB-X Projekt GmbH v likvidaci	HRB 247124	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Acacias Exp	911177707	Saint Martin	Entity controlled by the same controlling entity by means of an ownership interest	from 29/8/2022	Dream Yacht Charter Mauritus
Acolendo Limited	HE 434775	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 26/5/2022	PPF a.s.
AF Airfueling s.r.o.	02223953	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
Alcat S.r.l	1982487	Italy	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Italia S.r.l
Anse Marcel Marina SAS	484763594	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Saint Martin
ANTHEMONA LIMITED	HE 289 677	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 13/10/2022	Comcity Office Holding B.V.
Antille-Sail.com	439340613	Guadeloupe	Entity controlled by the same controlling entity by means of an ownership interest	from 1/10/2022	Dream Yacht Charter Mauritus
Aqua Lodge	489859827	Guadeloupe	Entity controlled by the same controlling entity by means of an ownership interest	from 1/10/2022	Dream Yacht Charter Mauritus
Aqualodge	823597950	Martinique	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
ARC DEVELOPMENT S.R.L.	27050108	Romania	Entity controlled by the same controlling entity by means of an ownership interest	from 30/3/2022	PPF Real Estate s.r.o.
Argos Yachtcharter & Touristik GmbH	9313	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Lacani

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Archipels croisieres	92125B	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Tahiti
Art Office Gallery a.s.	24209627	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
Asake HW s.r.o. v likvidaci (previously eKasa s.r.o.)	05089131	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1/10/2022	O2 Czech Republic a.s.
ASTAVEDO LIMITED	HE 316 792	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 30/9/2022	Home Credit Group B.V.
Bammer trade a.s.	28522761	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Beficery LTD	417922	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Industrial Holding B.V.
Best Charter	820563815	Guadeloupe	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Bestsport holding a.s.	06613161	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Bestsport Services, a.s. v likvidaci	24215171	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bestsport, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
BLUE SEA HOLDING Sárl	0771845232	Belgium	Entity controlled by the same controlling entity by means of an ownership interest		Vox Ventures B.V.
Bolt Start Up Development a.s.	04071336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 30/11/2022	O2 Czech Republic a.s.
BONAK a.s.	05098815	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Boryspil Project Management Ltd.	34999054	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Pharma Consulting Group Ltd.
Bravewave Limited	HE 416 017	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Industrial Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
BTV Media Group EAD	130081393	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest		CME Bulgaria B.V.
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Carolia Westminster Hotel Limited	9331282	United Kingdom	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		CW Investor S.á.r.l.
CEIL (Central Europe Industries) LTD	275785	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Bravewave limited, Beficery LTD
CETIN a.s.	040 84 063	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Group N.V.
CETIN Bulgaria EAD	206149191	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Group N.V.
CETIN d.o.o. Beograd - Novi Beograd	21594105	Serbia	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Group N.V.
CETIN Finance B.V.	66805589	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		CETIN a.s.
CETIN Group N.V. (previously CETIN Group B.V.)	65167899	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telecom Group B.V.
CETIN Hungary Zártkörűen Működő Részvénytársaság	13-10-042052	Hungary	Entity controlled by the same controlling entity by means of an ownership interest		TMT Hungary Infra B.V.
CETIN služby s.r.o.	06095577	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		CETIN a.s.
CIAS HOLDING a.s.	273 99 052	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
CME Bulgaria B.V.	34385990	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
CME Investments B.V.	33289326	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
CME Media Enterprises B.V.	33246826	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		TV Bidco B.V.
CME Media Services Limited	6847543	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
CME Services s.r.o.	29018412	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
CME Slovak Holdings B.V.	34274606	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		TV Nova s.r.o.
Comcity Office Holding B.V.	64411761	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	until 13/10/2022	PPF Real Estate Holding B.V.
Croatia Yacht Club d.o.o.	100001999	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Croisiere Cabine Antilles	791273881	Martinique	Entity controlled by the same controlling entity by means of an ownership interes		Dream Yacht Charter
Culture Trip (Israel) Ltd.	515308609	Israel	Entity controlled by the same controlling entity by means of an ownership interest		The Culture Trip Ltd
CW Investor S.á.r.l.	B211446	Luxembourg	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Westminster JV a.s
Cytune Pharma SAS	500998703	France	Entity controlled by the same controlling entity by means of an ownership interest		Sotio Biotech B.V.
Czech Equestrian Team a.s.	019 52 684	Czech Republic	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Germany GmbH i.L.	HRB 51503	Germany	Entity controlled by the same controlling entity by means of an ownership interest	until 4/2/2022	CETIN a.s.
CzechToll s.r.o.	06315160	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 30/8/2022	PPF a.s.
De Reling (Dronten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest		GONDRA HOLDINGS LTD
Dream Charter Limited	8498778	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	from 21/9/2022	Dream Yacht Charter Mauritus
Dream Yacht Americas, Inc.	D13776851	United States	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Dream Yacht Australia Pty Ltd	138577634	Australia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Bahamas Limited	105631118	Bahamas	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Americas, Inc.
Dream Yacht Belize Ltd	239396	Belize	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Caribean	478532559	Martinique	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Club DOO	080648734	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Nordic AB
Dream Yacht Finance France	844801514	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Méditerranée
Dream Yacht Fleet	844858043	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Finance France
Dream Yacht Grenadines Ltd	No.70 of 2015	Grenada	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Group SA	BE0681876643	Belgium	Entity controlled by the same controlling entity by means of an ownership interest		BLUE SEA HOLDING Sárl
Dream Yacht Charter	C10039041	Mauritius	Entity controlled by the same controlling entity by means of an ownership interest		DREAM YACHT GROUP SA
Dream Yacht Charter (Antigua) Limited	C138/13	Antigua and Barbuda	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Charter Balearic, Sociedad Limitada	B57918252	Spain	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Méditerranée
Dream Yacht Charter Grenada Limited	112OF2013-7013	Grenada	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Charter UK Ltd	7501705	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	from 21/9/2022	Dream Charter Limited
Dream Yacht Charter, SA DE CV (Dream Yacht Mexico)	DYC1408125Z0	Mexico	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Americas, Inc.
Dream Yacht Malaysia	793437U	Malaysia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Dream Yacht Méditérranée	494440712	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Nordic AB	5564283728	Sweden	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Méditerranée
Dream Yacht Nouvelle-Calédonie	000963892	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Saint Martin	812809143	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Seychelles Ltd	8427841	Seychelles	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Tahiti	08179B	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Tortola INC.	1463569	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Dream Yacht Travel	477550313	France	Entity controlled by the same controlling entity by means of an ownership interest		Lacani
Dream Yacht USVI LLC	DC0111468	US Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Duoland s.r.o.	06179410	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
DYC HELLAS M.C.P.Y.	EL99759440	Greece	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Méditerranée
Eastern Properties B.V.	58756566	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Easy Sailing j.d.o.o za usluge, turisticka agencija	080883331	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Croatia Yacht Club d.o.o.
Easy Sailing Single-Member Shipping Limited Liability Company	004313901000	Greece	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Méditerranée
Ecos Yachting	080422270	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
ELTHYSIA LIMITED	HE 290 356	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
EmbedInfo Technologies India Private Limited	U72200DL2022FTC392740	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest	from 21/1/2022	Home Credit International a.s. Home Credit India B.V.
EmbedIT Philippines Inc.	2022010038020-00	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest	from 11/1/2022	Home Credit International a.s.
EmbedIT s.r.o. (formerly Home Credit SSEA Services s.r.o.)	17139708	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 12/5/2022	Home Credit N.V.
Embedit Vietnam One Member Company Limited	0317148728	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit International a.s.
Emeldi Technologies, s.r.o.	25663232	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1/11/2022	O2 Czech Republic a.s.
EMPTYCO a.s. (previously Telematika a.s.)	05418046	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
ENADOCO LIMITED	HE 316 486	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Erable B.V.	67330495	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
ESK Developments Limited	1611159	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Chelton Properties Limited
EusebiusBS (Arnhem) B.V.	58163778	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	People’s Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
Filcommerce Holdings, Inc	CS 201 310 129	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
FLOGESCO LIMITED	HE 172588	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
FO Management s.r.o.	06754295	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
FO servis s.r.o.	08446407	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
FOR EVENTS s.r.o.	17751543	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 22/12/2022	STONES Catering s.r.o.
Fórum Karlín a.s.	08259551	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Forward leasing LLP	190740032911	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		Vsegda Da N.V., LLC Forward leasing
FOSOL ENTERPRISES LIMITED	HE 372077	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
Ganz-Skoda Electric Zrt.	110045500	Hungary	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
Gen Office Gallery a.s.	24209881	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
GILBEY HOLDINGS LIMITED	HE182860	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest		Salonica Holding Limited
GRACESPRING LIMITED	HE 208 337	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Grandview Resources Corp.	1664098	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	until 19/12/2022	Bavella B.V.
Guangdong Home Credit Number Two Information Consulting Co., Ltd	76732894-1	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	until 15/2/2022	Home Credit Asia Limited
HC Asia B.V.	34253829	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
HC Consumer Finance Philippines, Inc	CS201301354	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
HC Finance USA LLC	7241255	United States	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding, LLC
HC Philippines Holding B.V.	35024270	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
HCPH Financing I. Inc	CS201727565	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
HCPH INSURANCE BROKERAGE, INC.	CS201812176	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Home Credit a.s.	26978636	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit International a.s.
Home Credit Asia Limited	890063	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
Home Credit Consumer Finance Co., Ltd	91120116636067462H	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
Home Credit Group B.V.	69638284	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC047448	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U74999HR2017FTC070364	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
Home Credit N.V.	34126597	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Home Credit Slovakia, a.s.	36234176	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Home Credit US Holding, LLC	5467913	United States	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Home Credit US, LLC	5482663	United States	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding, LLC
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
HOPAR LIMITED	HE 188 923	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Horse Arena s.r.o.	044 79 823	Czech Republic	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová
INTENS Corporation s.r.o.	28435575	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
ITIS Holding a.s.	07961774	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 30/8/2022	PPF a.s.
Izotrem Investments Limited	HE 192753	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Johan H (Amsterdam) B.V.	58163239	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Joint-Stock Company "Investments trust"	1037739865052	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
Joint-Stock Company "Intrust NN"	1065259035896	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 20/12/2022	Stinctum Holdings Limited
Jokiaura Kakkonen Oy	2401050-2	Republic of Finland	Entity controlled by the same controlling entity by means of an ownership interest	until 31/12/2022	Škoda a.s.
JONSA LIMITED	HE 275 110	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Kanal A d.o.o.	5402662000	Slovenia	Entity controlled by the same controlling entity by means of an ownership interest		PRO PLUS d.o.o.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Kateřinská Office Building s.r.o.	03495663	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		West Logistics Park LLC
Lacani	799758412	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Group SA
Langen Property B.V.	61012777	Netherland	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Latesail Limited	3783328	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		Lacani
Letiště Praha Letňany, s.r.o.	24678350	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany Air Land s.r.o.	06138462	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1/1/2022	Prague Entertainment Group B.V.
Letňany Air Logistics s.r.o.	06138411	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 1/1/2022	Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Limited Liability Company “Dream Yacht Montenegro” Llc KOTOR	50961329	Montenegro	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
LINDUS SERVICES LIMITED	HE 281 891	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport holding a.s.
LLC “Gorod Molodogo Pokolenija”	1187746792914	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 14/6/2022	JARVAN HOLDINGSLIMITED
LLC Alians R	1086627000635	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., LLC Charlie Com.
LLC BRAMA	1107746950431	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 14/6/2022	JARVAN HOLDINGS LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Comcity Kotelnaya	5157746112959	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 14/6/2022	Comcity Office Holding B.V.
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	Bavella B.V., GRANDVIEW RESOURCES CORP.
LLC Fantom	1053001163302	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 12/09/2022	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC Financial Innovations	1047796566223	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 16/6/2022	LLC Home Credit & Finance Bank
LLC Forward leasing	1157746587943	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 24/05/2022	Vsegda Da N.V.
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 16/6/2022	Home Credit N.V., Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 15/6/2022	Home Credit N.V.
LLC Charlie Com	1137746330336	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., LLC Almondsey
LLC In Vino	1052309138628	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Gracespring Limited
LLC ISK Klokovo	1127746186501	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 29/3/2022 (subsequently, was in the group from 18/7/2022 until 12/8/2022)	STEPHOLD LIMITED
LLC Kvartal Togliatti	1056320172567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 29/3/2022	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC LB Voronezh	1133668033872	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC EASTERN PROPERTIES RUSSIA
LLC Logistics - A	1115048002156	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 30/3/2022 (subsequently, was in the group from 19/8/2022 until 5/9/2022)	ELTHYSIA LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
LLC Logistika - Ufa	1150280069477	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 29/3/2022	PPF Real Estate s.r.o.
LLC MCC Kupi ne kopi	1027700280640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 15/06/2022	Home Credit N.V.
LLC My Gym	5157746112915	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 13/10/2022	Comcity Office Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Oil Investments	1167746861677	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC PPF Life Insurance	1027739031099	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Pro	1033600135557	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC RAV Agro, LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC RAV Agro, Grandview Resources Corp., Bavella B.V.
LLC RAV Myasoproduct - Orel	1135749001684	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 28/12/2022	VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Limited
LLC ROKO	5107746049329	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Sibelectroprivod	1045400530922	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 24/2/2022	LOSITANTO LIMITED
LLC Skladi 104	5009049271	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 28/12/2022	GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 29/3/2022 (subsequently, was in the group from 19/8/2022 until 7/9/2022)	PPF Real Estate s.r.o.
LLC Sotio	1117746901502	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 14/10/2022	PPF Biotech B.V.
LLC Spetsializirovanniy zastroyschik "Delta Com"	1137746330358	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 25/3/2022	LLC Skolkovo Gate

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Stockmann StP Centre	1057811023830	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Oil Investments
LLC Strata	7702765300	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 26/12/2022	VELTHEMIA LIMITED
LLC Street Retail	1207700449880	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o., PPF Cyprus RE Management Limited
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 29/3/2022 (subsequently, was in the group from 7/6/2022 until 8/7/2022)	JARVAN HOLDINGS LIMITED
LLC Trilogy	1155027001030	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
LLC Trilogy Services	1155027007398	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
LLC Urozhay	1063627011910	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC Yug
LLC Vagonmash	1117847029695	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
LLC Vsegda Da	5177746179705	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 2/6/2022	Vsegda Da N.V., LLC Forward leasing
LLC Yug	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 27/4/2022	LLC LB Voronezh
Logistics Project RU, s.r.o.	14206498	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 31/1/2022	PPF Real Estate s.r.o.
LOSITANTO Ltd.	HE157131	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 24/2/2022	SATACOTO Ltd.
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	02415852	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Marina Zaton d.o.o. za nauticki turizam i usluge	080861249	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Marine C	809764954	Guadeloupe	Entity controlled by the same controlling entity by means of an ownership interest	from 1/10/2022	Aqua Lodge

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
MARKÍZA - SLOVAKIA, spol s r.o.	31444873	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		CME Slovak Holdings B.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
MIDDLECAP SEAL HOUSE LIMITED	11669616	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		Seal House JV a.s.
Millennium Hotel Rotterdam B.V.	67331378	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Miridical Holding Limited	425998	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
mluvii.com s.r.o.	27405354	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 30/11/2022	Bolt Start Up Development a.s.
MOBI BANKA AD BEOGRAD (NOVI BEOGRAD)	17138669	Serbia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings a.s.
Monheim Property B.V.	61012521	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27901998	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
MP Holding 2 B.V.	69457018	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		DEVEDIACO ENTERPRISES LIMITED
Murcja sp. z o.o.	0000905867	Poland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
My Air a.s.	05479070	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Navigare Yachting AB	5566862354	Sweden	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting AS	990383960	Sweden	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Bahamas, Ltd	78803C	Bahamas	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
NAVIGARE YACHTING D.O.O.	43630049107	Croatia	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Global Holding AB	5569860496	Sweden	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		BLUE SEA HOLDING Sárl
Navigare Yachting Greece Single Member P.C.	132130909000	Greece	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Holding AB	5565747861	Sweden	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Global Holding AB
Navigare Yachting Ltd	1779855	British Virgin Islands	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Ltd under liquidation	EL999903510	Greece	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Operations Company Limited	0835554001869	Thailand	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Services Single Member P.C.	131919703000	Greece	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Greece Single Member P.C.
Navigare Yachting Seychelles	8429665-1	Seychelles	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navigare Yachting Spain S.L.	B16562860	Spain	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Navigare Yachting USA, Inc.	371800516	United States	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Navigare Yachting Holding AB
Navtours INC	1148230619	Canada	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Charter
Navtours USA INC	F20000004093	United States	Entity controlled by the same controlling entity by means of an ownership interest		Navtours INC
NBWC Limited	1024143	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		ESK Developments Limited
O2 Business Services, a.s.	50087487	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s.r.o.
O2 CRM Services s.r.o. (formerly Smart home security s.r.o.)	06321399	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s. (do 14. 9. 2022 Bolt Start Up Development a.s.)
O2 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telco B.V.
O2 Family, s.r.o.	24215554	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 31/12/2022	O2 Czech Republic a.s.
O2 Financial Services s.r.o.	05423716	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 Networks, s.r.o.	54639425	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 1/6/2022	PPF Comco N.V.
O2 TV s.r.o.	03998380	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
Oceane Yacht Charter LTD	8419691	Seychelles	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Seychelles Ltd
Office Star Eight a.s.	27639177	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Paleos Industries B.V.	66846919	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		HOPAR LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Pilsen Energy Solutions s.r.o.	8845115	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 19/9/2022	Škoda a.s.
Plaza Development SRL	22718444	Romania	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o., PPF CYPRUS MANAGEMENT LIMITED
POLL,s.r.o.	62967754	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
POP TV d.o.o.	1381431000	Slovenia	Entity controlled by the same controlling entity by means of an ownership interest		PRO PLUS d.o.o.
POTLAK LIMITED	HE362788	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová
PPF a.s.	25099345	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A4 B.V.	63365391	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Art a.s.	63080672	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
PPF Biotech B.V.	55003982	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF CO 3 B.V.	34360935	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF CYPRUS MANAGEMENT LIMITED	HE 224463	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF CYPRUS RE MANAGEMENT LIMITED	HE 251 908	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
PPF Financial Holdings a.s.	10907718	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Finco B.V.	77800117	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF FrenchCo SAS	888264744	France	Entity controlled by the same controlling entity by means of an ownership interest	until 27/10/2022	Škoda a.s.
PPF Gastro s.r.o. (formerly Mystery Services s.r.o.)	24768103	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF GATE a.s.	27654524	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová
PPF Industrial Holding B.V.	71500219	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF RE Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF RE Management, a.s.	17083923	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 27/4/2022	PPF Real Estate Holding B.V., PPF RE Consulting s.r.o.
PPF Real Estate Holding B.V.	34276162	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Real Estate I, Inc.	7705173	United States	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
PPF REAL ESTATE LIMITED	HE 188 089	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF Real Estate s.r.o.	27638987	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF RE Consulting s.r.o.
PPF reality a.s.	29030072	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
PPF SECRETARIAL LTD	HE 340708	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
PPF Telco B.V.	65167902	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telecom Group B.V.
PPF Telecom Group B.V.	59009187	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Holdco 2 B.V.
PPF TMT Bidco 1 B.V.	70498288	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telecom Group B.V.
PPF TMT Bidco 2 B.V	67332722	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF TMT Holdco 1 B.V.	70498261	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF TMT Holdco 2 B.V.	70526214	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Holdco 1 B.V.
Prague Entertainment Group B.V.	63600757	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Pro Digital S.R.L.	1003600048028	Moldova	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
PRO PLUS d.o.o.	5895081000	Slovenia	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
Pro TV S.R.L.	J40/24578/1992	Romania	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.
PT EmbedInfo Technologies Indonesia	2202220030052	Republic of Indonesia	Entity controlled by the same controlling entity by means of an ownership interest	from 7/1/2022	Home Credit International a.s.
Home Credit Indonesia B.V.	03.193.870.7-021.000	Republic of Indonesia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Qazbiz partners LLP	190740017254	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		Vsegda Da N.V., Forward leasing LLP (KZ)
Radiocompany C.J. OOD	131117650	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest		BTV Media Group AD
Raytop Limited	HE415014	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 26/7/2022	Renáta Kellnerová
RC PROPERTIES S.R.L.	12663031	Romania	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Real Estate Russia B.V.	63458373	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
REPIENO LIMITED	HE 282 866	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
RHASKOS FINANCE LIMITED	HE 316 591	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Roses Yachts S.L	B17778598	Spain	Entity controlled by the same controlling entity by means of an ownership interest		Drem Yacht Charter Balearic, Sociedad Limitada
RTL Hrvatska d.o.o.	07330149920	Croatia	Entity controlled by the same controlling entity by means of an ownership interest	from 1/6/2022	CME Media Enterprises B.V.
Saint World Limited	1065677	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
SALEMONTO LIMITED	HE 161 006	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Salonica Holding Limited	1949492	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová
SATACOTO Ltd.	HE 155018	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 24/2/2022	Skoda B.V
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371	France	Entity controlled by the same controlling entity by means of an ownership interest		Renáta Kellnerová

