

PPF BANIKKA 2020

Annual Report 2020

A market
player since

1992

Net profit
of CZK

1.133 billion

CZK

621 million paid to the state
in corporate income tax
and contributions

Securities
transactions
worth of CZK

430.6 billion

A wealth of

experience, expertise
and know-how

2

nd place
in the Czech finance
ministry's ranking
of primary dealers in Czech
government bonds

Contents

Chairman's Statement	4	Independent Auditor's Report	41
Introduction to PPF banka	8	Separate Financial Statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS)	47
Corporate Profile	10	Notes to the Separate Financial Statements for the year ended 31 December 2020	51
Important Developments during 2020	12	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 2020	113
Key Non-Consolidated Financial Indicators	16	Consolidated Entities	154
Board of Directors Report on the Company's Business Activities and Assets	18	Key Consolidated Financial Information	155
Macroeconomic Developments in the Czech Republic	19	Independent Auditor's Report	156
Financial Performance in 2020	20	Consolidated Financial Statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS)	163
PPF banka's Business Activities in 2020	22	Notes to the Consolidated Financial Statements for the year ended 31 December 2020	167
Activity on Financial Markets	22	Persons Responsible for the Annual Report and the Examination of the Financial Statements	231
Corporate Banking and the Public Sector	23	Contacts	232
Private Banking for Individuals	24		
Information Technology and Information System Security	24		
Our People	26		
Remuneration of Senior Management and Supervisory Board Members	27		
Audit and Non-audit Services	28		
Good Causes	28		
Other Information	29		
Risk Management Objectives and Methods	29		
Subsequent Events	29		
Proposal for the Distribution of Profit for 2020	29		
Corporate Governance	30		
Organisational Structure as at 31 December 2020	37		

Chairman's Statement

Dear Shareholders, Clients, Business Partners, and Colleagues,

The year 2020, scarred by the COVID-19 pandemic, was one of the toughest in PPF banka's history. We often hear that, because of the pandemic, the world will never be the same again. So let me start by expressing the wish that this change will prove positive for us in both our personal and professional lives.

If I were to sum up what we have achieved in this challenging year, I would say that there are a whole raft of activities and steps that we can be proud of. An assessment by the Ministry of Finance of the Czech Republic ranked us second among primary dealers of Czech government bonds. We helped the Czech state to underwrite CZK 108 billion in government bonds. We became a direct participant in the TARGET2 payment system. We launched a new internet banking service for our clients, and we have a mobile application in the pipeline that we will be introducing in 2021. We allocated CZK 5.5 billion for business support under the COVID III and COVID Plus schemes. We completed our CRM project and started developing our own applications. We changed the structure of employee benefits so that they would encourage a healthy lifestyle and responsible approach to life for our employees, and we successfully transitioned to working from home virtually overnight.

Our results exceeded our expectations. Even in this very difficult year, we managed to make a net profit of CZK 1,133 million and significantly strengthened the Bank's capitalisation by increasing the total capital ratio by 6.2 percentage points to 24.5%.

We backed numerous corporate social responsibility projects and activities. We contributed to the activities of The Kellner Family Foundation and the PPF Foundation. We helped to fund the operation of Pipan, the bilingual nursery school for the hearing impaired. We were able to donate COVID-19 test kits to the City of Prague, and in doing so contributed to the fight against a pandemic affecting the entire world.

I thank everyone for what we have achieved together in 2020 – our shareholders for their continued support, our clients and business partners for their unwavering trust, and our employees for their daily verve in keeping us moving forwards.

I look forward to all the challenges and successes that 2021 has in store for us.



Petr Jirásko
Chairman of the Board of Directors
and Chief Executive Officer



MANI 2 3/4 02/26/2026 REGS Corp | ALLQ | Related Functions Menu | Message

2 3/4 02/26/26 € **107.000** **+.063** 106.696 / 107.304 1.466 / 1.354
 At 9:56 --X-- Source BGN

2 3/4 02/26/26 Corp Settings • Buy Sell Legend

ALLX Mode Overlay Axes Split Bid/offer @ CBOT 106.583 / 106.615 -0.685 / -0.690

Firm Name	Bid Px / Ask Px	Bid Yld / Ask Yld	B5z(MM) x ASz(MM)	Time
FIT COMPOSITE	106.704 / 107.305	1.464 / 1.354	x	09:56
BVAL (Score: 10)	106.902 / 107.221	1.429 / 1.369	x	09:00
EXCHANGE TRADED	106.670 / 107.660	1.471 / 1.289	.1x.1	09:00
Last Trade	107.175	--	--	09:55
UBS BOND PORT	105.670 / 107.880	1.656 / 1.240	.1x.1	09:56
CITIGROUP EM	107.000 / 107.375	1.410 / 1.341	1x1	09:56
TSAF OTC	106.949 / 107.360	1.419 / 1.344	2x2	09:56
UniCredit Bank AG	106.875 / 107.375	1.433 / 1.341	1x1	09:55
Jefferies	106.875 / 107.375	1.433 / 1.341	5x5	09:56
UBS Investment BK.	106.813 / 107.188	1.444 / 1.375	1x1	09:55
Raiffeisen Bank Intl	106.804 / 107.304	1.446 / 1.354	1x1	09:56
ING EMEA Credits	106.803 / 107.303	1.447 / 1.355	1x1	09:56
Goldman Sachs Credit	106.800 / 107.300	1.451 / 1.350	3x3	09:56
Societe Generale EM	106.777 / 107.328	1.456 / 1.364	1x1	09:56
BNP Paribas EM	106.750 / 107.251	1.456 / 1.364	.1x.1	09:56
IMI AUTO EX	106.750 / 107.250	1.464 / 1.354	1x1	09:56
DEKABANK	106.708 / 107.308	1.473 / 1.345	.5x.5	09:56
Helaba ET Trading	106.667 / 107.367	1.479 / 1.341	.5x.095	09:56
Morgan Stanley EM	106.625 / 107.375	1.482 / 1.298	1x1	09:56
DZ BANK	106.613 / 107.613	1.501 / 1.318	1x1	09:56
ERSTE BANK ETRADING	106.503 / 107.503	1.487 / 1.359		09:56
JPMorgan LDN AutoEx	106.500 / 107.250			09:56

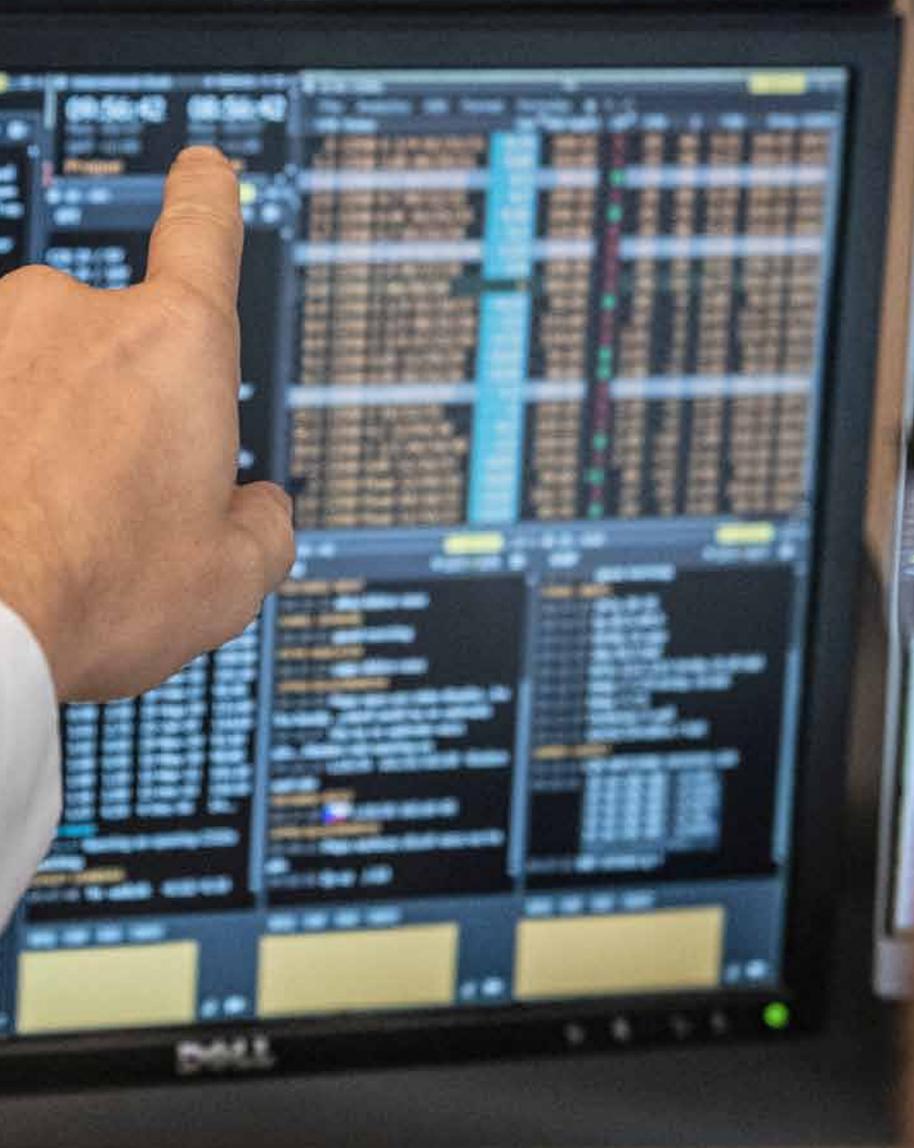
QMGF Monitor OTC quotes for an FE security

Activity Feed

Time	Symbol	Price	Volume
09:56	UBS BOND PORT	107.000	100
09:56	CITIGROUP EM	107.000	100
09:56	TSAF OTC	107.000	100
09:56	UniCredit Bank AG	107.000	100
09:56	Jefferies	107.000	100
09:56	UBS Investment BK.	107.000	100
09:56	Raiffeisen Bank Intl	107.000	100
09:56	ING EMEA Credits	107.000	100
09:56	Goldman Sachs Credit	107.000	100
09:56	Societe Generale EM	107.000	100
09:56	BNP Paribas EM	107.000	100
09:56	IMI AUTO EX	107.000	100
09:56	DEKABANK	107.000	100
09:56	Helaba ET Trading	107.000	100
09:56	Morgan Stanley EM	107.000	100
09:56	DZ BANK	107.000	100
09:56	ERSTE BANK ETRADING	107.000	100
09:56	JPMorgan LDN AutoEx	107.000	100

Order Book

Order ID	Price	Quantity	Time
1001	107.000	100	09:56
1002	107.000	100	09:56
1003	107.000	100	09:56
1004	107.000	100	09:56
1005	107.000	100	09:56
1006	107.000	100	09:56
1007	107.000	100	09:56
1008	107.000	100	09:56
1009	107.000	100	09:56
1010	107.000	100	09:56



Introduction to PPF banka

We are a bank for unique clients

We are a modern 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 project, export and acquisition financing services.

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, manage financial assets and secure project financing 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.

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 15,414 million
Total assets	CZK 169,723 million
Shares:	registered, dematerialised shares maintained in the Central Securities Depository Prague

Note: figures valid as at 31 December 2020

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 company from the PPF Financial Group, becomes the majority shareholder and a strategic partner
- 2003 — full integration into PPF Group
- 2004 — renamed PPF banka a.s.

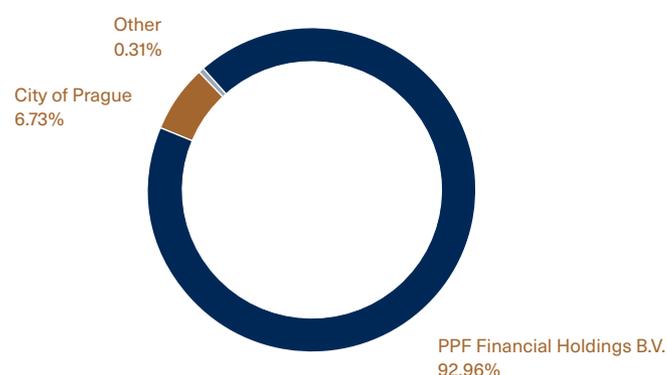
Objects of business

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 is a member of:

- Czech Banking Association;
- Czech Institute of Internal Auditors;
- Union of Banks and Insurance Companies;
- Chamber of Commerce of the City of Prague;
- Prague Stock Exchange;
- Chamber for Economic Relations with the CIS;
- 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/documents/1811-annual-reports>

Important Developments during 2020

We ranked second among primary dealers of Czech government bonds in 2020

The record levels at which government bonds were issued posed a major challenge for us. The primary dealers we were up against included large global banks (such as J.P. Morgan AG and Citibank Europe plc) and the biggest domestic banks, supported by their foreign parent companies (Česká spořitelna, a.s., KB, a.s., and ČSOB, a.s.). PPF banka may be one of the smaller primary dealers in sheer size, but it has consistently been ranked among the top three by the Ministry of Finance of the Czech Republic.

We were involved in significant bond issues

We were the co-manager, for example, of PPF Telecom Group bonds totalling EUR 1,000 million. As arranger, lead co-manager and collateral agent, we assisted Heureka FinCo CZ with bonds totalling CZK 3,200 million. In our role as arranger, lead manager and distributor, we were responsible for investment certificates with underlying assets in the form of PPF Group members' debt totalling the equivalent of CZK 2,559 million. Finally, as lead manager and arranger, we were involved in bonds and investment certificates (private placements) equivalent to a total of CZK 2,342 million.

We became a direct participant in the TARGET2 payment system

We did this by opening and maintaining a EUR account in a foreign settlement-finality payment system, i.e. the TARGET2-SK system operated by the National Bank of Slovakia. As a result, we can process our clients' express euro transfers within the EEA in real time. Direct participation in TARGET2 is a prerequisite for us to join the STEP2 payment system for the processing of SEPA payments, which will make us more independent of correspondent banks in the execution of euro transfers.

We launched our new Internet Banking

Our new Internet Banking (IB) was launched earlier than we had announced to our clients (the original launch date was meant to be 4 January 2021). In the new IB, payment cards are displayed more clearly and can be changed online, the account display – including the graphics showing balance movements and income and outgoings – has been improved, it is easier for users to handle payment orders, the way statements are displayed is more user friendly, the best available security is deployed, there is a smart payment form, users can create and manage a list of their business partners' banking details and payment order templates, and the printing and export options have been expanded, to name just a few enhancements.

We were involved in COVID III and COVID Plus

Even as the business world is being plagued by the fallout from the coronavirus epidemic, we remain a trusted partner our clients can rely on. Therefore, in order to support the business of our regular and new clients, we set aside several billion crowns for lending under the COVID III and COVID Plus schemes.

We donated COVID-19 test kits

We donated COVID-19 test kits to the City of Prague. We are pleased that, by providing these medical supplies, we have been able to contribute to the fight against the global COVID-19 pandemic.

We completed CRM 2.0

This project has made a major contribution to the digitalisation of the Bank's internal customer care processes and armed it with effective tools for high-quality data and document management. It was followed by a series of smaller projects designed to make full use of the Microsoft Dynamics platform, which is our central architectural pillar in this area.