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
SCT Cell Manufacturing s.r.o.	14088266	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Biotech B.V.
SCTbio a.s. (previously SOTIO a.s.)	24662623	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Biotech B.V.
Seal House JV a.s.	09170782	Czech republic	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		PPF Real Estate s.r.o.
Selman Resources Limited	1005589	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		SR Development Limited
SEPTUS HOLDING LIMITED	HE 316 585	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Seven Assets Holding B.V.	58163050	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257K	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	91440300796638527A	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Favour Ocean Limited
SIGURNO LIMITED	HE172539	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
Skoda B.V. (previously PPF IndustryCo B.V., PPF Beer Topholdco B.V.)	67420427	Netherland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Industrial Holding B.V.
SKODA Transportation Deutschland GmbH	HRD 208 725	Germany	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
Skoda Transportation GmbH (previously D - Toll Holding GmbH)	HRB 191929 B	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
SNC T 2008	513120949	France	Entity controlled by the same controlling entity by means of an ownership interest		Dream Yacht Tahiti
Sofia Communications EAD	130806190	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Bulgaria EAD
SOTIO Biotech a.s.	10900004	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Sotio Biotech B.V.
SOTIO Biotech AG (previously Cytune Pharma AG)	CHE-354.429.802	Switzerland	Entity controlled by the same controlling entity by means of an ownership interest		Sotio Biotech B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
SOTIO Biotech B.V. (previously Cytune Pharma B.V.)	80316557	Netherland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Biotech B.V.
SOTIO Biotech Inc. (previously Sotio Biotech LLC)	EIN 35-2424961	United States	Entity controlled by the same controlling entity by means of an ownership interest		SOTIO Biotech a.s.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		SCTbio a.s.
SOTIO Therapeutics AG	CHE-385.585.958	Switzerland	Entity controlled by the same controlling entity by means of an ownership interest		SCTbio a.s.
SR Boats Limited	2016073	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		SR Development Limited
SR Development Limited	1968975	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Chelton Properties Limited
SR-R Limited	708998	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		SR Development Limited
Stellar Holding s.r.o.	14005816	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
STINCTUM HOLDINGS LIMITED	HE 177 110	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 20/12/2022	SALEMONTO LIMITED
STONES Catering s.r.o.	27248674	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 22/12/2022	Bestsport holding a.s.
Sun Belt Multi I, LLC	20213849720	United States	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate I, Inc.
Sun Belt Multi II, LLC	38-4133783	United States	Entity controlled by the same controlling entity by means of an ownership interest	from 14/12/2022	PPF Real Estate Inc.
Sun Belt Office I Interholdco, LLC	20210215807	United States	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate I, Inc.
Sun Belt Office I, LLC	20210116384	United States	Entity controlled by the same controlling entity by means of an ownership interest		Sun Belt Office I Interholdco, LLC
Sun Belt Office II Interholdco, LLC	20213597548	United States	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate I, Inc.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Sun Belt Office II, LLC	20213597547	United States	Entity controlled by the same controlling entity by means of an ownership interest		Sun Belt Office II Interholdco, LLC
SUNDOWN FARMS LIMITED	HE 310 721	Cyprus	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Vixon Resources Limited, Chelton Properties Limited
SYLANDER CAPITAL LIMITED	HE 316 597	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 30/9/2022	Home Credit Group B.V.
Škoda Transportation Italia S.r.l.	07219540486	Italy	Entity controlled by the same controlling entity by means of an ownership interest	from 3/10/2022	ŠKODA TRANSPORTATION a.s.
Škoda a.s.	14070421	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Industrial Holding B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA DIGITAL s.r.o.	01731530	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA EKOVA a.s.	28642457	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA ELECTRIC a.s.	477 18 579	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA ICT s.r.o.	279 94 902	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA INVESTMENT a.s.	265 02 399	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
ŠKODA PARS a.s.	25860038	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA POLSKA Sp.z o.o.	NIP 7010213385	Poland	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA SERVIS s.r.o.	263 51 277	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATION a.s.	626 23 753	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
Škoda Transportation Balkan d.o.o.	21736473	Republic of Serbia	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
ŠKODA TRANSPORTATION UKRAINE, LLC	42614252	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
Škoda Transportation USA, LLC	81-257769	United States	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA TRANSTECH OY	1098257-0	Republic of Finland	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA TVC s.r.o.	25247964	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA VAGONKA a.s.	258 70 637	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
TALPA ESTERO LIMITED	HE 316 502	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 30/9/2022	Home Credit Group B.V.
TANAINA HOLDINGS LIMITED	HE318483	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
Tanemo a.s.	9834273	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Te Arearea	07295C	France	Entity controlled by the same controlling entity by means of an ownership interest		Archipels Croisiéres
TELISTAN LIMITED	HE 341 864	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Temsa Deutschland GmbH	DE256871263	Germany	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
TEMSA EGYPT for Bus Manufacturing & Engineering SAE	3028	Egypt	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
Temsa North America, INC.	83-1118821	United states	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
Temsa Skoda Sabanci Ulaşım Araçları A.Ş.	8380046749	Turkey	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Škoda a.s.
Tesco Mobile ČR s.r.o.	29147506	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Tesco Mobile Slovakia, s.r.o.	36863521	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s. r. o.
TFR SAS	FR 27 878443936	France	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Temsa Skoda Sabanci Ulaşım Araçları A.Ş.
The Culture Trip (USA) Ltd.	5908200	United States	Entity controlled by the same controlling entity by means of an ownership interest		The Culture Trip Ltd
The Culture Trip Ltd	7539023	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		The Culture Trip Sarl.
The Culture Trip Sarl.	B220626	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest		Vox Ventures B.V.
Tianjin Home Credit E-commerce Co., Ltd.	91120116MA075WF70G	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Shenzhen Home Credit Xinchi Consulting Co., Ltd.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
TMT Hungary B.V.	75752824	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 1 B.V.
TMT Hungary Infra B.V.	81357397	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Group N.V.
TOLESTO LIMITED	HE 322 834	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Trigon II B.V.	56068948	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Holding B.V.	60006609	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Nizhny Novgorod Holding B.V.	67330355	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
TV Bidco B.V.	75994437	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	until 10/5/2022	TV Holdco B.V.
TV Holdco B.V.	75983613	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 2 B.V.
TV Nova s.r.o.	45800456	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		CME Media Enterprises B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Usconfin 1 DAC	619282	Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings a.s.
VELTHEMIA LIMITED	HE 282 891	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		REPIENO LIMITED
Velvon GmbH	HRB 239796	Germany	Entity controlled by the same controlling entity by means of an ownership interest		AB-X Projekt GmbH
Vents de Mer	432981934	France	Entity controlled by the same controlling entity by means of an ownership interest		Lacani
VGBC Limited	700080	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Chelton Properties Limited
VGMC Limited	709492	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		ESK Developments Limited
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		Renáta Kellnerová
Vox Ventures B.V.	65879554	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Vsegda Da N.V.	52695689	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V., Forward leasing LLP (KZ)
VÚKV a.s.	452 74 100	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Škoda a.s.
Wagnerford Holdings Limited	HE 210154	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		MP Holding 2 B.V.
Wagnerford LLC	5087746372819	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Wagnerford Holdings Limited
West Hillside Limited	1582181	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Chelton Properties Limited
West Logistics Park LLC (WLP)	35093235	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Izotrem Investments Limited
Westminster JV a.s.	05714354	Czech Republic	Entity controlled by the same controlling entity by acting in concert and by means of an ownership interest		PPF Real Estate s.r.o.,

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Ziza d.o.o za trgovinu, ugostiteljstvo, turizam i promet	060159616	Croatia	Entity controlled by the same controlling entity by means of an ownership interest		Marina Zaton d.o.o. za nauticki turizam i usluge

Consolidated Entities

As PPF banka holds shares in one subsidiary, it draws up prepares consolidated financial statements. The Bank consolidates the following subsidiary

Share in %	2022	2021
PPF Co3 B.V.	100%	100%

In 2016 Bank purchased 100% shares of PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia. This subsidiary is currently used for the purchase and financing of retail loans from Home Credit companies, the purchase of retail loans from Yettel Bulgaria and Hungary, the depositing of collateral for Yettel Serbia at Mobi Bank, and financing for the factoring of telecommunication service debts.

Key Consolidated Financial Indicators

until 2014 under Czech Financial Standards, from 2015 under International Financial Reporting Standards – IFRS

Profit berore tax

MCZK	
2011	761
2012	1,146
2013	757
2014	1,022
2015	1,442
2016	1,630
2017	2,118
2018	2,933
2019	2,917
2020	1,125
2021	2,388
2022	3,263

Total assets

MCZK	
2011	67,064
2012	77,064
2013	105,047
2014	108,884
2015	103,517
2016	136,810
2017	233,055
2018	235,067
2019	226,774
2020	169,490
2021	236,425
2022	288,654

Key Consolidated Financial Information

MCZK	2022	2021
ASSETS		
Cash and cash equivalents	158,707	127,050
Financial assets at fair value through profit or loss	33,037	36,813
Financial assets at fair value through other comprehensive income	24,844	22,894
Financial assets at amortised cost	15,049	-
Loans and advances to banks	10,836	5,522
Loans and advances to customers	45,109	43,061
Other assets	1,072	1,085
TOTAL ASSETS	**288,654**	**236,425**
EQUITY AND LIABILITIES		
Deposits from banks	23,980	41,333
Deposits from customers	210,337	145,092
Debt securities issued	5,117	4,411
Financial liabilities at fair value through profit or loss	30,420	27,632
Other liabilities	1,243	1,175
Issued capital	769	769
Other components of equity	16,788	16,013
TOTAL EQUITY AND LIABILITIES	**288,654**	**236,425**
INCOME STATEMENT		
Net interest income	6,633	2,999
Net fee and commission income	270	251
Net income/expense from financial operations	(1,310)	262
General administrative expenses	(1,070)	(960)
Impairment gains/(losses)	(917)	246
Other operating profit or loss	(343)	(410)
Income tax expense	(527)	(456)
PROFIT OR LOSS FOR THE YEAR	**2,736**	**1,932**
Key ratios		
Non-performing client loans/total client loans	1.05%	4.35%
ROAA	1.04%	0.95%
ROAE	15.94%	11.98%
Assets per employee (in MCZK)	1,208	985
Administrative expenses per employee (in MCZK)	4	4
Net profit per employee (in MCZK)	11	8

KPMG

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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 PPF banka a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PPF banka a.s. (“the Company”) and its subsidiaries (together “the Group”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

KPMG

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.

Loss allowances for loans to and receivables from customers

Loss allowances for loans and advances to customers amounted to CZK 1,034 million as at 31 December 2022 (31 December 2021: CZK 1,180 million). Gross amount of loans and advances to customers amounted to CZK 46,143 million as at 31 December 2022 (31 December 2021: CZK 44,241 million).

Refer to Note 3 (Significant accounting policies), Note 20 (Loans and receivables) and Note 44 (Risk management) in the notes to the consolidated financial statements.

Key audit matter	**How the audit matter was addressed**
The Group's management makes significant judgments and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers (together "loans"). We consider the area to be associated with a significant risk of material misstatement, which, coupled with the significantly higher estimation uncertainty stemming from the current market conditions, required our increased attention in the audit. As such, we determined it to be a key audit matter. The loans are assigned to one of three stages in line with the requirements of IFRS 9 *Financial instruments* for the purposes of estimating the loss allowances. Stage 1 and Stage 2 loans are performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination. Stage 3 loans are non-performing, i.e. credit-impaired loans. Impairment allowances for the performing exposures are determined by modelling techniques taking into account historical experience, forward-looking information and management judgment. Key assumptions and	Assisted, where applicable, by our own credit risk, valuation and information technology (IT) specialists, we performed, among others, the procedures outlined below: We critically assessed the Group's credit and loan accounting policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, SICR, and allocating of loans to respective stages. We also inspected the Group's ECL methods and models and assessed their compliance with the relevant requirements of the financial reporting standards. We tested the IT control environment for data security and access, and also tested the design, implementation and operating effectiveness of IT-based and manual controls over the identification and timely consideration of SICR and credit-impairment. The controls tested included those over the calculation of the loans' days past due, matching loan repayments to instalments and calculation of ECLs. We evaluated whether in its loan staging and ECL measurement the Group appropriately considered the effects of the market disruption resulting from the current

Key audit matter	How the audit matter was addressed
judgments relevant to the assessment of performing exposures comprise: — definition of default and of significant increase in credit risk (SICR); — probability of default (PD) - estimated by statistical models, based on historical data and forward looking information (FLI) based on macroeconomic scenarios; — exposure at default (EAD) - decreased by the net realisable value of collateral estimated based on appraisals adjusted for historical data; — loss given default (LGD) – based on historical data from the collection process; — management overlays (post-model adjustments). Loss allowances for all Stage 3 loans are determined on an individual basis by discounting the probability-weighted scenarios of estimated future cash flows from the borrower. The key judgments and assumptions therein are those in respect of the estimated amount and timing of future cash repayments, including the net realisable value of underlying collateral.	market conditions. We obtained the relevant forward-looking information and macroeconomic projections used in the Group's ECL assessment and management overlays (post model adjustments). We independently assessed the information by means of corroborating inquiries of the Management Board and inspecting publicly available information. We challenged the LGD, net realisable value of collateral and PD parameters, by assessing back-testing of historical defaults and by reference to historical realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; For use in the following procedures, we challenged on a sample basis the valuation methods and models applied in estimating the net realizable values of the loan collaterals by the valuation experts engaged by the Group, whose experience, competence and objectivity we also independently assessed For a sample of Stage 1 and Stage 2 loans, by reference to respective loan files and inquiries of the credit risk personnel, we: — determined whether a significant increase in credit risk occurred or whether the loan was credit-impaired; — traced the net realisable value of related collateral to the appraisals by the valuation experts engaged by the Group; — assessed whether appropriate PD and LGD parameters were assigned to the loans in the sample; — checked other characteristics of selected loans relevant for the ECL calculation. For a sample of Stage 3 loans, we challenged the estimated cash flow scenarios and their probabilities. In

Key audit matter	How the audit matter was addressed
	performing the procedure, we focused on the key assumptions, such as the realisable value of the underlying collateral, which we traced to the appraisals by the valuation experts engaged by the Group, or other supporting evidence where collateral less relevant in the process of recovery. We examined whether the Group's loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the 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 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 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 27 April 2022 and our uninterrupted engagement has lasted for 24 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 29 March 2022 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Veronika Strolená is the statutory auditor responsible for the audit of the consolidated financial statements of PPF banka a.s. as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
12 April 2023

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

Veronika Strolená
Partner
Registration number 2195

Consolidated Financial Statements

for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

In millions of CZK	Note	2022	2021
Interest and similar income*	7	12,940	3,960
Interest expense and similar charges	7	(6,307)	(961)
Net interest and similar income		**6,633**	**2,999**
Fee and commission income	8	605	582
Fee and commission expense	8	(335)	(331)
Net fee and commission income		**270**	**251**
Net income/expense from financial operations	9	(1,310)	262
Other operating income		5	3
Operating income		5,598	3,515
Personnel expenses	10	(448)	(448)
Other general administrative expenses	10	(622)	(512)
General administrative expenses		**(1,070)**	**(960)**
Depreciation and amortisation	11	(92)	(98)
Other operating expenses	12	(256)	(315)
Operating expenses		**(1,418)**	**(1,373)**
Impairment gains/(losses)	13	(917)	246
Profit before income tax		**3,263**	**2,388**
Income tax expense	14	(527)	(456)
NET PROFIT FOR THE YEAR		**2,736**	**1,932**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – currency translation differences		(11)	(11)
Fair value reserve (debt instruments measured at fair value through other comprehensive income, tax included):		(467)	(622)
Net change in fair value		(1,137)	(554)
Net amount transferred to profit or loss		670	(68)
Items that will not be reclassified to profit or loss			
Fair value reserve (equity instruments designated at fair value through other comprehensive income, tax included):			
Net change in fair value		9	3
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(469)**	**(630)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,267**	**1,302**

* The breakdown of interest and similar income into one calculated using the effective interest rate and others is set out in note 7.