We started developing in-house applications based on MicroServices technologies

This allows us to shorten turnaround times in selected areas and provide system support for market-unique processes and products. This project required the introduction of Enterprise Architecture (EA), enabling us to significantly improve the management of new features and optimise existing solutions. The main benefit of EA, however, is that it gives us active management of the overall IT architecture in order to ensure the high availability and stability of services, their security and cost-effectiveness.

We made further progress in digitalising internal operations and processes

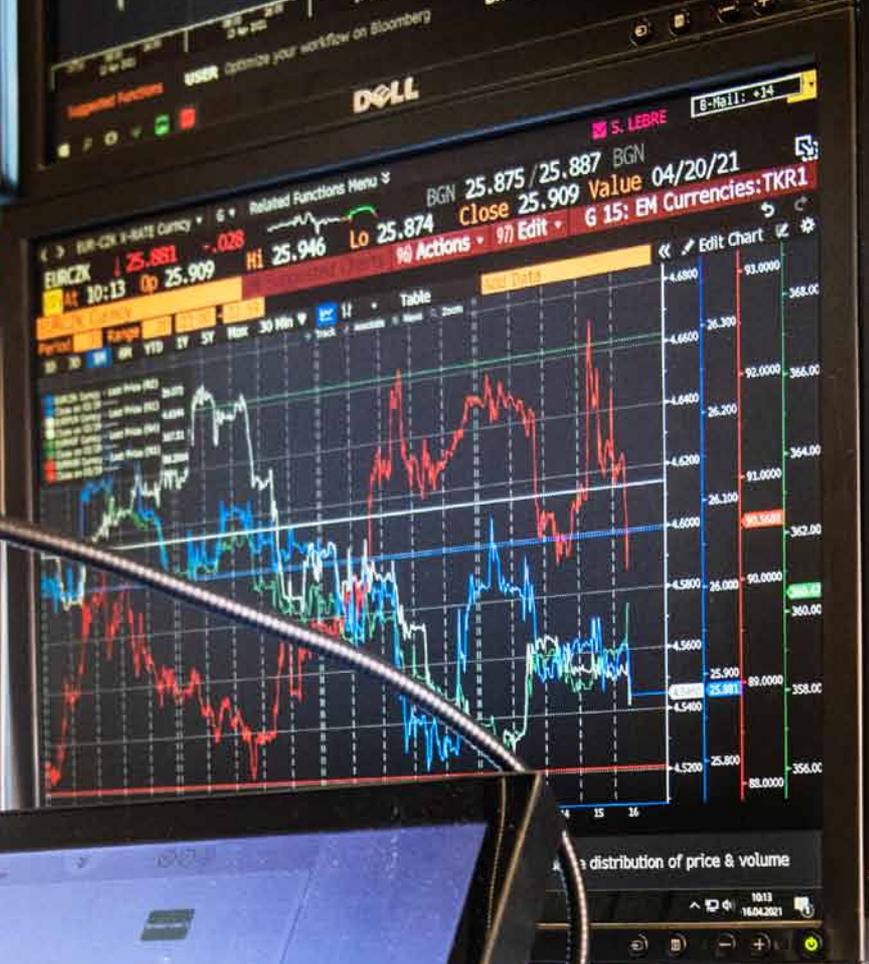
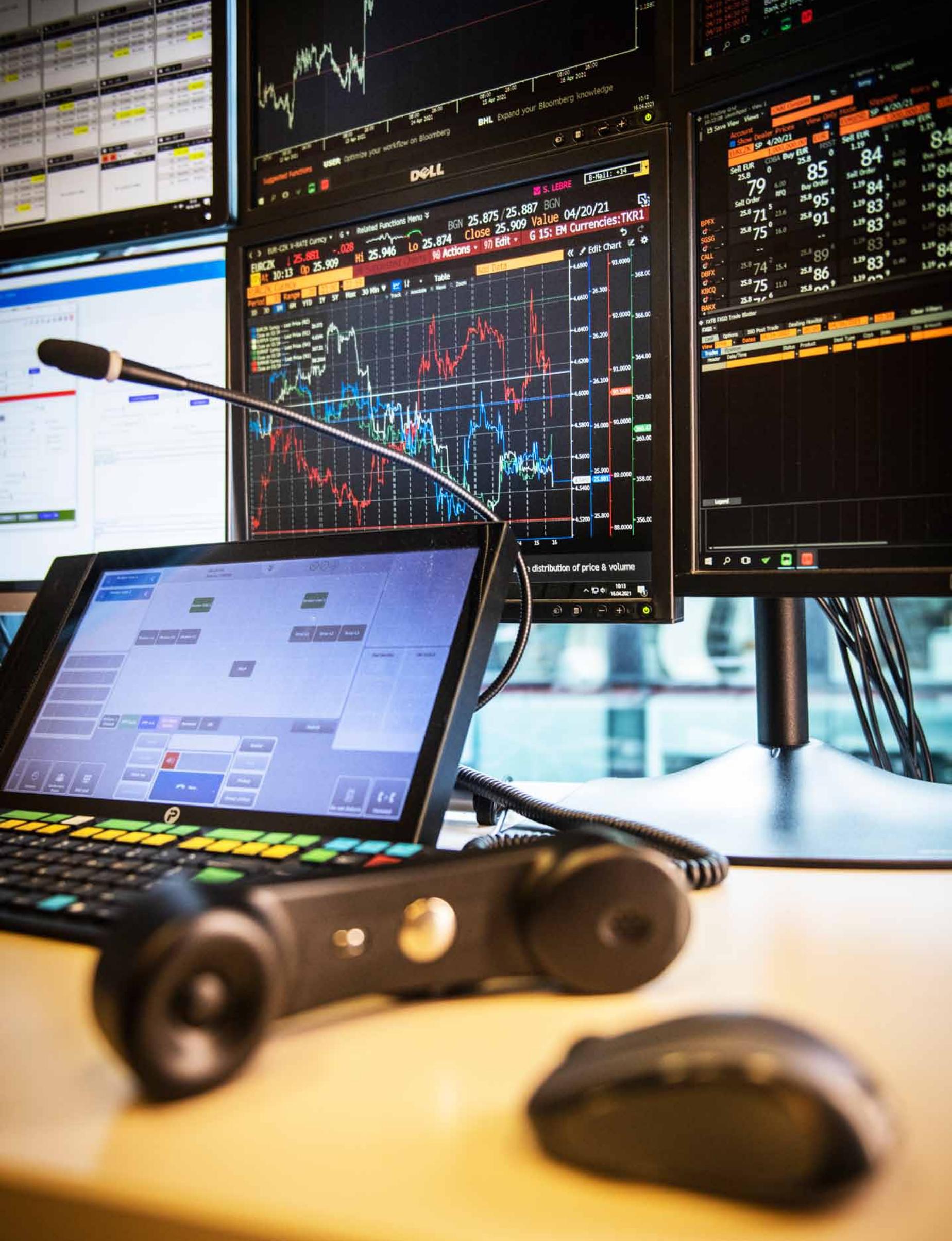
Internally, we implemented modern online collaboration tools such as Microsoft Teams. The technologies we deployed are easing integration with other banking systems and facilitating the overall digitalisation process. Reaping the benefits of our previous automation of personnel processes, we made more documents available to employees online.

We strengthened the Bank's security

In IT regulation and IT security, the European Banking Authority's Guidelines on ICT and Security Risk Management entered into force, and the National Cyber and Information Security Agency identified the Bank as an essential service operator under Act No 181/2014 on cybersecurity.