The notes on pages 190 to 265 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 12 April 2023.

Signed on behalf of the Board of Directors by:

Petr Jirásko
Chairman of the Board of Directors

Miroslav Hudec
Member of the Board of Directors

Consolidated Statement of Financial Position

for the year ended 31 December 2022

In millions of CZK	Note	31. 12. 2022	31. 12. 2021
ASSETS			
Cash and cash equivalents	15	158,707	127,050
Financial assets at fair value through profit or loss	16	33,037	36,813
Financial assets at fair value through other comprehensive income	17	24,844	22,894
Financial assets at amortised cost	18	15,049	-
Loans and advances to banks	19	10,836	5,522
Loans and advances to customers	20	45,109	43,061
Property, plant and equipment	22	119	147
Intangible assets	23	183	210
Income tax assets	24	-	253
Deferred tax assets	25	335	99
Other assets	26	435	376
TOTAL ASSETS		**288,654**	**236,425**
LIABILITIES			
Deposits from banks	27	23,980	41,333
Deposits from customers	28	210,337	145,092
Debt securities issued	29	5,117	4,411
Financial liabilities at fair value through profit or loss	31	30,420	27,632
Income tax liabilities	24	256	-
Deferred tax liabilities	25	-	12
Provisions	32	196	173
Other liabilities	33	791	990
TOTAL LIABILITIES		**271,097**	**219,643**
SHAREHOLDERS' EQUITY			
Issued capital	37	769	769
Share premium	37	412	412
Retained earnings		16,986	15,742
Translation reserve	38	(16)	(5)
Fair value reserve	39	(594)	(136)
TOTAL SHAREHOLDERS' EQUITY		**17,557**	**16,782**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**288,654**	**236,425**

Consolidated Statement of Cash Flows

k 31. prosinci 2022

In millions of CZK	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		3,263	2,388
Adjustments for:			
Depreciation and amortisation	11	92	98
Net impairment loss on investment securities		887	(75)
Net impairment loss on loans and advances and other financial assets		36	(171)
Net interest income	7	(6,633)	(2,999)
Revaluation of financial assets and liabilities at fair value through profit or loss		(1,011)	624
Net gain/loss on the sale of financial assets at fair value through other comprehensive income		670	(68)
Other non-cash adjustments		(506)	10
Operating profit before the change in operating assets and liabilities		**(3,202)**	**(193)**
Changes in:			
Financial assets at fair value through profit or loss		4,787	(18,112)
Loans and advances to banks		(5,314)	(407)
Loans and advances to customers		(1,289)	(7,925)
Financial assets at amortised cost		(15,049)	-
Other assets		(59)	34
Financial liabilities at fair value through profit or loss		2,788	10,922
Deposits from banks		(17,353)	39,323
Deposits from customers		65,198	13,900
Other liabilities		(178)	80
		30,329	**37,622**
Interest received		12,330	3,698
Interest paid		(6,111)	(807)
Income taxes paid		(146)	(534)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**36,402**	**39,979**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		(6,972)	(7,349)
Proceeds from sale of financial assets at fair value through other comprehensive income		2,900	3,072
Acquisition of property and equipment		(16)	(37)
Acquisition of intangible assets		(21)	(49)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(4,109)**	**(4,363)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of debt securities		1,845	2,471
Repayment of debt securities issued		(1,139)	(1,181)
Leasing payments		(21)	(20)
Dividends paid		(1,492)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(807)**	**1,270**
Net increase/(decrease) in cash and cash equivalents		31,486	36,950
Cash and cash equivalents at 1 January	15	127,050	90,100
Effect of exchange rate fluctuations on cash and cash equivalents held		171	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**158,707**	**127,050**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

In millions of CZK	Issued capital	Share premium	Translation reserve	Fair value reserve	Retained earnings	Total equity
BALANCE AT 1 JANUARY 2022	**769**	**412**	**(5)**	**(136)**	**15,742**	**16,782**
Total comprehensive income for the period						
Net profit for 2022	-	-	-	-	2,736	2,736
Other comprehensive income						
Foreign operations - currency translation differences			(11)		-	(11)
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-	-	(458)	-	(458)
Total	**769**	**412**	**(16)**	**(594)**	**18,478**	**19,049**
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-	-	-	(1,492)	(1,492)
BALANCE AT 31 DECEMBER 2022	**769**	**412**	**(16)**	**(594)**	**16,986**	**17,557**
BALANCE AT 1 JANUARY 2021	769	412	6	483	13,810	15,480
Total comprehensive income for the period						
Net profit for 2021	-	-	-	-	1,932	1,932
Other comprehensive income						
Foreign operations - currency translation differences			(11)		-	(11)
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-		(619)	-	(619)
Total	769	412	(5)	(136)	15,742	16,782
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-		-	-	-
BALANCE AT 31 DECEMBER 2021	769	412	(5)	(136)	15,742	16,782

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1 Introduction

PPF banka a.s. (“the Bank”) was established on 31 January 1995 as the successor to the former ROYAL BANKA CS,a.s. (operating on the market from 31 December 1992) by a resolution of Prague City Council in order to create a strong financial partner for cities and municipalities. These consolidated financial statements comprised the Bank and its subsidiaries listed in note 21 (further as “the Group”).

The Bank is registered in the Commercial Register as a joint-stock company, with the following scope of business:

– execution of banking transactions and provision of banking services in the Czech Republic and abroad, to the extent permitted by relevant legislation and the licence granted by the Czech National Bank (CNB). The Bank may acquire an interest in other companies both in the Czech Republic and abroad, including non-financial service companies.

On 23 June 2004, the shareholders of the Bank decided to change the name of První městská banka,a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

As at 31 December 2022, the parent company of the Bank is PPF Financial Holdings a.s., with its registered office in the Czech Republic, Prague, Evropská 2690/17, postal code: 16000, registration number: 10907718, the parent company of PPF Financial Holdings a.s. is PPF Group N.V., with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 33264887.

Registered office of the Bank:
PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

3 Significant accounting policies

3.1 Basis of preparation

The financial statements are presented in Czech Crowns, which is the Bank’s functional currency and the Group’s presentation currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss, and assets at fair value through other comprehensive income.

Use of judgements and estimates
The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements concerning the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that may have a significant effect on the financial statements in the year ended 31 December 2022 is included in the following notes:

- impairment of financial instruments, determining inputs into the expected credit loss measurement model, including the incorporation of forward-looking information in note 5;
- sensitivity analysis of loss allowance by relevant categories in note 44.1;
- determination of the fair value of financial instruments with significant unobservable inputs in note 3.4.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the current and future periods.

Estimates which may have a significant effect on the financial statements in the next year regarding standards that are not yet effective and are relevant to the financial statements are discussed in note 4.

Information about judgements made in the application of accounting policies that may have a significant effect on the consolidated financial statements is included in the following notes.

- classification of financial instruments, especially an assessment of the business model and an assessment of whether contractual cash flows are solely payments of principal and interest on unpaid principal ("SPPI") in note 3.4;
- assessment of whether there has been a significant increase in the credit risk of financial instruments since initial recognition, considering all available and relevant information, including quantitative and qualitative information, an analysis based on historical experience of the Group and forward-looking information in note 5.

Russian-Ukrainian conflict and its impact on the financial statements and the going-concern assessment
The Group realises that the geopolitical situation emerging from the Russian-Ukrainian conflict in February 2022 will have significant repercussions for the economy in the Czech Republic and other countries. The Group's direct exposure to Russia and Ukraine is insignificant. In 2022, the Group recognised additional allowances in the amount of expected credit losses to the existing exposures (primarily to corporate bonds bearing the risk of the Russian Federation), see note 13. The Group's analysis did not identify any other significant indirect effects because the Group has limited business activities in Russia and Ukraine and its clients have limited dependence on these regions. The Group is ready to make the appropriate response if the situation arises.

The Group is continuously monitoring the situation and, based on its current knowledge and after considering all available information, it does not expect these events to have an impact on its ability to continue as a going concern in the future.

The consolidated financial statements have thus been prepared on a going concern basis for the Group.

3.2 Basis of consolidation

3.2.1 Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of the control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.2.2 Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss.

3.2.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent to which there is no evidence of impairment.

3.2.4 Business combinations

All business combinations of the Group were business combinations of entities under the control of the Bank, both before and after the business combination itself. It was not a control of a temporary nature. IFRS 3 does not apply to these business combinations. Assets and liabilities are reported at the carrying amounts in which they were reported before the business combination, and no goodwill or negative goodwill was reported.

3.3 Foreign currency

3.3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the presentation currency at the foreign exchange rate ruling at the dates that the values were determined.

3.3.2 Financial statements of consolidated entities with functional currency other than CZK

The assets and liabilities of consolidated entities with a functional currency other than CZK are translated to CZK at spot exchange rates at the reporting date. The income and expenses of these consolidated entities are translated to CZK at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences upon translation are recognised directly within equity under the “Translation reserve”.

The translation reserve comprises all foreign currency differences arising from the translation of the financial consolidated statements of consolidated entities with a functional currency other than CZK.

3.4 Financial instruments

3.4.1 Classification and measurement of financial assets

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified under one of these categories on initial recognition.

POCI assets
IFRS 9 also includes so-called POCI assets. POCI assets are purchased or originated financial assets that are credit-impaired on initial recognition.

Business model assessment
The Group made an assessment of the objective 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 the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, and the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's business models are as follows:

- "held and collect";
- "held, collect and sell";
- "other".

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money, e.g. the periodic reset of interest rates.

3.4.2 Initial recognition of financial assets

On initial recognition, financial assets/liabilities at AC are recognised on the settlement date at fair value adjusted for transaction costs directly attributable to the acquisition/issue or disposal of a financial asset/liability.

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

Financial assets classified at FVOCI are recognised on the date the Group commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognised in equity as differences from the revaluation of assets.

3.4.3 Fair value measurement principles

Fair value is the price the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date.

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

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework

The Group has an established control framework with respect to the measurement of fair values. This framework includes Risk Management, which is independent of front office management and which has overall responsibility for independently verifying the results of all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- a review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous period.

When third-party information, such as broker quotes or pricing services, is used to measure fair value, Risk Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

3.4.4 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss as "Net income from financial operations".

Gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income and become the equity item "Fair value reserve".

3.4.5 Specific financial instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash deposited with banks and central banks, short-term reverse repo operations and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank (except for those held for trading). The financial assets are measured at amortised cost in line with IFRS 9.

Loans and advances to banks and customers
Loans and advances to banks and customers are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (except for those held for trading). If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, the financial assets are measured at amortised cost in line with IFRS 9. The financial assets are measured at fair value through profit or loss if the contractual terms do not meet the criteria specified above.

Debt securities issued
Own issued debt securities are recognised at amortised cost under "Debt securities issued". Upon initial recognition, own debt securities are measured at cost, which includes direct transaction costs.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include financial derivatives and non-derivative financial assets and financial liabilities held for trading.

Financial derivatives
Financial derivatives with positive fair value are presented as "Financial assets measured at fair value through profit or loss". Financial derivatives with negative fair value are presented as "Financial liabilities measured at fair value through profit or loss".

For presentation purposes, derivatives are split into

– derivatives held for trading; and
– hedging derivatives.

Derivatives held for trading are those which are not designated as hedging instruments. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented in this line item.

Hedging derivatives are those which are designated as hedging instruments in hedges fulfilling the conditions of IFRS 9. The Group did not apply hedging fulfilling the conditions of IFRS 9 in 2022 or 2021.

Changes in fair value (the clean price) of derivatives are recognised in the income statement in the line item "Net income from financial operations".

3.5 Derecognition and contractual modification

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers the financial asset, provided that the Group also transfers substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability is accounted for as extinguishment of the original financial liability and recognition of a new financial liability.

Financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income that are sold are derecognised and the corresponding receivables from the buyer are recognised on the day they are delivered (settlement date accounting).

In the event of the derecognition of investments in equity instruments designated at fair value through other comprehensive income, the Group does not reclassify the cumulative gain or loss from equity to profit or loss. The cumulative gain or loss is transferred within equity.

Debt instruments measured at amortised cost, loans and advances to banks, and loans and advances to customers are derecognised on the day of maturity or on the day they are transferred by the Group.

Modification

Substantial modification of the contractual cash flows of a financial asset is considered by the Group to be the expiry of contractual rights to the financial asset. The Group uses internally defined quantitative and qualitative criteria to assess the significance of a change. As for the quantitative criteria, the Group considers contractual terms to be significantly changed if the discounted present value of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset as of the date of modification. As for the qualitative criteria, the Group considers contractual terms to be significantly changed if the new contractual cash flow would not meet SPPI criteria or there would be a change of legal form, tax regime, the currency of the financial assets, or the addition of a convertible option to the financial asset terms. If the Group considers contractual terms to be significantly changed based on at least one of the qualitative or qualitative criteria, the Group derecognises the modified financial asset. Where the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is treated as a new financial asset for the Group's purposes.

In the event of the modification of a financial instrument not measured at fair value through profit or loss that does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset (the amortised cost of the financial liability) as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's (financial liability's) original effective interest rate and recognises the modification gain or loss in profit or loss.

In the case of modified financial assets, the Group determines whether there was a significant increase in credit risk and estimates impairment losses on these financial assets in accordance with the accounting methods described in note 5.

3.6 Repurchase transaction

The Group enters into purchases (sales) of financial assets under agreements to resell (repurchase) identical financial assets at a certain date in the future at a fixed price. Financial assets purchased subject to commitments to resell them at future dates are not recognised in the statement of financial position. The amounts paid are recognised in loans to either banks or customers or cash and cash equivalents. The receivables are shown as collateralised by the underlying security. Financial assets sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policies as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in “Interest and similar income” or “Interest expense and similar charges”.

3.7 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.

3.8 Impairment gains/(losses)

The Group assesses impairment loss on financial assets based on a forward-looking “expected credit loss” model in line with IFRS 9. The model assumptions and estimates are described in detail in note 5.

When the expected credit loss increases in the period, the amount of the corresponding impairment loss on the financial asset is recognised in the statement of comprehensive income line item “Impairment gains/losses”.

If the expected credit loss decreases in the subsequent period, the amount of corresponding impairment loss reversal is recognised in the statement of comprehensive income line item “Impairment gains/losses”.

If the Group has no reasonable expectations of recovering a financial asset (in either its entirety or a portion of it), it is written off. This is 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. A write-off constitutes a derecognition event. The Group may still apply enforcement activities to financial assets being written off. Recoveries resulting from the Group’s enforcement activities are recognised in the statement of comprehensive income in the line item “Impairment gains/losses”.

Loss allowances based on the “expected credit loss” model are recognised as follows:

- for financial assets measured at amortised cost: as a decrease of the assets’ gross carrying amount;
- for loan commitments and financial guarantee contracts: generally as a provision;
- for financial instruments that include both the drawn and undrawn portion, the Group recognises a combined loss allowance for both parts - one is recognised as a decrease in the gross carrying amount of the drawn portion, and the other one exceeding the gross carrying amount of the drawn portion is recognised as a provision; and
- for debt instruments measured at FVOCI: an adjustment relating to the expected credit losses is recognised in profit or loss against the equity line “Fair value reserve”.

3.9 Net interest and similar income

Interest income or expense from all interest-bearing financial instruments except financial instruments measured at fair value through profit or loss is recognised using the effective interest rate ("EIR") and reported in profit or loss in the line items "Interest and similar income" or "Interest expense and similar charges" as part of revenue/expenses from continuing operations.

The effective interest method calculates the gross carrying amount or amortised cost of a financial asset or a financial liability that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to its net carrying amount. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (but not future credit losses). In respect of POCI financial assets, the Group uses the effective interest rate that is calculated as an estimate of future cash flows including expected credit losses. The calculation of an effective interest rate also includes transaction costs and paid and received fees that are an integral part of the effective interest rate.

Amortised cost and gross carrying amount of a financial asset
The amortised cost of a financial asset or a financial liability is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The gross carrying amount of financial assets is the amortised cost of a financial asset, before adjustment for any credit loss.

Calculation of interest income and expense
In the calculation of interest income or interest expense, the effective interest rate is applied to the gross carrying amount of assets that are not credit-impaired or to the amortised cost of a liability.

Interest income in respect of financial assets that become credit-impaired after initial recognition is calculated using the effective interest rate method from the amortised cost of an asset. Interest income in respect of POCI financial assets is calculated using the credit-adjusted effective interest rate method from the amortised cost of an asset.

3.10 Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

3.11 Net fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate, and therefore included in "Interest and similar income" or "Interest expense and similar charges".

Fee and commission income from contracts with customers, under IFRS 15, is measured based on the consideration specified in the contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The fee and commission income arises from financial services provided by the Group, including cash management services, the central clearing of toll payments, brokerage services, investment advice and financial planning, investment banking services, and project and structured finance transactions. Fee and commission income is recognised when the corresponding service is provided. Penalty fees that have not been claimed or that have been waived are excluded from profit or loss.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may fall partially within the scope of IFRS 9 and partially within the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is within the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, account maintenance and brokerage fees which are expensed as the services are received.

3.12 Net income from financial operations

Net income from financial operations comprises gains less losses related to financial assets and liabilities at fair value through profit and loss and includes all fair value changes. Net income from financial operations also includes realised gains or losses on financial assets at fair value through other comprehensive income (equity instruments excluded) and all foreign exchange differences.

3.13 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	50 years
Other	1-10 years

Low value tangible assets with a purchase price of less than TCZK 40 and an estimated useful life shorter than 1 year are recognised as expenses in the period in which they are purchased.

3.14 Intangible assets

Software and other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

3.15 Leases

From a lessee perspective:
The Group treats a contract as a lease if it conveys the right to control the use of a given asset for a period of time in exchange for consideration.

A right-of-use asset and a lease liability are recognised at the lease commencement date.