We changed the structure of employee benefits in order to provide meaningful benefits with enduring value

We started to provide premium health care across 38 specialisations, including a 24/7 online chat with a doctor. We doubled the contribution we make to supplementary pension insurance and private pension plans as a way of encouraging our employees to take a responsible approach to life. We introduced an additional five days off on top of the 25 days' annual leave already in place so that our people can spend more time doing what they enjoy. We appreciate our employees' loyalty – we have started to reward employees for every five years of work for us (and the PPF Group). Responding to the latest events, where possible we are pursuing an emergency flexi-office policy.



Account: SP 4/20/21

Symbol	Price	Volume	Type	Order Price	Order Volume
SP	25.8	0	Buy	25.8	0
SP	25.8	0	Sell	25.8	0
SP	25.8	0	Buy	25.8	0
SP	25.8	0	Sell	25.8	0
SP	25.8	0	Buy	25.8	0
SP	25.8	0	Sell	25.8	0
SP	25.8	0	Buy	25.8	0
SP	25.8	0	Sell	25.8	0
SP	25.8	0	Buy	25.8	0
SP	25.8	0	Sell	25.8	0

Table showing market data for various symbols (BPIX, SSGG, CALL, DBFX, KBCQ, BARK) with columns for Bid, Ask, and Volume.



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

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

Key non-consolidated economic factors

under International Financial Reporting Standards (IFRS)

(CZK millions)	2020	2019
Assets		
Cash and balances with central banks	90,096	156,713
Financial assets at fair value through profit or loss	19,291	7,166
Financial assets at fair value through other comprehensive income	19,314	17,551
Receivables from banks	4,130	3,636
Receivables from customers	35,745	41,109
Ownership interests	237	132
Other assets	910	651
Total assets	169,723	226,958
Equity and liabilities		
Deposits from banks	1,933	25,743
Deposits from customers	131,462	172,805
Debt securities issued	3,122	3,536
Financial liabilities at fair value through profit or loss	16,710	9,054
Other liabilities	1,082	1,525
Registered capital	769	769
Other components of equity	14,645	13,526
Total equity and liabilities	169,723	226,958
Income statement		
Net interest income	3,292	4,112
Net fee and commission income	209	130
Net gain on trading and dividend income	759	(433)
General administrative expenses	(817)	(907)
Impairment losses	(1,750)	74
Other operating profit or loss	(382)	(347)
Income tax expense	(178)	(541)
Profit or loss for the year	1,133	2,088
Key ratios		
Non-performing client loans/total client loans	8.26%	6.79%
Total capital ratio	24.47%	18.27%
ROAA	0.51%	1.00%
ROAE	7.51%	16.00%
Assets per employee (CZK millions)	707	966
Administrative expenses per employee (CZK millions)	3	4
Net profit per employee (CZK millions)	5	9

Information on the Bank's own funds and capital requirements further to the requirements of Articles 437 and 438 of Regulation 575/2013 is presented under "Capital management" in the separate financial statements.

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

Macroeconomic Developments in the Czech Republic

The Czech economy was not spared the consequences of the pandemic in 2020. When the disease began spreading in the Czech Republic in March, the government was quick to respond with a raft of stringent restrictions. These took their toll on the economy, with the initial 2.2% yoy dip in the first quarter morphing into a full-blown 10.7% yoy slump in the second.

Much of the decline could be attributed to suppressed foreign demand. Exports crashed 23.3% in the second quarter, a collapse that the 18% drop in imports was unable to cancel out. Consequently, net foreign trade accounted for almost half (5.1 pp) of the overall decline. Household consumption (down 7.5% yoy) and investment (-4.7% yoy) also tumbled. The deployment of expansionary fiscal policy (1.6% growth yoy) was not enough to offset this downtrend. The momentum of the third-quarter recovery was unprecedented. Overall, GDP soared by 6.9% quarter on quarter in Q3 to end up 5.0% lower year on year. After months of deferred consumption, pent-up demand quickly sent retail sales soaring in June to levels higher than in the same month of the previous year. Industry also rebounded a lot faster than in the previous crisis of 2008/2009 although, compared to retail sales, year-on-year industrial growth was not felt until October, by which time the second wave of the pandemic was starting to swell. In the end it was the automotive industry, which had been hammered most during the first wave of the pandemic, that played a major role in returning industrial production to pre-pandemic levels. In the second wave, measures were phased in little by little so the economic losses were cushioned. Unlike the first wave of the pandemic, industrial production was not shuttered. Instead, losses were concentrated in the service sector.

The labour market remained resilient in the face of the pandemic, with unemployment creeping up from 2% at year-end 2019 to just 3.2%. Wage growth, too, has remained relatively solid. The increases in index-related salaries in the public sector were particularly impressive. Despite the economic downturn, inflation stayed above the 2% target, underpinned to some degree by high food prices and, following a hike in excise duty, by rising alcohol prices. Core inflation also went up, climbing to a record high of 3.7% in 2020. The pandemic forced the CNB into tolerating higher price growth and loosening monetary conditions. Having only just put rates up to 2.25% in February because of the increased inflation, the CNB went on to reverse course and make three consecutive cuts down to the current 0.25%.

The fiscal stimuli that the government was obliged to prepare as compensation for those parts of the economy hardest hit by the pandemic dug a deep hole in the country's finances. The originally planned deficit of CZK 40 billion kept being increased until the state budget ended up with an all-time record deficit of CZK 367.4 billion. The Czech Republic's overall sovereign debt also ballooned at an unprecedented rate, growing from 28.5% of GDP in 2019 to 36.5% of GDP in 2020. Even so, it escaped relatively lightly compared to other European countries. The finance ministry scaled up its debt issues as the year wore on and found that there was ample demand for Czech bonds.

The pandemic also hampered non-financial corporations' investment plans. The robust lending rate at the beginning of the year soon took a turn for the worse and the credit growth had seriously deflated by the second quarter. Overall, lending to non-financial corporations rose by 4% over the first 10 months of 2020. In recent years, there has been a trend towards making more use of foreign-currency loans. Last year was no different, with the share of borrowing in foreign currency up 3 pp to 36%. Loans to households clung to relatively strong growth of around 6%, driven primarily by housing loans. Interest in consumer loans, on the other hand, plummeted after the pandemic erupted. Year-on-year growth in consumer credit to households fell from 8% at the beginning of the year to 1.8% in October.

Financial Performance in 2020

The after-tax profit in 2020 came to CZK 1,133 million, while total comprehensive income was reported at CZK 1,121 million. The difference between the two results, other income, can mainly be attributed to the fair value reserve (debt instruments measured at fair value through equity).

Operating income in 2020 was a record high CZK 4,271 million, up on 2019 after benefiting considerably from dividend income paid out by a subsidiary. Even discounting incoming dividends, operating income was still slightly higher than in the year previous.

Shareholders' equity rose by almost 8% to CZK 15,414 million on the back of the total profit.

Total assets at the end of 2020 stood at CZK 170 billion, a drop by CZK 57 billion year on year. This change is mainly concentrated in reverse repo operations with the central bank. The main source of financing within total equity and liabilities, deposits from customers, is stable and is spread evenly between demand deposits and term deposits. The overall change in the volume of liabilities therefore mainly reflects a change in business opportunities after a fall in interest rates on repo business with financial institutions.

One of the most significant items in the result for 2020, compared to the previous period, is the impairment loss on assets of CZK 1,750 million. With operating expenses stable, this impairment loss is the main reason for the 45% decrease in profit. The sharp hike in the loss allowance is the result of the pandemic-driven deterioration in the macroeconomic environment. This was reflected equally both in performing and non-performing exposures to advances to customers and in the impairment of financial instruments measured at fair value through other comprehensive income.

Net interest income decreased by 19% year on year, down from CZK 4,112 million in 2019 to CZK 3,292 million in 2020, mainly on account of a reduction in interest rates. Net fee and commission income in 2020 increased by CZK 79 million on 2019, primarily due to new administration services for clients. As in the previous year, the securities trading result was excellent at CZK 445 million. Compared to the year, there was also an increase of almost CZK 200 million in proceeds from the disposal of financial assets measured at fair value through other comprehensive income. The total net profit from financial operations in 2020 was an outstanding CZK 344 million. Compared to the previous year, the result from derivative trading and exchange rate differences offset the decrease in interest income.

Total operating expenses amounted to CZK 1,210 million. The slight overall decrease compared to the previous period can be attributed in particular to a reduction in other administrative expenses due to the lower operating result. Other operating expenses and their main component, the payment to the resolution fund, nudged up to CZK 309 million. General administrative expenses came to CZK 435 million, rising by 10% in response to the Bank's staffing strategy of reshaping and strengthening the quality of the team.

At the end of 2020, assets stood at almost CZK 170 billion. Deposits held with the central bank amounted to nearly CZK 88 billion. Advances to customers were CZK 36 billion. Financial assets measured at fair value through profit or loss rose by CZK 12 billion to almost CZK 19 billion, pushed up by government bonds. Financial assets measured at fair value through other comprehensive income also grew slightly to CZK 19 billion.

Advances to customers fell to CZK 36 billion, mainly because subsidiaries lowered their financing needs.

The balance of adjustments to performing and non-performing exposures spiralled by almost CZK 1.2 billion compared with the beginning of 2020, increasing to CZK 2,204 million because of uncertain future developments and the forbearance policy.

In 2020, the subsidiaries PPF CO3 B.V. and Ruconfin B.V. merged. The acquiring company was PPF CO3 B.V. Its line of business, consumer lending, remains unchanged.

PPF banka's main sources of funding are deposits from customers. The balance at the end of 2020 was CZK 131 billion, CZK 41 billion lower than at the end of 2019 thanks to the downtrend in repo operations. The Bank's stable sources of funding are at the previous year's level.

The return on equity is very respectable despite the impact the pandemic had in 2020.

The capital ratio is far above the statutory threshold.

In 2020, PPF banka continued its charity work and considers corporate social responsibility to be one of its fundamental values.

Business Activities in 2020

Activity on Financial Markets

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

Security

In 2020, as in previous years, PPF banka was very active as a market maker for Czech government bonds. In the ranking of primary dealers compiled by the Ministry of Finance of the Czech Republic, the Bank was a leading primary dealer over 2020, placing second not only in terms of initial subscriptions of government bonds (the primary market), but also in the criterion of quoting activity on the secondary market (the MTS Czech Republic electronic trading platform).

Overview of PPF banka's securities trading volumes:

CZK billions	2020	2019	2018
Domestic bonds	389.4	112.6	140.3
Foreign bonds	23.9	18.3	13.3
Total bonds	413.3	130.8	153.6
Domestic equities	0.2	0.0	0.0
Foreign equities	17.1	8.6	2.4
Total equities	17.3	8.6	2.4
Total	430.6	139.5	156.0

We more than tripled our securities trading volume, mainly by actively providing clients with access to the Czech government bond market, including auctions. The steady provision of liquidity on the secondary market also helped us to achieve much higher volumes in these bonds.

PPF banka participated in many issue-related products, including:

- a bond issue by PPF Telecom Group (formerly PPF Arena 1) totalling EUR 1,000 million (role: co-manager);
- Heureka FinCo CZ bonds totalling CZK 3,200 million (role: arranger, joint lead manager, and reinsurance agent);
- investment certificates (public offering without the need for a prospectus) with underlying assets in the form of PPF Group members' debt totalling the equivalent of CZK 2,559 million (role: arranger, lead manager, and distributor); and
- bonds and investment certificates (private placement) totalling the equivalent of CZK 2,342 million (role: lead manager and arranger).

Foreign Exchange and Derivative Markets

On the foreign exchange market, we maintained high numbers of transactions and a broad product portfolio. In 2020, there was higher activity on the FX spot market, where we reported our highest ever traded volume. The FX derivative market recorded a slight year-on-year decline in volumes.

The distribution and timing of PPF banka's transactions are shown in the table below.

CZK billions	2020	2019	2018
FX spot	284.5	283.3	189.3
FX derivatives	490.0	533.9	558.6
Total	774.5	817.2	747.9

Note: Since the 2019 Annual Report (inclusive) new methodology has been used to count FX derivatives, which also include trades concluded in the investment portfolio of PPF banka a.s.

As far as interest-rate derivatives are concerned, PPF banka significantly increased its activity on FRA markets and provided liquidity for the market in CZK interest-rate swaps.

CZK billions	2020	2019	2018
IR derivatives	238.3	234.8	135.5

As in the past, in 2020 we again focused on our role as PPF Group's central treasury bank and, in various tasks, engaged in the hedging of risks for Group companies. In these transactions, we act as a counterparty and as hedge provider or auction organiser.

Corporate Banking and the Public Sector

In our corporate banking, despite the turmoil caused by the COVID-19 pandemic in 2020, we continued to focus on maintaining business cooperation with a number of our key customers in sectors in which we have long specialised. These primarily include manufacturing, energy (both in the Czech Republic and abroad), wholesale and retail, engineering, logging and wood processing. In select cases, we drew on solutions made available under COVID III support schemes underpinned by the Czech-Moravian Guarantee and Development Bank, a.s. We were among the first banks whose clients were able to take out loans secured by the Export Guarantee and Insurance Corporation under the COVID Plus guarantee programme.

We continue to provide a full export, structured and syndicated financing product range. We 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 successfully continued to seek out and promote new attractive real estate projects.

In the public sector, in 2020 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 offer our services to customers in which regions and municipalities have participating interests.

In 2020, we again focused on fostering our product range and developing the Bank's key client systems. We are confident that they will improve our clients' communication with the Bank and simplify the payment agenda so that they are able to manage their finances as efficiently as possible.

Private Banking for Individuals

PPF banka's private banking department specialises in serving our most demanding private clients and in providing investment services. We pride ourselves on the quality of our team of experienced private bankers, expert knowledge and ability to listen to our customers. Like everyone, we found 2020 very challenging, but this was also a year that yielded a lot of new perspectives on the established order and made us think about a wide range of opportunities and stimuli. We believe that we met our clients' expectations and, even in this difficult period, we never stopped being a strong and stable partner for them. Last year was also the tenth anniversary of PPF banka's private banking operations. We are looking forward to the new stages and milestones that await us in our work with our clients.

Our long-term strategy will be to maintain our personalised and professional approach, to foster mutual trust, and to place an emphasis on customer satisfaction. We will continue to nurture these values in the coming years in order to provide our clients with a completely different view of banking services.

Information Technology and Information System Security

In 2020, we implemented and initiated a whole raft of changes related to IT and security, leading to significant improvements in the Bank's operations. We also implemented regulatory requirements and expanded the functionality of the main banking system.

This system is stable, contains the latest functional and security updates, and has been successfully expanded to include two new modules. Other IT systems were also maintained on supported (secure) versions and we ensured that they were widely available.

In 2020, we successfully completed CRM 2.0. This project has made a significant contribution to the digitalisation of the Bank's internal customer relationship processes and armed us with effective tools to ensure a high standard of data purity. It was followed by a series of smaller projects designed to make full use of the Microsoft Dynamics platform, which is our central architectural pillar in this area. At the end of the year, we launched new modern internet banking that meets the high demands of our private and corporate clients. We are currently moving forward with preparations for a mobile version. We concentrated on designing and implementing other solutions aimed at streamlining internal risk management processes, vendor management and internal HR management.