A right-of-use asset is initially measured at cost. The cost of a right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs; and an estimate of costs to be incurred in restoring the underlying asset. The asset is subsequently depreciated on a straight-line basis over the estimated useful life of the right-of-use asset, or until the end of the lease term, if earlier.

A right-of-use tangible asset is recognised as a tangible asset in the statement of financial position.

A lease liability recognised in other liabilities is measured at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, variable lease payments that depend on an index, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option or an option to extend or terminate a lease if the Group is reasonably certain to exercise that option. Lease payments are discounted using the Group's incremental borrowing rate.

After the commencement date, the Group revises the remeasurement of lease liabilities to reflect changes to the lease payments. The Group also makes the corresponding adjustment to the value of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises it in profit or loss.

Interest on the lease liability is recognised in interest expense.

From a lessor perspective:
The Group does not provide leasing services in the capacity of a lessor.

3.16 Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time. Provisions are recognised when:

- there is a legal or constructive obligation as a result of past events;
- it is probable, and the probability exceeds 50%, that an outflow of resources will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

In the statement of financial position, provisions are reported under the line item “Provisions”. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as legal provisions and other provisions. Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item “Impairment gains/losses”. Expenses or income related to other provisions are reported in the statement of income under “Operating expenses”.

3.17 Income taxes

The income tax base is calculated from the current year profit. Expenses considered non-taxable expenses are added and income considered non-taxable income is deducted. The income tax base is modified by tax allowances and tax benefits.

Deferred income tax arises from temporary differences between the accounting values of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated using the tax rates applicable in the periods in which the timing difference is expected to reverse. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

3.18 Financial guarantees

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

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or the present value of the fee receivable. Financial guarantee liabilities are subsequently measured at the higher of the initial fair value, less cumulative amortisation, and an amount equalling the expected credit loss determined in accordance with IFRS 9.

The fee received is recognised in the income statement under “Fee and commission income” and is amortised on a straight-line basis over the life of the guarantee.

4 Standards, interpretations and amendments to published standards that are not yet effective and may be relevant for the Group’s financial statements

A number of new Standards, amendments to Standards, and Interpretations are not yet effective as at 31 December 2022, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations.

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

Making Materiality Judgments
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Group assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Group assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

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

The Group assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IFRS 10 and IAS 28

Sale or contribution of assets between an investor and its associate or joint venture
Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely; it is unlikely that it will be endorsed by the EU in the foreseeable future.

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

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

The Group assessed the new amendments to standards to have no major impact on its financial statements.

[1)] On 31 October 2022, the IASB issued an amendment postponing the effective date until 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements

Non-Current Liabilities with Covenants
Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have adopted early the previously issued but not yet effective 2020 amendments.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, have removed the requirement for a right to be unconditional and instead require that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

The Group assessed the new amendments to standards to have no major impact on its financial statements.

Amendments to IFRS 16 Leases

Lease Liability in a Sale and Leaseback
Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.

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

The amendments confirm the following:

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

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

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

The Group assessed the new amendments to standards to have no major impact on its financial statements.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning future economic developments. The resulting accounting estimates will, by definition, seldom be equal to the actual results. The estimates and assumptions that carry the most significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below.

5.1 Impairment of financial assets

The Group assesses impairment loss on financial assets based on a forward-looking "expected credit loss" ("ECL") model in line with IFRS 9.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Financial assets for which the provision is reported at 12-month expected credit losses are referred to as stage 1 financial assets. Financial assets are classified under stage 1 if they are assigned a low credit risk or if their credit risk has not significantly increased since the initial recognition.

Financial assets for which the provision is reported at the level of lifelong expected credit losses are referred to as stage 2 financial assets. Financial assets are reclassified under stage 2 if their credit risk has significantly increased since initial recognition and they are not currently assigned a low credit risk.

Financial assets in default are classified as stage 3 financial assets.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses and are measured as follows:

– financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
– financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
– undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
– financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Definition of default

Under IFRS 9, the Group considers a financial asset to be in default when there is information available that:

- the borrower is unlikely to pay its credit obligations to the Group in full, without realising collateral; or
- the borrower is more than 90 days past due. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group mainly considers the following indicators:

- approval of the forced restructuring of the receivable, with the effect of a reduction in the borrower's financial liabilities;
- active insolvency proceedings against the borrower in the insolvency register;
- the removal of the borrower's licence for activity for which licensing is required;
- the declaration of a moratorium on payments to international creditors (valid only for central and local government exposures);
- the initiation of steps by the Group to activate guarantees provided by guarantors for the borrower's commitments;
- a performing exposure with relief in the probationary period is more than 30 days past due during the probationary period;
- the borrower is unlikely (according to an assessment by the Group) to fully repay liabilities to the Group, the parent company or subsidiaries without the realisation of collateral;
- loss of the borrower's regular income intended for the repayment of liabilities to the Group;
- there are reasonable concerns about the borrower's future ability to generate stable and sufficient cash flows;
- a significant increase in the borrower's level of debt, or a reasonable expectation of such an increase;
- breach of covenants laid down in the contract with the borrower;
- a significant delay in the borrower's payments to other creditors is recorded in the Central Credit Register (or in another credit register);
- a crisis in the borrower's sector, accompanied by the borrower's weak position in that sector;
- the disappearance of an active market for a financial asset because of the borrower's financial difficulties;
- the default of another member in an economically linked group;
- a borrower facing financial difficulties receives material financial assistance (for more than 12 months) from the parent company, shareholders or another member of an economically linked group in order to meet liabilities, unless this is financial assistance pre-planned or expected during the lending approval procedure.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Group considers financial assets no longer subject to the above conditions or indicators to have recovered from default and reclassifies them from stage 3 to stage 1 or 2, as appropriate, if the criteria identifying elevated credit risk are met. All of the following conditions must be met for reclassification from stage 3:

- none of the conditions and indicators for default (see above) have been present for at least 3 months;
- the receivable or part thereof is fewer than 30 days past due for at least 3 months;
- the debtor's behaviour and financial situation indicate that the debtor will continue to be able to repay its debts;
- where the reason for default is restructuring, reclassification is possible, at the earliest, 1 year after the last of the following: (a) the extension of restructuring measures; (b) the date of default; (c) the end of the grace period specified in the terms of the restructuring. In addition, the following conditions must be met:
  - the client has made a significant payment/repayment with respect to the original repayment plan;
  - payments are made regularly according to the repayment schedule.

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting - based on availability and complexity - of the Group's historical experience, expert credit assessment and forward-looking information.

In line with IFRS 9, the Group applies the rebuttable presumption that the credit risk increases significantly when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Individual level

For individually significant financial assets, the Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the credit risk as at the reporting date; with
- the credit risk that was estimated on initial recognition of the exposure.

As for the corporate loan portfolio, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for credit ratings see note 44.1);
- the receivable or part thereof has been more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- the exposure has been designated as an exposure with forbearance;
- the exposure has been in the regime of increased monitoring (the so-called "pre-workout");
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

As for the debt securities and other assets, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for credit ratings see note 44.1);
- the receivable or part thereof is more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

Portfolio level
As for the consumer loan portfolio, the expected credit losses are calculated on a portfolio basis. The receivables are grouped into monthly buckets based on days past due. It is considered that a significant increase in credit risk occurs when a receivable or its part is more than 30 days past due.

If the above reasons for a significant increase in credit risk have passed, the Group reclassifies these financial assets from stage 2 to stage 1 and recognises an allowance of 12 months' expected credit losses.

Inputs in the measurement of ECLs
The key inputs in the measurement of ECLs are - in general - the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

EAD represents the exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty. As for stage 1 and 2 exposures, the EAD of a financial asset is the gross carrying amount at default reduced by the net realisable value of collateral received.

Individual level
For individually significant financial assets, these parameters are - separately or collectively - derived from statistical models created on the basis of available market data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures. Models created on the basis of available market data are periodically back-tested on internal historical data.

The migration of a counterparty or exposure between credit ratings results in a change in the estimate of the associated PD.

Loss given default (LGD) is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Group uses external comparative information to assess LGDs as it has insufficient observations and data to derive its own statistically significant LGDs based on an analysis of the Group's portfolio. For this reason, the Group bases its determination of LGD on the regulatory loss given default. The Group uses a 0% LGD for the secured part of the exposure. For LGDs assigned to the whole exposure (secured and unsecured), the Group applies a minimum LGD of 15%, i.e. for every receivable the Group tests whether the overall LGD ratio for every receivable is at least 15%, and, where this is not the case, the Group adjusts the calculation and recalculates the expected credit losses with 15% LGD assigned to the whole exposure. This way, the Group estimates non-zero expected losses even for fully secured loans. These expected losses translate risks related to collateral realisation, which cannot be recognised by other methods.

For stage 3 exposures, the Group uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flows applying scenario probability weights to measure expected credit losses.

Portfolio level
As for the consumer loan portfolio, the Group uses statistical methods based on the Markov chain model and statistical analysis of historical data on unpaid loans to estimate the amount of loss when measuring expected credit losses.

During 2021, the Group assessed and subsequently revised its model assumptions. As a result, the Group changed the credit loss estimate at the time of the write-off and aligned the estimate with the latest expectation of recoveries. The impact of the change in the estimate was applied prospectively to the financial statements. It resulted in an increase in the amount of the consumer loan portfolio by MCZK 22 in the consolidated statement of financial position as at 31 December 2021 and a decrease in impairment losses by MCZK 23 in the consolidated statement of comprehensive income in 2021. The estimates were not adjusted in 2022.

Forward-looking information
Under IFRS 9, the Group incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of the measurement of ECLs. The external information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

The Group defines three economic scenarios: (i) the baseline economic scenario, which is the Group's main scenario and is assigned the highest weight. This scenario is defined internally according to publicly available estimates of trends in key macroeconomic variables by relevant institutions, such as Oxford Economics, the Czech National Bank, the International Monetary Fund, the Organisation for Economic Cooperation and Development, and consensus analyst estimates published by Bloomberg and Reuters; and (ii) two less likely scenarios – optimistic and pessimistic. The Group monitors the up-to-dateness of macroeconomic scenarios at least on a quarterly basis. The scenarios and their weights applicable as at 31 December 2022 are shown in the table below:

Czech Republic – GDP growth	Weight as at 31 December				
	2021	2022	2023	2024	2025
Baseline scenario	50%	50%	-0.7%	2.5%	2.5%
Optimistic scenario	10%	1%	1.3%	4.5%	4.5%
Pessimistic scenario	40%	49%	-4.2%	-2.3%	-0.2%

World – GDP growth	Weight as at 31 December				
	2021	2022	2023	2024	2025
Baseline scenario	50%	50%	1.7%	3.2%	3.5%
Optimistic scenario	10%	1%	2.7%	4.2%	4.5%
Pessimistic scenario	40%	49%	-1.3%	1.2%	1.5%

The resulting estimated credit losses then reflect the expected development of gross domestic product in the three scenarios above.

On the strength of data availability and resource credibility, the Group uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

The Group considers the change in the GDP of the Czech Republic and the change in world GDP as key variables explaining the changes in the historical probability of default. For exposures of clients who account in accordance with Czech accounting standards and whose business risk lies in the Czech Republic, the Group uses the change in the GDP of the Czech Republic for PD estimates. For other clients' exposures, the Group uses the change in the world GDP as an explanatory variable.

An analysis of sensitivity to the development of GDP is presented in note 44.1., Sensitivity Analysis of loss allowance by relevant categories – individual level.

For risks that were not factored into the macroeconomic model, the Group recognised additional allowances ("management overlay"). The Group resorted to management overlay to individually significant loans at the end of 3Q 2022 for the first time. In making management overlays, the Group relies on the regular quarterly stress testing of its loan portfolio, the management overlay amount being based on the expected additional loss on the loan portfolio under a slight stress scenario. Management overlays are remeasured on a quarterly basis.

6 Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2022 to 31 December 2022.

7 Net interest income and similar income

MCZK	2022	2021
Interest and similar income		
Cash and cash equivalents	6,708	928
Loans and advances to banks	511	71
Loans and advances to customers	2,825	2,226
Of which:		
Unpaid interest income from impaired loans	4	4
Unpaid interest income from loans with forbearance	–	–
Financial assets at fair value through other comprehensive income	1,768	514
Financial assets at fair value through profit or loss	847	221
Financial assets at amortised cost	281	–
Of which:		
Interest and similar income – EIR	12,093	3,739
Interest and similar income – other	847	221
	12,940	**3,960**
Interest expense and similar charges		
Deposits from banks	(819)	(144)
Deposits from customers	(5,094)	(534)
Debt securities issued and short sales	(390)	(281)
Lease liabilities	(4)	(2)
	(6,307)	**(961)**
NET INTEREST INCOME AND SIMILAR INCOME	**6,633**	**2,999**

The Group did not waive any interest past due during the years 2022 and 2021.

8 Net fee and commission income

MCZK	2022	2021
Fee and commission income		
Toll administration fee income*	358	332
Transaction fee with clients	128	149
Custody fees	35	30
Penalty fees	29	27
Fees from guarantees provided	16	14
Fees from administration of shares/bonds issue	17	9
Transaction fee with banks	6	4
Other	16	17
Of which:		
Fee income - contracts with customers - under IFRS 15	589	568
Fee income - other - under IFRS9	16	14
	605	**582**
Fee and commission expense		
Toll administration fee expense*	(264)	(244)
Transaction fee with other counterparties	(50)	(48)
Transaction fee with banks	(17)	(36)
Other	(4)	(3)
	(335)	**(331)**
NET FEE AND COMMISSION INCOME	**270**	**251**

* Based on contracts concluded between the Bank and CzechToll a.s. and between the Bank and the issuer of fuel cards or the intermediary for card payments, respectively, the Bank has been providing services as a clearing centre for toll payments in the Czech Republic since 1 December 2019. The service also includes the operation of the authorisation centre, which is provided to the Bank by an external company. The Bank collects and pays fees for the services provided and received.

9 Net income/expense from financial operations

MCZK	2022	2021
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	(978)	(271)
Of which:		
Net gains/(losses) from trading derivatives	(585)	(983)
Trading securities	(393)	712
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	(670)	68
Of which:		
Debt instruments	(670)	68
Net realised gains/(losses) on loans and advances to customers	-	36
Foreign exchange gains/(losses)	338	429
TOTAL	**(1,310)**	**262**

All derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented as trading derivatives, as hedge accounting is not applied.

However, the Group uses derivatives for economic hedging, therefore, the net gain (loss) on derivatives is partially offset by foreign exchange gains (losses) or interest income (expenses).

10 General administrative expenses

MCZK	2022	2021
Personnel expenses		
Wages and salaries	(294)	(281)
Social expenses	(99)	(100)
Liability insurance, pension insurance	(6)	(6)
Remuneration paid to key management personnel*		
Short-term benefits	(40)	(49)
Long-term benefits	(9)	(12)
	(448)	**(448)**
Other general operating expenses		
Gifts	(232)	(202)
Consultancy services	(151)	(120)
IT	(129)	(113)
Other	(110)	(77)
	(622)	**(512)**
TOTAL	**(1,070)**	**(960)**

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Group in the years 2022 and 2021 was as follows:

	2022	2021
Board of Directors	5	5
Supervisory Board *	6	6
Executives	1	2
Employees **	239	240

* Remuneration paid to key management personnel includes wages and salaries paid to the Board of Directors, Supervisory Board and other executives for the service rendered.
** Two employees are also members of the Supervisory Board and are therefore included in the number both of employees and of members of the Supervisory Board.

11 Depreciation and amortisation

MCZK	2022	2021
Depreciation on property, plant and equipment	(22)	(22)
Depreciation on property, plant and equipment - ROU	(22)	(20)
Amortisation of intangible assets	(48)	(56)
TOTAL	**(92)**	**(98)**

12 Other operating expenses

MCZK	2022	2021
Payment to Resolution Fund	(253)	(311)
Payment to Deposit Insurance Fund	(1)	(2)
Payment to Guarantee Fund	(2)	(2)
TOTAL	**(256)**	**(315)**

The basis for the calculation of the payment to the Guarantee Fund for 2022 amounted to MCZK 102 (2021: MCZK 97).

13 Impairment gains/losses

MCZK	2022	2021
Gains/(Losses) from change in loss allowances:		
Cash and cash equivalents, loans and advances to banks	(83)	19
Financial assets at fair value through other comprehensive income	(887)	75
Loans and advances to customers - individual	132	288
Loans and advances to customers - portfolio	(14)	(23)
Other assets	-	(5)
Write-offs - loans and advances to customers - individual *	(31)	(96)
Write-offs - loans and advances to customers - portfolio*	(30)	(33)
Revenues from previously written-off loans and advances to customers - individual	-	-
Revenues from previously written-off loans and advances to customers - portfolio	6	32
Gains/(Losses) from change in provisions - off-balance sheet assets	(10)	(11)
TOTAL	**(917)**	**246**

* The loans and advances to customers that were written-off were fully covered by loss allowances as at the date of write-off.

After the dives caused by the Covid-19 pandemic, the macroeconomic outlook stabilised and then slightly improved in 2021, which led to a slight release of past loss allowances on performing loans and advances to customers. In 2021, no significant pre-pandemic risks materialised and the Group did not observe any significant defaults. The Group therefore believed that the effects may have been delayed; this corresponds with significantly higher coverage of performing loans and advances to customers at the end of 2021 compared to the pre-pandemic period.

In 2022, new risks for the economic activity and the pricing and financial stability of both the national and global economies arose due to the war in Ukraine, the extreme hike in energy and commodity prices and the ensuing inflation, as well as the resulting political debate on the mitigation of the impacts of rising energy prices, including the capping of selected energy prices and the imposition of a windfall tax on some types of entities. Accordingly, the Group recognised additional allowances in the amount of MCZK 251 as management overlay in the course of 2022. Higher losses from change in loss allowances to the financial assets at fair value through other comprehensive income in 2022 were mostly caused by recognition of loss allowances to corporate bonds bearing the risk of the Russian Federation.

14 Income tax expense

Taxes on income consist of current tax on income calculated based on the results reported for tax purposes and the change in deferred taxes.

MCZK	2022	2021
Income tax - current	(675)	(337)
Income tax - related to prior years	8	18
Income tax - deferred	140	(137)
INCOME TAX (EXPENSE)/INCOME	**(527)**	**(456)**

MCZK	2022	2021
Tax rate in Czech Republic	**19.0%**	**19.0%**
Profit from operations (before taxation)	3,263	2,388
Computed taxation using applicable tax rate	620	454
Tax non-deductible expenses	117	41
Non-taxable income	(204)	(90)
Tax related to prior years	(8)	(18)
Effect of tax rates in foreign jurisdictions and other items	2	69
INCOME TAX (EXPENSE)/INCOME - CURRENT	**(527)**	**(456)**
Effective tax rate	**16.2%**	**19.1%**

The significant year-over-year difference in the effective tax rate relates to the higher revenues from bonds issued by EU Member States, which represents non-taxable income.

15 Cash and cash equivalents

MCZK	31. 12. 2022	31. 12. 2021
Cash on hand	63	30
Nostro account balances	3,444	2,418
Balances with the central bank	5,197	1,435
Reverse repo operations with the central bank	150,008	123,167
Loss allowance	(5)	-
NET CASH AND CASH EQUIVALENTS	**158,707**	**127,050**

The technical parameters of a reverse repo operation with the central bank are as follows: maturity of two weeks, interest rate set by the CNB for two-week repo operations (the “2W repo rate”).

16 Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are classified as measured at fair value through profit or loss in accordance with IFRS 9. All financial assets listed below are held within the held-for-trading business model.

MCZK	31. 12. 2022	31. 12. 2021
Bonds and notes issued by:		
Government	10,581	9,551
Corporate	100	145
Shares	266	-
Reverse repo operations	2,508	10,810
Positive fair value of derivatives:		
Interest rate contracts	16,539	14,384
Currency contracts	3,043	1,923
Of which:		
Listed instruments	10,925	9,662
Unlisted instruments	22,112	27,151
TOTAL	**33,037**	**36,813**

Interest income from trading assets and financial assets at fair value through profit or loss is recognised in interest and similar income. The fair value of unlisted instruments was estimated using discounted cash-flow techniques.

17 Financial assets at fair value through other comprehensive income

MCZK	31. 12. 2022	31. 12. 2021
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	17,516	14,063
Corporate bonds	7,106	8,621
Equity instruments at fair value through other comprehensive income		
Shares issued by:		
Other issuers	222	210
Of which:		
Listed instruments	22,155	20,487
Unlisted instruments	2,689	2,407
TOTAL	**24,844**	**22,894**

Debt instruments at fair value through other comprehensive income
Debt instruments at fair value through other comprehensive income were classified under this category on the basis of the Group's business model for managing financial assets.

Interest income from debt instruments at fair value through other comprehensive income is recognised in interest and similar income.

The fair value of unlisted bonds was estimated using discounted cash-flow techniques.

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income was MCZK 937 as at 31 December 2022 (2021: MCZK 84). The loss allowance for expected credit loss is recognised in the statement of comprehensive income in the line "Impairment gains/losses" against the equity line "Fair value reserve".

A credit risk analysis and a detailed overview of the impairment loss on debt instruments at fair value through other comprehensive income are disclosed in notes 44.1 and 13.

Equity instruments at fair value through other comprehensive income
The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are not considered trading instruments and are expected to be held in the long term.

MCZK	31. 12. 2022	31. 12. 2021
Swift S.C. (ISIN: BE0016790090)	2	1
CREDITAS ASSETS SICAV a.s. (ISIN: CZ0008047214)	220	209
TOTAL	**222**	**210**

The Group recognised a gain (loss) due to changes in the fair value of these investments in other comprehensive income.The Group did not dispose of any equity instruments from the portfolio in 2022 or 2021. The Group did not receive any dividends from the instruments in 2022 or 2021.

18 Financial assets at amortised cost

MCZK	31. 12. 2022	31. 12. 2021
Debt instruments at amortised cost		
Bonds issued by:		
Government	14,899	-
Corporate bonds	150	-
Loss allowance	-	-
NET FINANCIAL ASSETS AT AMORTISED COST	**15,049**	-

In 2022, the Group created a new portfolio of financial assets measured at amortised cost with the aim of achieving long term returns, without impact on equity in the event of financial market volatility.

19 Loans and advances to banks

MCZK	31. 12. 2022	31. 12. 2021
Balances with the central bank	2,221	459
Cash collateral for derivative instruments	5,249	4,768
Loans to banks	3,001	-
Deposits	373	299
Other	73	-
Loss allowance	(81)	(4)
NET LOANS AND ADVANCES TO BANKS	**10,836**	**5,522**

At 31 December 2022, loans and advances to banks included balances with the central bank amounting to MCZK 2,221 (31. 12. 2021: MCZK 459), representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Group's daily business.

A credit risk analysis and a detailed overview of loss allowances on loans and advances are disclosed in note 44.1.

20 Loans and advances to customers

MCZK	31. 12. 2022	31. 12. 2021
Total loans and advances to customers	46,143	44,241
Loss allowance	(1,034)	(1,180)
NET LOANS AND ADVANCES TO CUSTOMERS	**45,109**	**43,061**

A credit risk analysis and a detailed overview of loss allowances on loans and advances are disclosed in note 44.1.

21 Consolidated entities

The Bank consolidates the following subsidiaries:

	Principal place of business	Registered office	31. 12. 2022 Share (%)	31. 12. 2021 Share (%)
PPF Co3 B.V.	ID, IN, PH, RS, VN, EU*	NL**	100%	100%

* Indonesia, India, Philippines, Serbia, Vietnam, European Union
**Netherlands

In 2016, the Bank purchased 100% of shares in PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia. It is currently used for the purchase and financing of retail loans from companies under Home Credit, the purchase of retail loans from Yettel Bulgaria and Hungary, the depositing of collateral for Yettel Serbia at Mobi Bank, and the financing of the factoring of receivables from telecommunication services.

The Bank held no interest participation with significant influence as at 31 December 2022 and 31 December 2021.

Information on consolidated entities by country of registered office

MCZK	Entities with registered office in NL
As at 31 December 2022	
Turnover	844
Employees	2
Profit/(loss) before income tax	93
Corporate income tax	43
Governmental support granted	-
As at 31 December 2021	
Turnover	973
Employees	2
Profit/(loss) before income tax	397
Corporate income tax	10
Governmental support granted	-

22 Property, plant and equipment

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2021	5	171	15	123	3	317
Additions	-	17	-	19	21	57
Disposals/Transfer	(1)	-	-	(13)	(20)	(34)
At 31 December 2021	4	188	15	129	4	340
At 1 January 2022	4	188	15	129	4	340
Additions	-	5	-	11	11	27
Disposals/Transfer	-	-	-	(5)	(11)	(16)
At 31 December 2022	4	193	15	135	4	351
Depreciation						
At 1 January 2021	5	64	10	86	-	165
Additions	-	21	1	20	-	42
Disposals	(1)	-	-	(13)	-	(14)
At 31 December 2021	4	85	11	93	-	193
At 1 January 2022	4	85	11	93	-	193
Additions	-	22	1	21	-	44
Disposals	-	-	-	(5)	-	(5)
At 31 December 2022	4	107	12	109	-	232
Net book value						
AT 31 DECEMBER 2021	-	**103**	**4**	**36**	**4**	**147**
AT 31 DECEMBER 2022	-	**86**	**3**	**26**	**4**	**119**

At 31 December 2022, the Group recorded right-of-use assets in the amount of MCZK 81 (2021: MCZK 98).

23 Intangible assets

MCZK	Software	Software not in use yet	Total
Cost			
At 1 January 2021	535	72	607
Additions	94	49	143
Disposals/Transfer	-	(94)	(94)
At 31 December 2021	629	27	656
At 1 January 2022	629	27	656
Additions	40	24	64
Disposals/Transfer	-	(43)	(43)
At 31 December 2022	669	8	677
Amortisation			
At 1 January 2021	390	-	390
Additions	56	-	56
Disposals	-	-	-
At 31 December 2021	446	-	446
At 1 January 2022	446	-	446
Additions	48	-	48
Disposals	-	-	-
At 31 December 2022	494	-	494
Net book value			
AT 31 DECEMBER 2021	**183**	**27**	**210**
AT 31 DECEMBER 2022	**175**	**8**	**183**

24 Income tax assets/liabilities

MCZK	31. 12. 2021	31.12.2020
Income tax assets	-	253
Income tax liability	256	-

As at 31 December 2022, the tax liabilities of the Group totalled MCZK 675 (31. 12. 2021: MCZK 336), the Group paid income tax advances totalling MCZK 356 (31. 12. 2021: MCZK 504), and tax paid abroad amounted to MCZK 63 (31. 12. 2021: MCZK 85).

25 Deferred tax liability/asset

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes, the Group uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2022 and 2021 the tax rate in the Czech Republic was 19%). The income tax rate applicable in the country of the subsidiary's registered office was 25.8% (2021: 25%) for the Netherlands.

The recognised deferred tax assets and liabilities consist of the following items:

MCZK	31. 12. 2022	31. 12. 2021
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	21	23
Deferred tax asset from financial assets at fair value through other comprehensive income	317	48
Deferred tax asset from loans and advances to customers	11	40
DEFERRED TAX ASSETS	**349**	**111**
Deferred tax liabilities		
Deferred tax liability from penalty interest to loans and advances to customers	(10)	(22)
Deferred tax liability from intangible assets	(4)	(2)
DEFERRED TAX LIABILITIES	**(14)**	**(24)**
NET DEFERRED TAX ASSETS	**335**	**99**
NET DEFERRED TAX LIABILITIES	**–**	**(12)**

No changes in the tax rate applicable to the deferred tax calculation occurred in 2022. There was no unrecognised item related to deferred tax.

The analysis of the movements of deferred tax is as follows:

MCZK	Total
At 1 January 2022	87
Deferred tax income/(expense) recognised in Profit or Loss	140
Deferred tax income/(expense) recognised in Other comprehensive income	108
AT 31 DECEMBER 2022	**335**
At 1 January 2021	80
Deferred tax income/(expense) recognised in Profit or Loss	(137)
Deferred tax income/(expense) recognised in Other comprehensive income	144
AT 31 DECEMBER 2021	**87**

The difference between the deferred tax income/expense recognised in other comprehensive income and the year-over-year change in the balance of deferred tax assets/liabilities from financial assets at fair value through other comprehensive income relates to the recognition of the expected credit losses to debt instruments measured at FVOCI in profit or loss against the fair values reserve in equity, see note 3.8.

26 Other assets

MCZK	31. 12. 2022	31. 12. 2021
Cash collateral to payment cards	166	161
Trade receivables	143	57
Clearing with securities market	28	25
Prepaid expenses and accrued revenues	102	64
Other	5	78
Loss allowance	(9)	(9)
TOTAL	**435**	**376**

27 Deposits from banks

MCZK	31. 12. 2022	31. 12. 2021
Payable on demand (loro accounts)	523	385
Cash collateral to derivatives	6,974	2,667
Repo operations	16,483	38,281
TOTAL	**23,980**	**41,333**

28 Deposits from customers

MCZK	31. 12. 2022	31. 12. 2021
Payable on demand	88,394	57,392
Term deposits	45,198	35,999
Repo operations	76,541	51,334
Cash collateral to derivatives	204	367
TOTAL	**210,337**	**145,092**

MCZK	31. 12. 2022	31. 12. 2021
Financial institutions*	83,532	73,898
Public sector	40,173	28,293
Non-financial institutions	46,773	24,200
Households/individuals	8,220	5,114
Holding companies	31,639	13,587
TOTAL	**210,337**	**145,092**

* Holding companies excluded

29 Debt securities issued

	Interest	Maturity	31. 12. 2022 MCZK	31. 12. 2021 MCZK
Investment certificates	fixed	2022-2025	**5,117**	4,321
Investment certificates	variable		**-**	90
TOTAL			**5,117**	**4,411**

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2022 and 2021.

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

MCZK	Debt securities issued	Lease liabilities	Total
At 1 January 2022	**4,411**	**100**	**4,511**
Net increase/(decrease) in cash and cash equivalents			-
Lease payments	-	(21)	(21)
Changes in lease liabilities	-	4	4
Proceeds from issue of debt securities	1,845	-	1,845
Repayment of debt securities issued	(1,139)	-	(1,139)
Other	10	-	10
Net cash from financing activities	**716**	**(17)**	**699**
Interest expense	225	3	228
Interest paid	(235)	(3)	(238)
AT 31 DECEMBER 2022	**5,117**	**83**	**5,200**
At 1 January 2021	**3,122**	**103**	**3,225**
Net increase/(decrease) in cash and cash equivalents			-
Lease payments	-	(20)	(20)
Changes in lease liabilities	-	17	17
Proceeds from issue of debt securities	2,471	-	2,471
Repayment of debt securities issued	(1,181)	-	(1,181)
Other	(32)	-	(32)
Net cash from financing activities	**1,258**	**(3)**	**1,255**
Interest expense	159	2	161
Interest paid	(128)	(2)	(130)
AT 31 DECEMBER 2021	**4,411**	**100**	**4,511**

31 Financial liabilities at fair value through profit or loss

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2022	31. 12. 2021
Negative fair value of derivatives:		
Interest rate contracts	16,579	15,132
Currency contracts	3,065	2,278
Repo operations	2,413	-
Liabilities from short sales of securities	8,363	10,222
TOTAL	**30,420**	**27,632**

32 Provisions

The development of provisions is disclosed in the following table:

MCZK	Provisions for guarantees provided	Legal provisions	Other provisions	Total
Provisions at 1 January 2022	26	129	18	173
Creation	96	14	1	111
Use	-	(2)	-	(2)
Release	(86)	-	-	(86)
PROVISIONS AT 31 DECEMBER 2022	**36**	**141**	**19**	**196**
Provisions at 1 January 2021	15	130	17	162
Creation	82	1	1	84
Use	-	(2)	-	(2)
Release	(71)	-	-	(71)
PROVISIONS AT 31 DECEMBER 2021	**26**	**129**	**18**	**173**

In 2022, legal provisions are mainly for an incidental application filed by an insolvency practitioner in the case of an alleged ineffective legal act of the debtor vis-à-vis the Group in the amount of MCZK 118 (31. 12. 2021: MCZK 118). Out-of-court negotiations are ongoing.

33 Other liabilities

MCZK	31. 12. 2022	31. 12. 2021
Liabilities from clearing	193	390
Payables to suppliers	251	220
Lease liabilities	83	100
Accrued expenses and deferred income	73	106
Blocked and escrow accounts	72	68
Other liabilities to employees	24	24
Social and health insurance	9	6
Other payables	86	75
TOTAL	**791**	**990**

34 Lease liabilities

MCZK	31. 12. 2022	31. 12. 2021
Lease liabilities	83	100
Current	20	20
Non-current	63	80
Interest on lease liabilities	4	2

The Group leases branch and office premises under operating leases.

Variable lease payments depend on the consumer price index set by the Czech Statistical Office, payments are updated annually as at 1 January.

The lease liabilities are recognised under the item "Other liabilities" in the statement of financial position, for details see note 33. Interest on lease liabilities are recognised in the income statement in the line item "Interest and similar income", for details see note 7.

Maturity analysis – contractual undiscounted cash flows:

MCZK	31. 12. 2022	31. 12. 2021
Less than one year	20	21
Between one and five years	63	82
More than five years	-	-
TOTAL	**83**	**103**

35 Repurchase and reverse repurchase agreements

The Group purchases financial instruments under reverse repurchase agreements. The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

Assets purchased under reverse repurchase agreements were as follows:

MCZK	Carrying amounts of receivables	Fair value of assets held as collateral
Assets at 31 December 2022:		
Cash and cash equivalents	150,008	147,497
Financial assets at fair value through profit or loss	2,508	4,304
Assets at 31 December 2021:		
Cash and cash equivalents	123,167	121,001
Financial assets at fair value through profit or loss	10,810	10,604

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. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

MCZK	Carrying amounts of liabilities	Fair value of assets given as collateral
Liabilities at 31 December 2022:		
Deposits from customers	76,541	73,470
Deposits from banks	16,483	17,405
Financial liabilities at fair value through profit or loss	2,413	4,310
Liabilities at 31 December 2021:		
Deposits from customers	51,334	50,749
Deposits from banks	38,281	39,580

36 Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2022

MCZK	Gross amounts in assets, in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	17,871	17,871	17,871	(7,069)	-	10,802
Reverse repurchase agreements	152,516	152,516	-	-	(151,801)	715
TOTAL	**170,387**	**170,387**	**17,871**	**(7,069)**	**(151,801)**	**11,517**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2022

MCZK	Gross amounts in liabilities in statement of financial position	Net amounts in statement of financial position	Potential effects o f netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	(12,727)	(12,727)	(12,727)	5,851	-	(6,876)
Repurchase agreements	(95,437)	(95,437)	-	-	95,184	(253)
TOTAL	**(108,164)**	**(108,164)**	**(12,727)**	**5,851**	**95,184**	**(7,129)**

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2021

MCZK	Gross amounts in assets, in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	14,856	14,856	14,856	(2,980)	-	11,876
Reverse repurchase agreements	133,977	133,977	-	-	(131,605)	2,372
TOTAL	**148,833**	**148,833**	**14,856**	**(2,980)**	**(131,605)**	**14,248**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2021

MCZK	Gross amounts in liabilities in statement of financial position	Net amounts in statement of financial position	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
			Financial instruments	Cash collateral received	Non-cash financial collateral provided	
Derivatives held for trading	(13,025)	(13,025)	(13,025)	4,841	-	(8,184)
Repurchase agreements	(89,615)	(89,615)	-	-	90,329	-
TOTAL	**(102,640)**	**(102,640)**	**(13,025)**	**4,841**	**90,329**	**(8,184)**

The Group uses repurchase agreements and master netting agreements as a means of reducing the credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

The Group accepts and provides collateral in the form of cash and marketable securities for the following transactions:

– derivatives;
– repurchase agreements, reverse repurchase agreements.

This collateral is subject to standard market conditions, including the ISDA credit support annex. This means that securities accepted/provided as collateral may be pledged or sold during the transaction period, but must be returned upon maturity of the transaction.

Derivative transactions under the ISDA and similar framework agreements do not meet the criteria for compensation in the statement of financial position as, for both counterparties, they create a right to set off recognised amounts that is enforceable only in the event of default, insolvency or bankruptcy of the Group or counterparties or further to other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or settle assets and liabilities simultaneously.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in the hands of the lender as collateral in case the borrower defaults in any obligations. Offsetting effects from repurchase agreements are disclosed in the column “Non-cash financial collateral received/pledged”. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction, the value is capped at the level of the carrying amount. The remaining position may be secured by cash collateral.