We successfully launched the development of our own applications based on MicroServices technologies. This allows us to shorten turnaround times in selected areas and provide system support for market-unique processes and products.

This project required the introduction of Enterprise Architecture (EA), enabling us to significantly improve the management of new features and optimise existing solutions. The main benefit of EA, however, is that it gives us active management of the overall IT architecture in order to ensure the high availability and stability of services, their security and cost-effectiveness.

Internally, we implemented modern online collaboration tools, such as Microsoft Teams, and replaced the original email system, which now uses MS Exchange. The technologies we have deployed will ease integration with other banking systems and facilitate the all-round digitalisation process.

One of the conspicuous changes in 2020 was the need to switch to remote working. Drawing on our experience and the technologies available to us, we made sure that systems operated smoothly and were readily available to users without compromising security in any way.

There were two significant changes in IT regulation and IT security. Firstly, the European Banking Authority's Guidelines on ICT and Security Risk Management entered into force. Secondly, the Bank was identified as an essential service operator under Act No 181/2014 on cybersecurity by the National Cyber and Information Security Agency. By ensuring that we remain in compliance with both of these regulations, we will further consolidate the security of the Bank as a whole.

In IT security, we continued to reinforce preventive measures and security policies. We replaced the technology of two systems – security monitoring, including the central log storage system (SIEM) and the web application firewall (WAF). Undeterred by the efforts that had to be channelled into these two projects, the Bank extended IT system access control by introducing two-factor authentication for all employees. We also selected and started implementing a suitable data leakage prevention (DLP) product.

IT Security also worked on other Bank projects, especially the roll-out of the new internet banking and the replacement of the email system on Microsoft Exchange. Equally important projects that required cooperation with IT Security included MS Teams, the use of the Elucidate service to assess the maturity of the Bank's AML environment, the Bank's connection to the TARGET2 scheme, and compliance with the PSD2 Directive.

In 2020, we recorded only negligible outages in the operation of IT systems. These were resolved with no serious disruption to the Bank's operations. No security incidents were reported.

Our People

Our people are the key to fulfilling the Bank's strategy. In the past year we have shown that, together, we can react flexibly and adapt quickly to new situations and circumstances. Together, we have established new working conditions and standards. The virtually overnight migration of approximately 80% of employees away from their offices at the Bank was all but flawless. This success was backed up an internal survey after the transition to teleworking. We looked at all aspects of internal communication. We managed to create a functioning ecosystem of internal communication, which evolved from the crisis communication we had to contend with in the first half of the year.

By implementing processes that would respond to the new landscape and introducing, for example, a system for the internal tracing of the contacts of staff who had tested positive, we managed to keep employees' safety under control and provide them with an environment that would shield them from harm. The novel circumstances refocused our attention on employee care, with an emphasis on the health of those who work for us. Halfway through the year, we changed the structure of employee welfare in an effort to provide meaningful benefits with enduring value.

What does this mean for us in reality?

- We care about the health of our people – we have started to provide premium health care across 38 specialisations, including a 24/7 online chat with a doctor.
- We advocate a responsible approach to life – we have doubled the contribution we make to supplementary pension insurance and private pension plans.
- We want our people to be able to focus on what they enjoy – we have started providing another 5 days off on top of the 25 days' leave they already enjoy.
- We appreciate loyalty – we have started to reward employees for every five years of work with us (and the PPF Group).
- We can respond to emergency situations – where the nature of people's work allows, we have incorporated the possibility of flexi-office space into the way we work so we are better prepared to handle emergencies.

We have reaped the benefits of our previous automation of personnel processes. We have made more documents available to employees online – via the HR portal. By transitioning smoothly to the online environment, we have maintained continuity in attracting, recruiting and onboarding staff.

We have focused our staff training and development on the apps and online tools that we implemented. Online webinars have been a vehicle for us to provide ongoing professional training. As we look to the future, strategic goals for staffing will continue to centre on delivering other forms of training and development in the “new normal” and actively encouraging our people to use a hybrid model of office and remote work. We will also aim to further strengthen our Bank's corporate culture.

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 Act No 90/2012 on companies and cooperatives, as amended (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 2020, 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 in 2020 amounted to CZK 5 million (2019: CZK 5 million).

All external auditor services in 2020 and 2019 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 subsidiaries by an external auditor, or by member firms of the external auditor, are listed in the table below:

PPF banka a.s.:

CZK millions	2020	2019
Audit services	5.2	4.8
Other assurance services	1.9	1.7
Advisory services	-	1.2
Total	7.1	7.7

Subsidiaries of PPF Bank a.s.:

CZK millions	2020	2019
Audit services	0.8	0.5
Other assurance services	0.3	-
Advisory services	-	-
Total	1.1	0.5

Good Causes

Every year, PPF banka contributes to numerous projects primarily geared towards the development of Czech education and culture. 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.

Together with other PPF Group companies, the Bank is a long-standing partner of major cultural projects in the Czech Republic. For many years, it has sponsored the Summer Shakespeare Festival, Europe's largest open-air theatre festival to specialise in staging William Shakespeare's works. This year, the festival was held during July and August in the summer holidays 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.

Other Information

In 2020 and 2019, the Company incurred no expenditure on research and development or environmental protection.

The Company has no branches abroad.

The Company 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

The Bank's management is not aware of any events occurring after the balance-sheet date that would require an adjustment to this Annual Report.

In March 2021, the ultimate majority shareholder of PPF Group died.

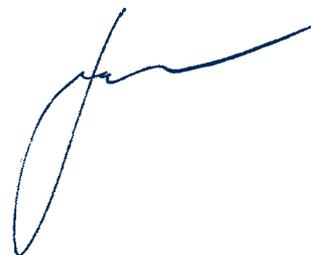
Proposal for the Distribution of Profit for 2020

PPF banka made a profit after tax of CZK 1,132,651,849 in 2020.

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

Appropriation to retained earnings	CZK 1,132,651,849
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Prague, 22 April 2021



Petr Jirásko

Chairman of the Board of Directors of PPF Bank a.s.



Miroslav Hudec

Member of the Board of Directors of PPF Bank a.s.

Corporate Governance

Board of Directors

Petr Jirásko

Chairman of the Board of Directors since 14 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.

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 Monokrystal 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.

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 the director of Back Office. Between 1999 and 2001, she worked as director of Back Office at IPB/ČSOB. From 2001 to 2005, she was the director of Back-office Treasury at Raiffeisenbank a.s. She has worked for PPF banka a.s. since 2006, initially as a specialist in the Group Treasury Division and from 2007 as the Managing Director of the Operations Division. She became a member of the Board of Directors in 2012, and the Vice-Chairwoman of the Board of Directors in December 2016.

Gabriela Mošovská

Member of the Board of Directors since 2 November 2016
Managing Director of Risk Management

Born in 1972, Gabriela Mošovská was partly educated in Moscow and then graduated from the University of Economics and Business in Economic Policy. While still a student, she worked as an analyst for Lifax a.s., an investment company, subsequently for the Česká pojišťovna a.s. Group as a senior analyst, and then as a member of the board of directors of Tesla Votice a.s. Between 1998 and 2004, she worked in the Risk Management Division of Raiffeisen Bank Praha a.s., before eventually being appointed head of Corporate Analysis. She obtained her MBA degree from Sheffield Hallam University in the UK in 2005. From 2004, she worked for Raiffeisen International Bank-Holding AG in Vienna, where she held various positions, ultimately being appointed the Deputy Head of Network Credit Management and Team Coordinator CIS until her maternity leave in 2007. From 2008, she worked for Raiffeisen Bank International AG as Director Credit Risk – Construction and Real Estate. She has been the Managing Director of Risk Management at PPF banka a.s. since January 2016. In November 2016, she became a member of the Board of Directors.