37 Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2022:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2021:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

Holders of ordinary shares are entitled to declared dividends and have the right to vote at the General Meeting of the Bank in the amount of 26,025 votes, or 7,000 votes per share, respectively. All ordinary shares have the same rights to the Bank's residual assets.

The shareholder structure as at 31 December 2022 and as at 31 December 2021 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings a.s.	Czech Republic	554,711	715	92.96%
Hlavní město Praha	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
Total		**576,393**	**769**	**100.00%**

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Bank as at 31 December 2022 or 31 December 2021.

The Bank has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares. All shares of the Bank were fully paid. The share premium amounts to MCZK 412 (31. 12. 2021: MCZK 412).

38 Translation reserve

MCZK	31. 12. 2021	31.12.2020
Translation reserve	(16)	(5)
TOTAL	**(16)**	**(5)**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of PPF Co3 B.V.

39 Fair value reserve

MCZK	31. 12. 2022	31. 12. 2021
Fair value reserve	(594)	(136)
TOTAL	**(594)**	**(136)**

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income and a loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income, until the assets are derecognised.

40 Dividends paid

The following dividends were paid by the Group in 2022.

MCZK	2022
CZK 5,048.85 per registered share with a nominal value of CZK 2,602.5 per share	970
CZK 1,358.00 per registered share with a nominal value of CZK 700 per share	522
TOTAL	**1 492**

No dividends were paid in 2021.

41 Proposed allocation of net profit for the year

The Group proposes to allocate its profit as follows

MCZK	Net profit for the year
Net profit for the year 2022	2,736
Proposed allocation of profit for 2022:	
Dividend payout	(1,298)
Transfer to retained earnings	(1,438)

42 Off-balance sheet items

Commitments and contingent liabilities

Guarantees and credit commitments are subject to the same procedures within the standard lending process, in terms of credit risk monitoring and regulation of the Group's credit activity.

MCZK	31. 12. 2022	31. 12. 2021
Guarantees issued	1,612	1,135
Undrawn credit commitments	14,965	12,569
Irrevocable credit commitments	4,328	2,572
Revocable credit commitments	10,637	9,997
TOTAL	**16,577**	**13,704**

The total outstanding contractual commitments to extend the credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

A credit risk analysis and a detailed overview of provisions are disclosed in note 44.1.

Values under custody or administration

MCZK	31. 12. 2022	31. 12. 2021
Values under custody or administration	123,620	167,188
TOTAL	**123,620**	**167,188**

The values represent debt and equity securities accepted by the Group to provide custody or administration services.

Derivatives

MCZK	Notional value		Positive fair value		Negative fair value	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Derivatives						
Interest rate swaps	287,803	363,935	16,526	14,363	(16,551)	(14,937)
Interest rate forwards	-	89,793	-	9	-	(192)
Interest rate futures	28	2,101	13	12	(28)	(3)
FX/Cross-currency swap	139,524	94,476	2,800	1,295	(2,223)	(1,277)
FX forwards	19,569	23,314	238	437	(837)	(810)
FX options purchase	122	6,927	5	191	-	-
FX options sale	122	7,035	-	-	(5)	(191)
			19,582	**16,307**	**(19,644)**	**(17,410)**

Residual maturity of derivatives

The following table represents expected cash outflows and inflows related to derivatives:

MCZK	At 31 December 2022				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(12,302)	(105,382)	(130,180)	(106,034)	(353,898)
Currency derivatives	(81,700)	(43,765)	(33,675)	-	(159,140)
Inflow					
Interest derivatives	12,386	105,496	129,998	106,017	353,897
Currency derivatives	81,357	43,808	33,928	-	159,093
NET POSITION	**(259)**	**157**	**71**	**(17)**	**(48)**

MCZK	At 31 December 2021				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(11,032)	(104,339)	(144,115)	(196,481)	(455,967)
Currency derivatives	(62,334)	(45,206)	(24,560)	-	(132,100)
Inflow					
Interest derivatives	11,016	104,341	144,102	196,370	455,829
Currency derivatives	62,331	44,935	24,486	-	131,752
NET POSITION	**(19)**	**(269)**	**(87)**	**(111)**	**(486)**

43 Fair value disclosures

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in which each fair value measurement is categorised.

MCZK	As at 31 December 2022				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	158,707	-	158,707	158,707
Financial assets at amortised cost	14,575	147	-	14,722	15,049
Loans and advances to banks	-	4,971	5,870	10,841	10,836
Loans and advances to customers	-	602	44,257	44,859	45,109
Financial liabilities					
Deposits from banks	-	23,980	-	23,980	23,980
Deposits from customers	-	210,000	-	210,000	210,337
DEBT SECURITIES ISSUED	**-**	**5,049**	**-**	**5,049**	**5,117**

MCZK	As at 31 December 2021				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	127,050	-	127,050	127,050
Loans and advances to banks	-	5,522	-	5,522	5,522
Loans and advances to customers	-	137	42,597	42,734	43,061
Financial liabilities					
Deposits from banks	-	41,333	-	41,333	41,333
Deposits from customers	-	144,809	-	144,809	145,092
DEBT SECURITIES ISSUED	**-**	**4,288**	**-**	**4,288**	**4,411**

The major methods and assumptions used in estimating the fair values of financial instruments shown in the table are summarised below.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and cash equivalents
For cash and cash equivalents the carrying value is deemed to be equal to the fair value.

Loans and advances to banks
Loans and advances with banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Loans and advances to customers
Loans and advances are net of loss allowances. The estimated fair value of loans and advances represents the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine the fair value. For loans and advances that will mature or be renewed within twelve months, the fair value was deemed to be equal to the carrying value.

Deposits from banks
Deposits from banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Deposits from customers
The estimated fair value of deposits is the discounted amount of estimated future cash flows. Expected cash flows are discounted at current market rates to determine their fair value.

Debt securities issued
For issued debt securities, the fair value is calculated based on market inputs.

The following table analyses financial assets and liabilities recognised at fair value based on the quality of entry data used for valuation. The fair value levels are defined in note 3.4:

MCZK	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	10,925	11	11	10,947
Reverse repo operations	-	2,508	-	2,508
Derivatives held for trading	-	19,582	-	19,582
Financial assets at fair value through other comprehensive income	22,155	2,565	124	24,844
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,363	-	-	8,363
Repo operations	-	2,413	-	2,413
Derivatives held for trading	-	19,644	-	19,644

MCZK	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	9,650	46	-	9,696
Reverse repo operations	-	10,810	-	10,810
Derivatives held for trading	12	16,295	-	16,307
Financial assets at fair value through other comprehensive income	20,487	2,407	-	22,894
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	10,222	-	-	10,222
Derivatives held for trading	3	17,407	-	17,410

The following table states the transfers of financial assets recognised at fair value to and from Level 3:

MCZK	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance as at 1 January 2022		-	-
Profit and loss from revaluation		-	-
In profit or loss		-	-
In other comprehensive income		-	-
Purchases		-	-
Sales		-	-
Transfers into Level 3	11	124	135
Transfers out of Level 3		-	-
Transfers between portfolios		-	-
BALANCE AS AT 31 DECEMBER 2022	**11**	**124**	**135**

In 2022, there was a transfer of financial assets at fair value through profit or loss in the amount of MCZK 11 and financial assets at fair value through other comprehensive income in the amount of MCZK 124 into Level 3 due to the non-existence of markets for these bonds. In 2021, there were no transfers of financial assets recognised at fair value to or from Level 3.

44 Risk management disclosure

This section provides details of the Group's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Group is exposed are:

– credit risk;
– liquidity risk;
– market risk;
– operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

44.1 Credit risk

Credit risk management

The Group is exposed to credit risks in relation to its business activities. Credit risks are managed at the individual business case, client and entire portfolio level. The Credit Risk Management department, part of the Risk Management division, is primarily responsible for the management of credit risks. The Credit Risk Management department is independent of the Sales division in terms of organisation and reports directly to the member of the Board of Directors in charge of the Risk Management division.

The Group's risk management strategy, risk appetite and other internal standards define the general principles, objectives and methods of its credit risk management. In its internal norms, the Group also defines competences for the approval of credit exposures and for the Credit Committee.

Managing credit risk at individual business case or client level

At the individual business case or client level, credit risk is managed by assessing and evaluating such risk through credit analysis and the determination of a client's creditworthiness. To assess a client's risk and credit status, the Group applies a comprehensive set of tools, models and methods, which make up the Group's rating scheme. When determining the rating of individual clients, the Group assesses financial and non-financial aspects as well as its economic position. An entity's rating is defined as its ability and will to meet its short-term and long-term liabilities.

The aim of the analysis is to prevent any losses the Group may incur as a result of the client's failure. In practice, this means estimating the risk arising from the ability to meet short-term and long-term liabilities and assessing the long-term financial stability of the client.

When determining a rating, the Group also specifies the likelihood of a client's default and what the expected loss relating to the Group's potential engagement in respect to the client may be.

An internal rating is assigned to each client constituting a credit risk to the Group, i.e. representing an exposure in both the investment and the trading portfolios. The exposures evaluated include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 ratings (A1-A4, B1-B6, C1-C4). Clients with default receivables must always be assigned one of the C2-C4 grades. The Group has plotted this internal scale to reflect the rating scales of prominent external rating agencies. Below is a table showing the indicative pairing of the risk level with external ratings.

	Internal rating	External rating
Very low risk	A1	AAA-AA
Low to fair risk	A1-A4	A-BBB
Medium risk	B1-B6	BB-B
High risk	C1	CCC
Default	C2-C4	CC and lower

Credit risk management at the entire portfolio level

This credit risk management level primarily comprises credit portfolio reporting, including analyses and monitoring of trends in individual credit portfolios. The Group closely monitors its overall credit risk exposure and thus considers all its balance sheet and off-balance sheet exposures. The Group regularly monitors its credit exposure in individual industries, segments, countries and economically connected groups of debtors. The Group regularly measures the credit portfolio concentration risk and, where necessary, sets concentration limits for individual segments, countries and economically connected groups of debtors.

Credit risk management of the consumer loan portfolio
As for consumer loans, credit risk is managed by setting qualitative and quantitative criteria that receivables must meet upon purchase for the portfolio. The criteria used in particular include qualitative criteria applied to the debtor (the debtor is not in insolvency, meets all qualitative criteria of the original creditor, number of instalments paid, maximum number of days past due, interest calculation method, minimum applicable interest rate, number of remaining instalments or maximum concentration per debtor). Subsequently, the migration of the receivables portfolio between the delinquency bands is regularly monitored. Findings regarding credit risk developments may be taken into account when adjusting the criteria for further purchases.

Classification of receivables, assessment of impairment losses
The Group classifies receivables into the following categories:

- performing receivables (without the default of the debtor);
- non-performing receivables (debtor in default).

The Group assesses the impairment loss on performing receivables at an amount equal to the 12-month expected credit losses (stage 1 under IFRS9) or to the lifetime expected credit losses (stage 2 under IFRS9).

The Group assesses the impairment loss on non-performing receivables at an amount equal to the lifetime expected credit losses (stage 3 under IFRS). To determine the impairment loss, the Group applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Group writes off a receivable when it does not expect any income from the receivable or from received collateral related to such a receivable.

Loans in the PPF Co3 B.V. portfolio of consumer loans provided in Hungary are written off by the Group when any amount of the receivable is more than 360 days past due.

The Group completely writes off loans in the PPF Co3 B.V. portfolio of consumer loans provided in Russia when they are more than 180 days past due.

The Group partially writes off loans in the PPF Co3 B.V. portfolio of consumer loans provided in Bulgaria, at the amount of the expected credit loss, when any amount of a receivable is more than 360 days past due. The Group writes off loans in this portfolio completely when they are more than 1,080 days past due.

PPF Co3 B.V. is not the original provider of the consumer loans. Either the consumer loans were purchased from the original provider or PPF Co3 B.V. participates in the consumer loans via investment certificates issued by the original provider.

Set out below is an analysis of the gross and net (of loss allowances for impairment) carrying amounts (or fair value where applicable) of financial assets as at year end. The amounts represent the Group's maximum exposure to credit risk.

The tables analysing changes in loss allowance/provision in the respective categories present the development of loss allowance/provision during the year. These were affected by various factors during the year, such as:

- a change in the stage of a financial asset (see below - an increase or decrease in a loss allowance/provision within the scope of a transfer, as reported in the values of a loss allowance/provision corresponding to the appropriate stage);
- the emergence of new assets (i.e. the recognition of a new loss allowance/provision reported at the stage under which a financial asset was classified at the end of the accounting period);
- the derecognition or write-off of financial assets (i.e. the derecognition of the corresponding loss allowance/provision);
- a change in the PD/EAD/LGD of individual financial assets (i.e. an increase or decrease in the loss allowance/provision);
- a change in the calculation methodology, a modification of the cash flows of financial assets, or a change in the exchange rates of financial assets (and loss allowance/provision) in foreign currencies during the year.

The Group did not recognise any financial asset in 2022 or 2021 that has been modified since initial recognition and transferred from stage 2 or 3 (the loss allowance measured at an amount equal to lifetime expected credit losses) to stage 1 (the loss allowance measured at an amount equal to 12-month expected credit losses).

In 2022 and 2021, the Group accounted for modifications; the profit (loss) from the modification was insignificant, both individually and on aggregate.

Financial assets at fair value through other comprehensive income (excluding equity instruments designated at fair value through other comprehensive income)

MCZK	Fair value	
	31. 12. 2022	31. 12. 2021
Debt instruments	24,622	22,684
TOTAL	**24,622**	**22,684**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	17,399	-	-	-	17,399
Low to fair risk	1,636	-	-	-	1,636
Medium risk	4,720	743	-	-	5,463
High risk	-	124	-	-	124
Default	-	-	-	-	-
FAIR VALUE	**23,755**	**867**	-	-	**24,622**
Loss allowance	(45)	(892)	-	-	(937)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	13,362		-	-	13,362
Low to fair risk	2,779		-	-	2,779
Medium risk	5,722	821	-	-	6,543
High risk	-	-	-	-	
Default	-	-	-	-	-
FAIR VALUE	**21,863**	**821**	-	-	**22,684**
Loss allowance	(53)	(31)	-	-	(84)

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income is presented in the equity line item “Fair value reserve”.

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	53	31	–	–	84
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	(7)	465	–	–	458
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	5	–	–	–	5
Changes in PD/LGD/EADs, unwind of discount	–	435	–	–	435
Derecognition of financial asset	(6)	(5)	–	–	(11)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	(34)	–	–	(34)
NET CHANGE IN 2022	**(8)**	**861**	–	–	**853**
Loss allowance as at 31. 12. 2022	45	892	–	–	937

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	93	67	–	–	160
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	4	(26)	–	–	(22)
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	19	–	–	–	19
Changes in PD/LGD/EADs, unwind of discount	(54)	(2)	–	–	(56)
Derecognition of financial asset	(7)	(6)	–	–	(13)
Write-offs	–	–	–	–	–
Changes to methodologies	–	(3)	–	–	(3)
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	(2)	1	–	–	(1)
NET CHANGE IN 2021	**(40)**	**(36)**	–	–	**(76)**
Loss allowance as at 31. 12. 2021	53	31	–	–	84

Financial assets at amortised cost

MCZK	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Debt instruments	15,049	-	15,049	-	-	-
TOTAL	**15,049**	-	**15,049**	-	-	-

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	14,899	-	-	-	14,899
Low to fair risk	150	-	-	-	150
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
GROSS CARRYING AMOUNT	**15,049**	-	-	-	**15,049**
Loss allowance	-	-	-	-	-
NET CARRYING AMOUNT	**15,049**	-	-	-	**15,049**

Cash and cash equivalents (excl. cash on hand) and loans and advances to banks

MCZK	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Nostro account balances	3,444	(5)	3,439	2,418	-	2,418
Balances with the central bank	5,197	-	5,197	1,435	-	1,435
Reverse repo with the central bank	150,008	-	150,008	123,167	-	123,167
Loans and advances to banks	10,917	(81)	10,836	5,526	(4)	5,522
TOTAL	**169,566**	**(86)**	**169,480**	**132,546**	**(4)**	**132,542**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	154,514	-	-	-	154,514
Low to fair risk	14,200	-	-	-	14,200
Medium risk	518	252	-	-	770
High risk	-	9	-	-	9
Default	-	-	73	-	73
GROSS CARRYING AMOUNT	**169,232**	**261**	**73**	-	**169,566**
Loss allowance	(8)	(5)	(73)	-	(86)
NET CARRYING AMOUNT	**169,224**	**256**	-	-	**169,480**

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	124,576	–	–	–	124,576
Low to fair risk	5,877	–	–	–	5,877
Medium risk	1,808	285	–	–	2,093
High risk	–	–	–	–	–
Default	–	–	–	–	–
GROSS CARRYING AMOUNT	**132,261**	**285**	–	–	**132,546**
Loss allowance	(4)	–	–	–	(4)
NET CARRYING AMOUNT	**132,257**	**285**	–	–	**132,542**

The Group did not report any accrued interest to individually impaired loans and advances to banks as at 31 December 2022 and 2021.

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	4	–	–	–	4
Transfers between stages:					
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	4	6	–	–	10
Changes in PD/LGD/EADs, unwind of discount	(2)	–	75	–	73
Derecognition of financial asset	–	–	–	–	–
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	2	(1)	(2)	–	(1)
NET CHANGE IN 2022	**4**	**5**	**73**	–	**82**
Loss allowance as at 31. 12. 2022	8	5	73	–	86

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	24	–	–	–	24
Transfers between stages:					
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	–	–	–	–	–
Changes in PD/LGD/EADs, unwind of discount	(9)	–	–	–	(9)
Derecognition of financial asset	(10)	–	–	–	(10)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	(1)	–	–	–	(1)
NET CHANGE IN 2021	**(20)**	–	–	–	**(20)**
Loss allowance as at 31. 12. 2021	4	–	–	–	4

Loans and advances to customers

MCZK	31. 12. 2022			31. 12. 2021		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	46,143	(1,034)	45,109	44,241	(1,180)	43,061
TOTAL	**46,143**	**(1,034)**	**45,109**	**44,241**	**(1,180)**	**43,061**

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individual					
Very low risk	1,211	-	-	-	1,211
Low to fair risk	685	-	-	-	685
Medium risk	36,914	4,153	-	-	41,067
High risk	464	833	-	-	1,297
Default	-	-	456	-	456
Portfolio					
Consumer loans	1,383	14	30		1,427
GROSS CARRYING AMOUNT	**40,657**	**5,000**	**486**	**-**	**46,143**
Loss allowance	(661)	(135)	(238)	-	(1,034)
NET CARRYING AMOUNT	**39,996**	**4,865**	**248**	**-**	**45,109**

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individual					
Very low risk	-	-	-	-	-
Low to fair risk	274	-	-	-	274
Medium risk	33,022	5,708	-	-	38,730
High risk	273	1,453	-	-	1,726
Default	-	-	1,844	-	1,844
Portfolio					
Consumer loans	1,567	21	79		1,667
GROSS CARRYING AMOUNT	**35,136**	**7,182**	**1,923**	**-**	**44,241**
Loss allowance	(250)	(282)	(648)	-	(1,180)
NET CARRYING AMOUNT	**34,886**	**6,900**	**1,275**	**-**	**43,061**

The analysis of the change in provisions in the relevant categories is as follows:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	250	282	648	-	1,180
Transfers between stages:					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(1)	6	-	-	5
Transfer to stage 3	(2)	(2)	26	-	22
New financial assets originated or purchased	311	-	-	-	311
Changes in PD/LGD/EADs, unwind of discount	24	(25)	26	-	25
Derecognition of financial asset	(121)	(126)	(388)	-	(635)
Sale of financial assets	-	-	(6)	-	(6)
Write-offs	-	-	(61)	-	(61)
Changes to methodologies	209	6	-	-	215
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(9)	(6)	(7)	-	(22)
NET CHANGE IN 2022	**411**	**(147)**	**(410)**		**(146)**
Loss allowance as at 31. 12. 2022	661	135	238	-	1,034

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	274	419	1,616	-	2,309
Transfers between stages:					
Transfer to stage 1	2	(7)	-	-	(5)
Transfer to stage 2	(53)	89	-	-	36
Transfer to stage 3	(3)	(3)	10	-	4
New financial assets originated or purchased	308	2	9	-	319
Changes in PD/LGD/EADs, unwind of discount	(216)	(63)	26	-	(253)
Derecognition of financial asset	(55)	(130)	(48)	-	(233)
Sale of financial assets	-	-	(796)	-	(796)
Write-offs	-	-	(129)	-	(129)
Changes to methodologies	1	(5)	-	-	(4)
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(8)	(20)	(40)	-	(68)
NET CHANGE IN 2021	**(24)**	**(137)**	**(968)**	-	**(1,129)**
Loss allowance as at 31. 12. 2021	250	282	648	-	1,180

Accrued interest to credit-impaired loans and advances to customers was reported in the amount of MCZK 54 as at 31 December 2022 (31. 12. 2021: MCZK 59).

Financial assets that are written off but still subject to enforcement activities amounted to MCZK 399 as at December 2022 (31. 12. 2021: MCZK 534).

Analysis of loans and advances to customers by days past due

Loans and advances to customers – individual

MCZK	2022	2021
Gross	44,716	42,574
Performing	44,260	40,730
Due	44,260	40,730
Past due 1-30 days	–	–
Past due 31-90 days	–	–
Past due 91-360 days	–	–
Past due more than 360 days	–	–
Non-performing	456	1,844
Loss allowance	(951)	(1,103)
TOTAL	**43,765**	**41,471**

Loans and advances to customers – portfolio

MCZK	2022	2021
Gross	1,427	1,667
Due	1,211	1,361
Past due 1-30 days	172	207
Past due 31-90 days	14	21
Past due 91-360 days	28	31
Past due more than 360 days	2	47
Loss allowance	(83)	(77)
TOTAL	**1,344**	**1,590**

Loan commitments

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	600	–	–	–	600
Medium risk	14,233	97	–	–	14,330
High risk	26	–	–	–	26
Default	–	–	9	–	9
Gross amount	14,859	97	9	–	14,965
Loss allowance	(32)	–	–	–	(32)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	9,914	2,454	–	–	12,368
High risk	34	162	–	–	196
Default	–	–	5	–	5
Gross amount	9,948	2,616	5	–	12,569
Loss allowance	(18)	–	–	–	(18)

Financial guarantees, letters of credit

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	1,540	27	-	-	1,567
High risk	-	45	-	-	45
Default	-	-	-	-	-
Gross amount	1,540	72	-	-	1,612
Loss allowance	(3)	(1)	-	-	(4)

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	807	266	-	-	1,073
High risk	-	60	-	-	60
Default	-	-	2	-	2
Gross amount	807	326	2	-	1,135
Loss allowance	(5)	(1)	(2)	-	(8)

Set out below is an analysis of changes in provisions to loan commitments, financial guarantees and letters of credit by relevant categories:

MCZK	31. 12. 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2022	23	1	2	-	26
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	55	-	-	-	55
Changes in PD/LGD/EADs, unwind of discount	(32)	-	-	-	(32)
Derecognition of financial asset	(11)	-	(2)	-	(13)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
NET CHANGE IN 2022	**12**	-	**(2)**	-	**10**
Loss allowance as at 31. 12. 2022	35	1	-	-	36

MCZK	31. 12. 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2021	10	1	4	–	15
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	55	–	–	–	55
Changes in PD/LGD/EADs, unwind of discount	(37)	–	–	–	(37)
Derecognition of financial asset	(5)	–	(2)	–	(7)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
NET CHANGE IN 2021	**13**	–	**(2)**	–	**11**
Loss allowance as at 31. 12. 2021	23	1	2	–	26

Other assets – Past due, but not impaired

As at 31 December 2022 the Group reported MCZK 0 of other assets as "Past due, but not impaired" (31. 12. 2021: MCZK: 0).

Sensitivity analysis of loss allowance by relevant categories – Individual

The sensitivity analyses of loss allowance/provision in the relevant categories in the following scenarios are presented below:

– Change (increase/decrease) in the probability of default by 10%;
– Change (improvement/deterioration) in credit rating by one notch according to the Group's internal scale;
– Change (increase/decrease) in the expected development of GDP by 3 percentage points.

Set out below is the analysis of changes in loss allowance/provision which would occur in the event of an increase in PD by 10%:

2022 MCZK	Loss allowance/provision in the baseline scenario	Increase in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	937	944	7	1%
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	86	86	-	1%
Loans and advances to customers	951	1 003	52	5%
Loan commitments, financial guarantees and letters of credit	36	39	3	10%

2021 MCZK	Loss allowance/provision in the baseline scenario	Increase in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	84	93	9	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	4	5	1	10%
Loans and advances to customers	1,103	1,152	49	4%
Loan commitments, financial guarantees and letters of credit	26	29	3	9%

Set out below is the analysis of changes in loss allowance/provision which would occur in the event of a decrease in PD by 10%:

2022 MCZK	Loss allowance/provision in the baseline scenario	Decrease in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	937	930	(7)	(1%)
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	86	85	(1)	(1%)
Loans and advances to customers	951	933	(18)	(2%)
Loan commitments, financial guarantees and letters of credit	36	32	(4)	(10%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Decrease in PD by 10%		
		Loss allowance/provision	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	84	76	(8)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	4	4	-	(10%)
Loans and advances to customers	1,103	1,056	(47)	(4%)
Loan commitments, financial guarantees and letters of credit	26	24	(2)	(9%)

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Group also discloses an analysis of the sensitivity of a loss allowance/provision to changes in credit rating.

2022 MCZK	Loss allowance/provision in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	951	685	(266)	(28%)
Loan commitments, financial guarantees and letters of credit	36	25	(11)	(29%)

2022 MCZK	Loss allowance/provision in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	951	1,112	161	17%
Loan commitments, financial guarantees and letters of credit	36	82	46	128%

2021 MCZK	Loss allowance/provision in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,103	897	(206)	(19%)
Loan commitments, financial guarantees and letters of credit	26	18	(8)	(32%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,103	1,363	260	24%
Loan commitments, financial guarantees and letters of credit	26	48	22	82%

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Group also discloses an analysis of the sensitivity of a loss allowance/provision to changes in forward-looking information, specifically to the change in the expected development of GDP.

2022 MCZK	Loss allowance/provision in the baseline scenario	Increase in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	951	737	(214)	(22%)
Loan commitments, financial guarantees and letters of credit	36	32	(4)	(12%)

2022 MCZK	Loss allowance/provision in the baseline scenario	Decrease in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	951	1,204	253	27%
Loan commitments, financial guarantees and letters of credit	36	41	5	14%

2021 MCZK	Loss allowance/provision in the baseline scenario	Increase in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,103	921	(182)	(17%)
Loan commitments, financial guarantees and letters of credit	26	21	(5)	(20%)

2021 MCZK	Loss allowance/provision in the baseline scenario	Decrease in GDP by 3 p.p. compared to baseline scenario		
		Loss allowance/provision	Absolute difference	Relative difference
Loans and advances to customers	1,103	1,318	215	19%
Loan commitments, financial guarantees and letters of credit	26	32	6	21%

Sensitivity analysis of loss allowance by relevant categories – portfolio

The consumer loans portfolio is subject to estimation uncertainty as identification on an individual contract level is not practical due to the large quantity of such exposures. The Group has estimated the impairment on loans to customers in accordance with the accounting policy described in note 5. Changes in collection estimates could significantly affect the impairment losses recognised. The Group creates collective impairment losses based on the probability of default ("PD") and loss given default ("LGD"). A change in the LGD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2022 by +/- MCZK 8 (2021: +/- MCZK 8). A change in the PD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2022 by +/- MCZK 8 (2021: +/- MCZK 8).

Evaluation of collateral

The Group generally requires collateral before providing loans to certain debtors. However, the Group does not usually require collateral for consumer loans. To reduce gross credit exposure, the Group considers the following to be acceptable types of collateral:

- guarantee;
- pledge on the pledgor's bank account;
- mortgage on an immovable;
- pledge on receivables arising from supplier-customer relations;
- pledge on securities and ownership interest in a corporation;
- pledge on trademarks and other industrial property concepts;
- pledge on an establishment;
- pledge on movables.

The net realisable value of the collateral assessed by the Group is usually based on an opinion prepared by an expert acceptable to the Group. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Group's ability to realise the collateral when necessary including the time factor of the realisation.

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit split according to type of collateral:

MCZK	31. 12. 2022	31. 12. 2021
Guarantees	1,563	1,652
Property	9,682	9,038
Cash collateral	306	381
Other collateral	9,371	11,760
Unsecured	41,798	35,114
TOTAL	**62,720**	**57,945**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit classified as non-performing according to type of collateral

MCZK	31. 12. 2022	31. 12. 2021
Guarantees	83	169
Property	164	906
Cash collateral	–	–
Other collateral	–	–
Unsecured	248	855
TOTAL	**495**	**1,930**

The "Unsecured" category also includes loans and advances to customers, loan commitments, financial guarantees and letters of credit that are secured by collateral, but the Group assigns zero accounting value to the collateral.

Loans with renegotiated terms and the Group's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been significantly modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Group has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The following table shows loans and advances to customers with forbearance:

MCZK	31. 12. 2022	31. 12. 2021
Performing	44,861	41,786
Of which:		
Loans and advances to customers with forbearance:	-	26
Non-performing	248	1,275
Of which:		
Loans and advances to customers with forbearance:	-	866
TOTAL	**45,109**	**43,061**

The following table shows loans and advances to customers with forbearance and without forbearance split by sectors

MCZK	31. 12. 2022	31. 12. 2021
Loans and advances to customers without forbearance:	**45,109**	**42,169**
Residents:		
Financial institutions*	1,982	3,067
Non-financial institutions	17,869	17,190
Households/individuals	100	105
Public sector	1,211	-
Holding companies	2,948	374
Non-residents	20,999	21,433
Loans and advances to customers with forbearance:	**-**	**892**
Residents:		
Financial institutions*	-	-
Non-financial institutions	-	194
Households/individuals	-	-
Public sector	-	-
Holding companies	-	-
Non-residents	-	698
TOTAL	**45,109**	**43,061**

* Holding companies excluded

Concentration of credit risks

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations.

The Group manages the exposure limits in line with the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) so that the Group does not incur an exposure, after taking into account the effect of the credit risk to a client or group of connected clients the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value must not exceed 25% of the institution's eligible capital or EUR 150 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in relation to all connected clients that are not institutions, does not exceed 25% of the institution's eligible capital.

The Group calculates the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Concentration of credit risks according to economic sector/industry

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial institutions*	10, 836	5,522	8,419	8,901	2,589	3,564
Public sector	-	-	1,211	-	42,996	23,614
Non-financial institutions	-	-	22,397	21,765	3,983	4,677
Real estate	-	-	8,707	7,569	372	416
Production and distribution of electricity, gas and heat	-	-	3,481	3,134	605	594
Wholesale and retail	-	-	1,464	822	440	613
Accommodation	-	-	1,278	1,040	-	-
Other	-	-	7,467	9,200	2,566	3,054
Households/individuals	-	-	1,452	1,706	-	-
Holding entities	-	-	11,630	10,689	784	525
TOTAL	**10, 836**	**5,522**	**45,109**	**43,061**	**50,352**	**32,380**

* Holding entities excluded.

Concentration of credit risk according to geographical areas by country of risk

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Czech Republic	8,673	2,110	26,388	26,245	45,069	24,724
Slovak Republic	-	-	3,173	635	579	649
Netherlands	-	-	793	794	119	131
Other EU countries	1,663	2,254	2,614	2,642	662	1,140
Russian Federation	-	-	-	47	135	1,005
Asia	-	16	10,974	12,527	1,338	1,327
North America	-	-	1,051	-	1,445	1,975
Other	500	1,142	116	171	1,005	1,429
TOTAL	**10,836**	**5,522**	**45,109**	**43,061**	**50,352**	**32,380**

44.2 Liquidity risk

The liquidity risk represents the Group's risk of incurring losses due to momentary insolvency. The Group may also suffer a loss as a result of low liquidity in the market for the financial instruments included in the Group's portfolios. The liquidity risk threatens the Group's funding and investment needs. Market liquidity risk represents the risk of not being able to liquidate financial instruments quickly enough, or in sufficient volume and for reasonable prices. If the conditions are not favourable, this risk may substantially worsen the Group's position.

The Group has access to diverse sources of funds, which comprise deposits and other savings, loans accepted and equity. This diversification makes the Group flexible and limits its dependency on any one financing source. The Group regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy, which is approved by the Board of Directors. The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Residual maturity of the Group's assets and liabilities

The following table shows the carrying amounts of the Group's assets and liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Cash and cash equivalents	158,707	-	-	-	-	158,707
Financial assets at fair value through profit or loss	3,724	2,367	11,419	15,261	266	33,037
Financial assets at fair value through other comprehensive income	13	4,475	14,593	5,541	222	24,844
Financial assets at amortised cost	150	173	5,063	9,663	-	15,049
Loans and advances to banks	7,468	-	3,368	-	-	10,836
Loans and advances to customers	12,455	8,400	23,734	520	-	45,109
Other assets	52	-	-	-	1,020	1,072
TOTAL	**182,569**	**15,415**	**58,177**	**30,985**	**1,508**	**288,654**
Deposits from banks	22,963	1,017	-	-	-	23,980
Deposits from customers	203,437	6,895	5	-	-	210,337
Debt securities issued	676	1,201	3,240	-	-	5,117
Financial liabilities at fair value through profit or loss	3,657	1,980	11,452	13,331	-	30,420
Other liabilities and provisions	907	255	81	-	-	1,243
Shareholders' equity	-	-	-	-	17,557	17,557
TOTAL	**231,640**	**11,348**	**14,778**	**13,331**	**17,557**	**288,654**
At 31 December 2021						
Cash and cash equivalents	127,050	-	-	-	-	127,050
Financial assets at fair value through profit or loss	11,645	1,968	4,011	19,189	-	36,813
Financial assets at fair value through other comprehensive income	140	414	11,007	11,123	210	22,894
Loans and advances to banks	5,232	-	290	-	-	5,522
Loans and advances to customers	6,343	13,970	17,307	5,441	-	43,061
Other assets	307	214	-	-	564	1,085
TOTAL	**150,717**	**16,566**	**32,615**	**35,753**	**774**	**236,425**
Deposits from banks	24,083	17,250	-	-	-	41,333
Deposits from customers	138,041	1,854	5,197	-	-	145,092
Debt securities issued	933	863	2,615	-	-	4,411
Financial liabilities at fair value through profit or loss	873	1,497	7,830	17,432	-	27,632
Other liabilities and provisions	950	15	210	-	-	1,175
Shareholders' equity	-	-	-	-	16,782	16,782
TOTAL	**164,880**	**21,479**	**15,852**	**17,432**	**16,782**	**236,425**

The negative position of the liquidity gap up to 3 months is mainly caused by current accounts and customer deposits. Based on the historical data analysis these deposits are expected to be extended.

Residual maturity of the Groups's off-balance-sheet items

The following table shows the maturity of the Group's off-balance sheet assets based on the date on which the commitments provided can be drawn or the guarantees provided can be claimed.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Commitments provided	14,965	–	–	–	–	14,965
Guarantees provided	480	–	–	–	–	480
TOTAL	**15,445**	–	–	–	–	**15,445**
At 31 December 2021						
Commitments provided	12,569	–	–	–	–	12,569
Guarantees provided	323	–	–	–	–	323
TOTAL	**12,892**	–	–	–	–	**12,892**

The following table shows undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Deposits from banks	23,074	1,044	–	–	–	24,118
Deposits from customers	203,625	6,968	5	–	–	210,598
Debt securities issued	678	1,230	3,672	–	–	5,580
Financial liabilities at fair value through profit or loss	2,452	56	4,722	5,283	–	12,513
Derivatives	1,209	1,924	7,048	9,463	–	19,644
TOTAL	**231,038**	**11,222**	**15,447**	**14,746**	–	**272,453**
At 31 December 2021						
Deposits from banks	24,129	17,429	–	–	–	41,558
Deposits from customers	138,093	1,917	5,264	–	–	145,274
Debt securities issued	937	897	2,843	–	–	4,677
Financial liabilities at fair value through profit or loss	22	59	3,357	8,322	–	11,760
Derivatives	851	1,438	4,658	10,462	–	17,409
TOTAL	**164,032**	**21,740**	**16,122**	**18,784**		**220,678**

44.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, 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.

The Group buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management department.

Trading
The Group holds trading positions in certain financial instruments. The majority of the Group's business activities are based on the requirements of its customers. These positions are also held for the purpose of speculation on the future development of financial markets. The Group's business strategy is thus affected by speculative expectation and market creation and its goal is to maximise net income from trading.