Igor Kottman

Member of the Board of Directors since 2 November 2016
Managing Director of Sales

Born in 1965, Igor Kottman graduated from the Faculty of Economics of the University of Economics in Bratislava. He worked for ZOS Zvolen and then at the Ministry of Foreign Affairs of the Slovak Republic. From 1994, he held various positions in Citibank's corporate banking business in the Czech Republic, Slovakia, Uganda and the Russian Federation. From 2009, he worked as Citi Country Officer at the Slovak branch of Citibank Europe plc. He has been the Managing Director of Sales at PPF banka a.s. since January 2016. In November 2016, he became a member of the Board of Directors.

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. Since 2011, he has been responsible for building and developing the RAV agricultural group in the Russian Federation. He is also chairman of the supervisory board of CETIN.

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 with stints as a corporate lawyer at financial institutions (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.

Tomáš Kaplan

Member of the Supervisory Board since 29 April 2015

Born in 1972, Tomáš Kaplan graduated from Charles University's Faculty of Law, majoring in Law and Jurisprudence. In 1997, he interned at a law firm in Germany. Since graduation in 1997, he has been engaged in the provision of legal services. In 2001, he passed his bar examinations and is a lawyer registered with the Czech Bar Association. In his legal practice, he focuses on real estate, financial law, public procurement law, law in commercial relationships, and insolvency law.

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 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. 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 Corporate Governance. He also served as a member of the Supervisory Board of PPF banka a.s. between 2006 and 2008. Since 2009, he has 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. He is not a member of a governing body of any other companies.

Audit Committee

Jitka Mašátová

Chairwoman of the Audit Committee since 29 April 2013

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.

Valdemar Linek

Vice-Chairman of the Audit Committee since 13 April 2010 (member of the Audit Committee since 10 December 2009)

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.

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. 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 Corporate Governance. Since 2009, he has been a member of the Supervisory Board of PPF banka a.s. He also served as a member of the Supervisory Board of PPF banka a.s. between 2006 and 2008.

Senior Management

Petr Jirásko

Chief Executive Officer since 14 October 2013

Igor Kottman

Managing Director of Sales since 11 January 2016

Jaroslava Studenovská

Managing Director of Operations
since 1 May 2007

Karel Tregler

Managing Director of Financial Markets
since 1 January 2014

Miroslav Hudec

Managing Director of Financial Management
since 1 January 2014

David Marek

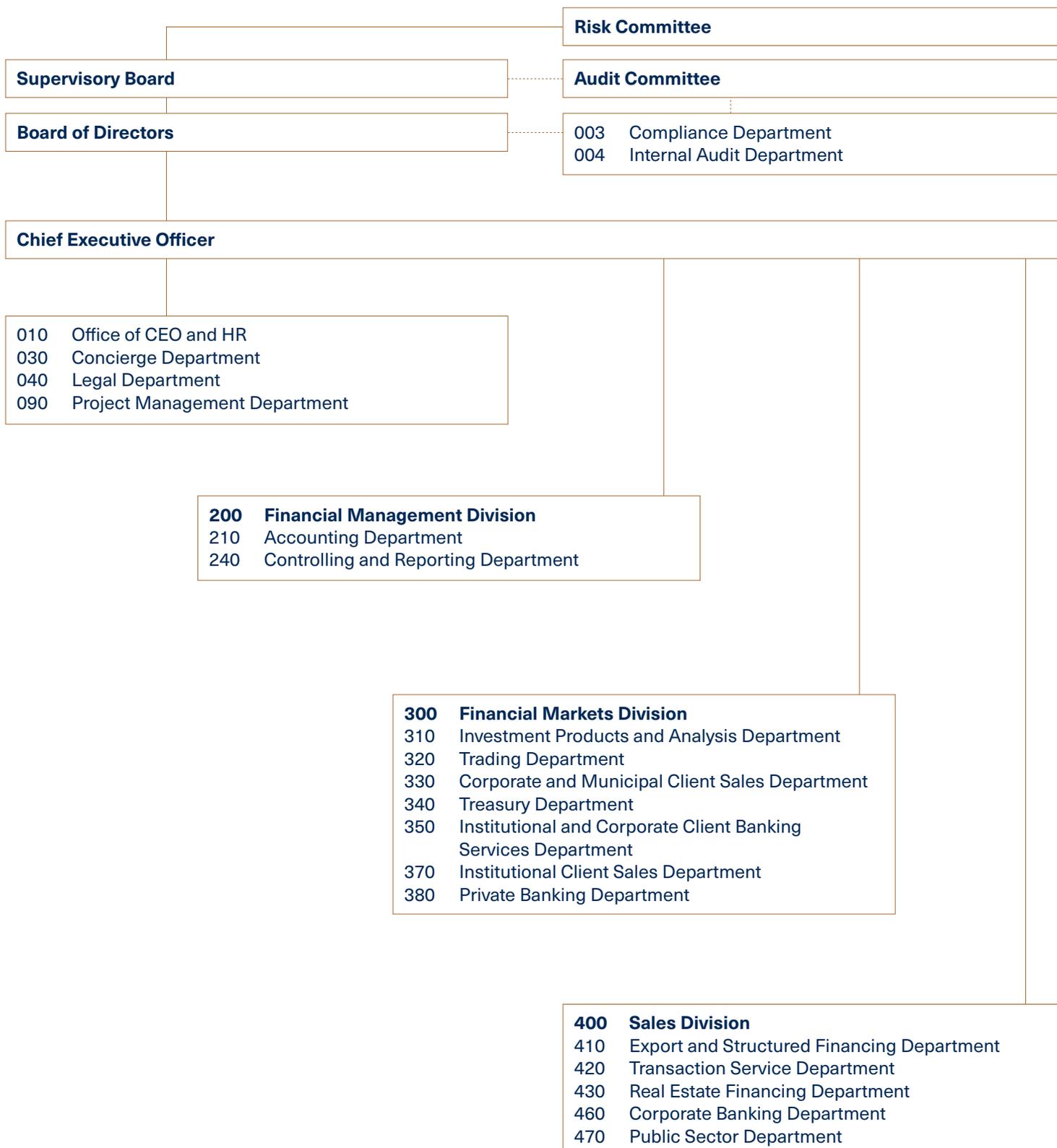
Managing Director of IT since 1 December 2018

Gabriela Mošovská

Managing Director of Risk Management
since 1 January 2016

Organisational Structure

as at 31 December 2020



500 IT Division

- 520 IT Infrastructure Department
- 530 IT Applications Department
 - 531 IT Helpdesk Unit
- 540 Internal Development Department

600 Operations Division

- 610 Customer Centre Department
- 620 Payment Service Management Department
- 630 Validation and Control Department
- 640 Payments Department
- 650 Back Office – Financial Markets
 - 651 Back Office – Money Markets
 - 652 Back Office – Capital Markets
- 660 Credit Administration Department
- 670 Custody Department
- 680 Financial Markets Middle Office
- 690 Electronic Payment Systems Department

700 Risk Management Division

- 710 Market Risk Management Department
- 720 Credit Risk Management Department
 - 721 Analyses of Financial Institutions Unit
 - 722 Underwriting Risk Unit
 - 723 Corporate Client Analysis Unit
 - 724 Risk Operations Unit
- 730 Restructuring and Recovery Department
- 760 Security and Operational Risk Management Department

Financial Section

Independent Auditor's Report



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Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an 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 2020, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

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

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT CZ699001996
ID data box: 8h3gtra



Key Audit Matters

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

Loss allowances for loans to and receivables from customers

Loss allowances for loans and advances to customers amounted to CZK 2,204 million as at 31 December 2020 (31 December 2019: CZK 1,010 million). Gross amount of loans and advances to customers amounted to CZK 37,949 million as at 31 December 2020 (31 December 2019: CZK 42,119 million).