The Group manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transactions and risk position limits.

Stress testing
The Group carries out daily stress testing of interest rates, currency risks and changes in prices of equity instruments by applying internally defined improbable scenarios and simulating their impact on the net present value of the Group's portfolio.

44.3.1 Currency risk

Currency risk is the risk of a change in the value of a financial instrument due to a change in the exchange rates.

Assets and liabilities denominated in foreign currencies, including off-balance sheet instruments, represent the Group's exposure to exchange rate risk. Realised and non-realised exchange rate gains and losses are stated directly in the profit and loss statement.

The Group has set currency risk limits based on its net currency exposure in individual currencies according to their significance. The Group also sets a limit with respect to the total net currency exposure.

Currency risk exposure

MCZK	CZK	EUR	USD	INR	RUB	Other	Total
At 31 December 2022							
Financial assets	239,816	32,345	10,366	3,527	4	1,748	287,806
Financial liabilities	200,030	51,892	14,141	102	4	4,241	270,410
FX derivatives	(22,582)	19,954	3,087	(3,677)	-	3,172	(46)
NET EXPOSURE	**17,204**	**407**	**(688)**	**(252)**	**-**	**679**	
At 31 December 2021							
Financial assets	193,215	25,179	11,439	3,827	62	1,901	235,623
Financial liabilities	179,234	32,417	6,338	122	36	941	219,088
FX derivatives	1,225	7,525	(5,087)	(3,889)	11	(135)	(350)
NET EXPOSURE	**15,206**	**287**	**14**	**(184)**	**37**	**825**	

The table below shows the sensitivity of the (pre-tax) income statement to currency risk for foreign currencies significantly represented in the Group's balance sheet as at 31 December 2022 and 2021:

MCZK	2022			2021		
	Net position in foreign currency	5% exchange rate increase	5% exchange rate decrease	Net position in foreign currency	5% exchange rate increase	5% exchange rate decrease
EUR	407	20	(20)	287	14	(14)
USD	(688)	(34)	34	14	-	-
INR	(252)	(13)	13	(184)	(9)	9
RUB	-	-	-	37	1	(1)
GBP	667	33	(33)	574	29	(29)
HUF	(18)	(1)	1	108	5	(5)

The change in the exchange rate of the CZK to foreign currencies had no effect on the Group's equity components other than the annual profit.

44.3.2 Interest rate risk

The interest rate risk is the risk of a change in the value of a financial instrument due to a change in market interest rates.

The Group is exposed to interest rate risks resulting from the different maturity or renewal period of interest rates and the different amounts of interest bearing assets and liabilities in these periods. Interest rate management activities are intended to optimise the net interest income of the Group in accordance with the strategy approved by its Board of Directors.

Part of the Group's income is generated by the difference between interest rate sensitive assets and liabilities, which is summarised in the table below.

Interest sensitivity of the Group's assets and liabilities

The following table shows the carrying amounts of the Group's financial assets and liabilities on the basis of their earliest possible repricing.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2022						
Cash and cash equivalents	158,707	-	-	-	-	158,707
Financial assets at fair value through profit or loss	3,724	2,367	11,419	15,261	266	33,037
Financial assets at fair value through other comprehensive income	744	15,609	6,433	1,836	222	24,844
Financial assets at amortised cost	150	173	5,063	9,663	-	15,049
Loans and advances to banks	7,836	-	3,000	-	-	10,836
Loans and advances to customers	23,203	11,278	10,628	-	-	45,109
Other assets	52	-	-	-	1,020	1,072
TOTAL	**194,416**	**29,427**	**36,543**	**26,760**	**1,508**	**288,654**
Deposits from banks	22,963	1,017	-	-	-	23,980
Deposits from customers	203,437	6,895	5	-	-	210,337
Debt securities issued	676	1,201	3,240	-	-	5,117
Financial liabilities at fair value through profit or loss	3,657	1,980	11,452	13,331	-	30,420
Other liabilities and provisions	907	255	81	-	-	1,243
Shareholders' equity	-	-	-	-	17,557	17,557
TOTAL	**231,640**	**11,348**	**14,778**	**13,331**	**17,557**	**288,654**
Gap	(37,224)	18,079	21,765	13,429	(16,049)	-
Cumulative gap	(37,224)	(19,145)	2,620	16,049	-	-
At 31 December 2021						
Cash and cash equivalents	127,050	-	-	-	-	127,050
Financial assets at fair value through profit or loss	11,645	4,068	3,731	17,369	-	36,813
Financial assets at fair value through other comprehensive income	532	7,587	8,884	5,681	210	22,894
Loans and advances to banks	5,522	-	-	-	-	5,522
Loans and advances to customers	19,926	15,012	5,091	3,032	-	43,061
Other assets	307	214	-	-	564	1,085
TOTAL	**164,982**	**26,881**	**17,706**	**26,082**	**774**	**236,425**
Deposits from banks	24,083	17,250	-	-	-	41,333
Deposits from customers	138,041	1,854	5,197	-	-	145,092
Debt securities issued	933	863	2,615	-	-	4,411
Financial liabilities at fair value through profit or loss	873	1,497	7,830	17,432	-	27,632
Other liabilities and provisions	950	15	210	-	-	1,175
Shareholders' equity	-	-	-	-	16,782	16,782
TOTAL	**164,880**	**21,479**	**15,852**	**17,432**	**16,782**	**236,425**
Gap	102	5,402	1,854	8,650	(16,008)	-
Cumulative gap	102	5,504	7,358	16,008	-	

The carrying amounts of assets and liabilities are recorded either in the period in which they are due or in the period in which the interest rate changes, whichever occurs earlier.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged.

Effective interest rate

The effective interest rate on significant categories of financial assets and liabilities of the Group as at 31 December 2022 and 2021 were as follows:

In % p.a.	2022	2021
Financial assets		
Cash and cash equivalents	6.62	3.38
Financial assets at fair value through profit or loss	4.46	2.97
Financial assets at fair value through other comprehensive income*	5.41	2.95
Financial assets at amortised cost	1.88	-
Loans and advances to banks	4.95	1.81
Loans and advances to customers	7.43	4.74
Financial liabilities		
Deposits from banks	5.00	2.04
Deposits from customers	3.06	0.57
Debt securities issued	6.61	4.29
Financial liabilities at fair value through profit or loss*	2.61	1.75

* The effective interest rate is calculated from debt securities, repo and reverse repo operations only.

Apart from the gap analysis as indicated above, the Group monitors its exposure to interest rate risk by Basis Point Value (BPV) and stress testing. Both of these methods measure the potential impact on the Group's overall position or shift of interest rate yield curves.

Basis point value

Basis point value measures how much monetary positions of the Group will gain or lose for a 100 basis point (1.00%) movement in the yield curve in terms of fair value changes. Therefore, it quantifies the Group's interest rate risk for changes in interest rates.

"Trading book" means the portfolio of all positions in financial instruments held by the Group with trading intent, in accordance with the definition of a trading book under Article 4(1)(86) of Regulation (EU) No 575/2013. A banking book contains all positions that are not included in the trading book.

As at 31 December 2022, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(454)	21
EUR	261	(25)
USD	(118)	1
GBP	(4)	-
HUF	2	-
INR	(2)	-
TOTAL BPV (ABSOLUTE)	**841**	**47**

As at 31 December 2021, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(9)	(97)
EUR	57	28
USD	(202)	31
GBP	(5)	(1)
HUF	1	–
INR	–	–
TOTAL BPV (ABSOLUTE)	**274**	**157**

The data in the table above is assessed primarily on an individual basis, taking into account the data of the subsidiary.

Stress testing

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in significant currencies with respect to the Group in related yield curves. The analysis of the Group's trading book sensitivity to an increase or decrease in market interest rates in terms of fair value changes (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

MCZK	2022		2021	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
Impact on profit or loss as at 31 December	(3)	3	(38)	38
Average for the period	(26)	26	50	(50)
Maximum for the period	88	173	226	121
Minimum for the period	(173)	(88)	(121)	(226)

The data in the table above is assessed primarily on an individual basis, taking into account the data of the subsidiary.

The Group uses yield curve shifts to monitor and measure interest rate risk in the banking book in order to track the potential impact of changes in market interest rates. The baseline analysis addresses the sensitivity of net interest income and the economic value of equity and is based on stress scenarios for investment portfolio interest rate risk management in accordance with European Banking Authority Guidelines EBA/GL/2018/02, which anticipate shifts and changes in the shape of the yield curve. The Group also performs stress testing based on a parallel 200 basis point shift in the yield curve.

The table below shows the sensitivity of the banking book to changes in interest rates:

MCZK	31 December 2022	31 December 2021
Change in annual net interest income		
Impact of +200 bp interest rate movement	(423)	(152)
Impact of -200 bp interest rate movement	411	(153)
Change in the economic value of equity		
Impact of +200 bp interest rate movement	(1,404)	(697)
Impact of -200 bp interest rate movement	624	387

The data in the table above is assessed primarily on an individual basis, taking into account the data of the subsidiary.

The change in the annual net interest income shows the impact of interest rate movements on net interest income over a 12-month horizon. The change in the economic value of equity shows the impact of interest rate movements on the difference between the present value of assets and liabilities. The results presented are in line with the methodology described in the EBA/GL/2018/02 Guidelines.

44.3.3 Equity risk

The equity risk is the risk of a change in the value of a financial instrument due to a change in market prices of equities or equity-related instruments.

The Group is exposed to equity risk resulting from open positions in equities or equity-related instruments in accordance with the strategy approved by its Board of Directors.

44.3.4 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Group is only exposed to immaterial settlement risk as most of its transactions are settled in a delivery-versus-payment manner.

44.4 Operational risk

44.4.1 Operational risks

The Operational Risk Management department is responsible for managing operational risks, i.e. the risks of losses caused by deficiencies in or failures of internal processes, the human factor or systems, or from losses caused by external factors, including legal risk. Operational risk excludes strategic and reputational risk.

Operational risks are usually the cause of an increase in the Group's expenses, a decrease in the Group's income, fines, penalties, damage, loss of the Group's tangible and intangible assets and the failure of information systems.

The Operational Risk Management department prepares the operational risk management methodology, identifies, monitors, measures and assesses the operational risks, and proposes measures to mitigate the operational risks. As part of operational risk management, it is further responsible for physical security. The Information Security Management department ensures the management of the security management system of information systems. Both units thus jointly identify and monitor, measure and assess physical and information security, and prepare the methodology for the management and mitigation of the risks.

The Operational Risk Management department manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages the risk in terms of arranging supplies of banking services, the launch of new products, and the utilisation of outsourcing by the Group. It also manages models, frauds, insurance and legal risk. The Operational Risk Management department also regularly informs the management and relevant employees about operational risks and significant events that have arisen. Furthermore, it secures training for employees on the identification, reporting and handling of operational risks.

The management and employees in charge of managing operational risks within a division or department are also involved in the management of operational risks. After an operational risk is identified, they propose and arrange the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In proposing the measures to mitigate operational risk, they also assess the impact on Bank‘s expenses and income.

44.4.2 Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts, insufficient documentation, and changes in the regulatory environment, including accepted case-law and uncertainties in counterparties' acts. The aim is to reduce the risk of loss, the risk of possible or questionable claims against the Group, or penalties, including damage to the Group's reputation.

The Compliance department performs activities aimed at harmonising the Group's internal policies and processes with external regulations. The main compliance activities are to ensure the compliance of internal guidelines with external standards, the mutual compliance of internal guidelines, the compliance of the Group's activities with internal guidelines and external standards, and the ongoing monitoring of compliance with legal obligations and responsibilities arising from the internal regulations of the Group, to establish preconditions for achieving this harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Group and its employees compared to customers, to prevent conflicts of interest, and to mitigate acts which would result in market abuse. It also engages in anti-money laundering activities and activities combating the financing of terrorism (AML-CFT), and runs checks on these activities and handles claims and complaints.

If compliance activities are not performed directly by the Compliance department, they are delegated to another department of the Group, the Group's managers or the Group's employees, with the Compliance department acting as coordinator.

The Group's managers are responsible for creating conditions for the internal and external regulations to be adhered to. They are also responsible for issuing internal policies governing the activities they are in charge of and they are also obliged to check whether the external regulations and internal policies are observed by subordinates.

44.5 Climate change risks

The Group increasingly faces climate-related risks and opportunities related to the transition to a low-carbon economy. During 2022, the Group spent considerable time collecting data to assess the risks associated with climate change which could impact the portfolio differently, depending on factors such as sector, geographic location and duration.

Climate change risks impact key risk categories such as credit, liquidity, market and operational risk. The Group classifies climate change risks into two main categories:

- physical risks; and
- transition-related risks.

Physical risks arise from acute climate events (windstorms, tornadoes, floods and fires) and long-term changes in climate phenomena (sustained warmer temperatures, heat waves, droughts and rising sea levels).

Transition risks arise as a result of measures taken to mitigate the impacts of climate change and the transition to a low-carbon economy (changes in laws and regulations, litigation due to failure to mitigate or adapt, or changes in supply and demand for certain commodities, products and services).

The impact of physical and transition risks on the broader macroeconomic environment, including macroeconomic variables such as GDP and unemployment rates, is currently difficult to predict. We expect the most significant impacts of climate change to occur in the medium to long term. However, it is important to monitor the speed and scale of these issues and consider their potential impacts.

Considering the nature of its business model, the Group assesses climate-related risk factors on a case-by-case basis as part of its regular monitoring of borrower performance and regular collateral valuation and eligibility.

44.6 Capital management

Regulatory capital

The reporting of the Group's regulatory capital on a consolidated basis (for the Bank and its subsidiaries) is not required because, since 2015, reporting and capital management has been carried out at the regulated consolidated group of PPF Financial Holdings B.V.

45 Related-party transactions

As at 31 December 2022, the parent company of the Bank is PPF Financial Holdings a.s., with its registered office in the Czech Republic, Prague, Evropská 2690/17, postal code: 16000, registration number: 10907718, the parent company of PPF Financial Holdings a.s. is PPF Group N.V., with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 33264887.

The Bank considered the transactions with its parent company, PPF Financial Holdings a.s. and its parent company PPF Group N.V., and with all their subsidiaries and associates to be related-party transactions.

The related-party transactions also include transactions with its key management personnel, and enterprises with which it has key management personnel in common.

45.1 Transactions with the parent company

The balances stated below are included in the statement of financial position and represented transactions with the parent company:

MCZK	31. 12. 2022	31. 12. 2021
Financial assets at fair value through profit or loss	-	24
Other assets	-	1
Deposits from customers	(82)	(633)
Other liabilities	-	(1)
TOTAL	**(82)**	**(609)**

The Group neither accepted nor provided guarantees related to the above-mentioned transactions.

The figures stated below are included in the statement of comprehensive income and represented transactions with the parent company:

MCZK	2022	2021
Interest and similar income	2	1
Interest expense and similar charges	(43)	-
Fee and commission income	2	2
Net income from financial operations	1	-
Other operating income	1	-
TOTAL	**(37)**	**3**

45.2 Transactions with other related parties

The balances stated below are included in the statement of financial position and represented transactions with other related parties:

MCZK	31. 12. 2022	31. 12. 2021
Cash and cash equivalents	7	31
Financial assets at fair value through profit or loss	563	922
Financial assets at fair value through other comprehensive income	30	-
Loans and advances to banks	6,234	1,648
Loans and advances to customers	12,812	14,313
Other assets	21	52
Deposits from customers	(38,208)	(30,139)
Deposits from banks	(638)	(409)
Financial liabilities at fair value through profit or loss	(4,407)	(2,352)
Provisions	(1)	(3)
Other liabilities	(123)	(140)
TOTAL	**(23,710)**	**(16,077)**

The figures stated below are included in the statement of comprehensive income and represented transactions with other related parties:

MCZK	2022	2021
Interest and similar income	1,288	1,101
Interest expense and similar charges	(271)	(25)
Fee and commission income	309	403
Fee and commission expense	(1)	(1)
Net income from financial operations	(2,493)	(773)
Net impairment losses on financial assets	(57)	(179)
Other operating income	2	4
Other general administrative expenses	(387)	(140)
TOTAL	**(1,610)**	**390**

45.3 Key management personnel

The balances stated below are included in the statement of financial position and represented transactions with key management personnel:

MCZK	31. 12. 2022	31. 12. 2021
Financial liabilities at fair value through profit or loss	-	(1)
Deposits from customers	(146)	(83)
TOTAL	**(146)**	**(84)**

The above payables consist mainly of term deposits and balances of current accounts with the Group.

The balances stated below are included in the statement of other comprehensive income and represented transactions with key management personnel:

MCZK	2022	2021
Interest expense and similar charges	(3)	-
Fee and commission income	1	-
Net income from financial operations	(2)	(1)
General administrative expenses	(49)	(61)
TOTAL	**(53)**	**(62)**

General administrative expenses consist of salaries and remuneration of the Group's key management personnel, described in detail in note 10.

45.4 Credit commitments and guarantees provided

As a related-party transaction, as at 31 December 2022 the Group provided a credit commitment to related parties of MCZK 9,704 (31. 12. 2021: MCZK 8,004), a guarantee commitment and a guarantee in the amount of MCZK 0 (31. 12. 2021: MCZK 0).

46 Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes, except for the following:

One bond, with a nominal value of USD 10 million and exposed to risk associated with the Russian Federation, matured in February 2023; the Group had held this in its portfolio of financial assets measured at fair value through other comprehensive income as at 31 December 2022. The principal and coupon were paid in RUB to a special account held at Home Credit & Finance Bank. As that account is subject to Russian counter-sanctions and cannot be disposed of by the Group, a provision for 100% of the exposure has been created.

All other corporate bonds in this portfolio that carried a Russian Federation risk were successfully sold by the Group in February 2023. The sales were above the values of these bonds recorded in the Group's books as at 31 December 2022, i.e. they had a positive impact on the Group's earnings in the first quarter of 2023.

Persons Responsible for the Annual Report and the Examination of the Financial Statements

Affirmation

I declare that the disclosures in the Presentation section of the Annual Report of PPF banka a.s. for 2022 are accurate and that no material circumstances have been neglected or distorted.

Petr Jirásko
Chairman of the Board of Directors

I declare that the disclosures in the Financial section of the Annual Report of PPF banka a.s. for 2022 are accurate and that no material circumstances have been neglected or distorted.

Miroslav Hudec
Managing Director of Financial Management

V Praze dne 12 April 2023

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