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

Key audit matter	How the audit matter was addressed
<p>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 impact of the COVID-19 global pandemic on multiple sectors of the economy, required our increased attention in the audit. As such, we determined it to be a key audit matter.</p> <p>The loans are assigned to one of three stages in line with the requirements of IFRS 9 <i>Financial instruments</i> 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.</p> <p>Impairment allowances for the performing exposures are determined by modelling techniques taking into account historical experience, forward-looking information and management</p>	<p>Assisted, where applicable, by our own credit risk, valuation and information technology (IT) specialists, we performed, among others, the procedures outlined below:</p> <p>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.</p> <p>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.</p> <p>We evaluated whether in its loan staging and ECL measurement the Company appropriately considered the effects of the market disruption resulting from the</p>



Key audit matter	How the audit matter was addressed
<p>judgment. Key assumptions and judgments relevant to the assessment of performing exposures comprise:</p> <ul style="list-style-type: none"> — 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. <p>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.</p>	<p>COVID-19 pandemic.</p> <p>We obtained the relevant forward-looking information and macroeconomic projections used in the Company's ECL assessment. We independently assessed the information by means of corroborating inquiries of the Management Board and inspecting publicly available information.</p> <p>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;</p> <p>For use in the following procedures, we challenged 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</p> <p>For a sample of Stage 1 and Stage 2 loans, by reference to respective loan files and inquiries of the credit risk personnel, we:</p> <ul style="list-style-type: none"> — 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. <p>For a sample of Stage 3 loans, we challenged the estimated cash flow scenarios and their probabilities. In performing the procedure, we focused on the key assumptions, such as the</p>



Key audit matter	How the audit matter was addressed
	<p>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.</p> <p>We critically assessed the overall reasonableness of the estimated ECLs by comparing the ratios of loss allowances to gross loans per stage and in total against market and peer averages.</p> <p>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.</p>

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 2020, 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.



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 28 April 2020 and our uninterrupted engagement has lasted for 22 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 April 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

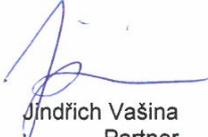
Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of PPF banka a.s. as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague
22 April 2021

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


Jindřich Vašina
Partner
Registration number 2059

Separate Financial Statements

for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS)

Separate Statement of Comprehensive Income

for the year ended 31 December 2020

In millions of CZK	Note	2020	2019
Interest and similar income*	7	4,482	6,073
Interest expense and similar charges	7	(1,190)	(1,961)
Net interest and similar income		3,292	4,112
Dividend income	8	415	2
Fee and commission income	9	493	209
Fee and commission expense	9	(284)	(79)
Net fee and commission income		209	130
Net income from financial operations	10	344	(435)
Other operating income		11	20
Operating income		4,271	3,829
Personnel expenses	11	(435)	(393)
Other general administrative expenses	11	(382)	(514)
General administrative expenses		(817)	(907)
Depreciation and amortisation	12	(81)	(74)
Other operating expenses	13	(312)	(293)
Operating expenses		(1,210)	(1,274)
Impairment gains/(losses)	14	(1,750)	74
Profit before income tax		1,311	2,629
Income tax expense	15	(178)	(541)
Net profit for the year		1,133	2,088
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):		(26)	587
Net change in fair value		259	675
Net amount transferred to profit or loss		(285)	(88)
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		14	2
Other comprehensive income for the period		(12)	589
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,121	2,677

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

The notes on pages 8 to 95 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2021.

Signed on behalf of the Board of Directors by:



Petr Jirásko



Miroslav Hudec

Separate Statement of Financial Position

as at 31 December 2020

In millions of CZK	Note	31.12.2020	31.12.2019 restated*
Assets			
Cash and cash equivalents	16	90,096	156,713
Financial assets at fair value through profit or loss	17	19,291	7,166
Financial assets at fair value through other comprehensive income	18	19,314	17,551
Loans and advances to banks	19	4,130	3,636
Loans and advances to customers	20	35,745	41,109
Investments in subsidiaries	21	237	132
Property, plant and equipment	22	152	167
Intangible assets	23	217	193
Income tax assets	24	46	–
Deferred tax assets	25	146	–
Other assets	26	349	291
Total assets		169,723	226,958
Liabilities			
Deposits from banks	27	1,933	25,743
Deposits from customers	28	131,462	172,805
Debt securities issued	29	3,122	3,536
Financial liabilities at fair value through profit or loss	31	16,710	9,054
Income tax liabilities	24	–	61
Deferred tax liabilities	25	–	138
Provisions	32	162	183
Other liabilities	33	920	1,143
Total liabilities		154,309	212,663
Shareholders' equity			
Issued capital	37	769	769
Share premium	37	412	412
Retained earnings		13,750	12,508
Fair value reserve	38	483	606
Total shareholders' equity		15,414	14,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		169,723	226,958

* Restated, see note 6 Changes in accounting policies

Separate Statement of Cash Flows

for the year ended 31 December 2020

In millions of CZK	Note	2020	2019 restated*
Cash flows from operating activities			
Profit before income tax		1,311	2,629
Adjustments for:			
Depreciation and amortisation	12	81	74
Net impairment loss on investment securities		105	12
Net impairment loss on loans and advances		1,666	(87)
Net interest income	7	(3,292)	(4,112)
Revaluation of financial assets and liabilities at fair value through profit or loss		(635)	207
Net gain/loss on the sale of financial assets at fair value through other comprehensive income		(285)	(87)
Dividends received		(415)	(2)
Other non-cash adjustments		120	239
Operating profit before the change in operating assets and liabilities		(1,344)	(1,127)
Changes in:			
Financial assets at fair value through profit or loss		(11,451)	2,235
Loans and advances to banks		(490)	(606)
Loans and advances to customers		3,986	(3,530)
Other assets		(58)	(21)
Financial liabilities at fair value through profit or loss		7,656	(7,126)
Deposits from banks		(23,810)	(41,356)
Deposits from customers		(41,252)	(38,938)
Other liabilities		(191)	(2,293)
Subtotal		(66,954)	(14,886)
Interest received		4,157	6,070
Interest paid		(1,280)	(1,780)
Income taxes paid		(551)	(630)
Net cash from/(used in) operating activities		(64,628)	11,226
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(8,236)	(12,101)
Proceeds from sale of financial assets at fair value through other comprehensive income		6,472	13,562
Acquisition of property and equipment		(34)	(16)
Acquisition of intangible assets		(56)	(74)
Acquisition of subsidiaries and capital funds increase		(105)	-
Sale of subsidiaries		-	8
Dividends received		415	2
Net cash from/(used in) investing activities		(1,544)	1,381
Cash flow from financing activities			
Proceeds from issue of debt securities		2,233	1,611
Repayment of debt securities issued		(2,647)	(658)
Leasing payments		(35)	(34)
Net cash from/(used in) financing activities		(449)	919
Net increase/(decrease) in cash and cash equivalents		(66,621)	(8,926)
Cash and cash equivalents at 1 January	16	156,713	165,640
Effect of exchange rate fluctuations on cash and cash equivalents held		4	(1)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		90,096	156,713

* Restated, see note 6 Changes in accounting policies

Separate Statement of Changes in Equity

for the year ended 31 December 2020

In millions of CZK	Issued capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2020	769	412	606	12,508	14,295
Total comprehensive income for the period					
Net profit for 2020	-	-	-	1,133	1,133
Other liabilities – “Social Fund”	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-	(12)	-	(12)
Transfer of gain from disposal of equity instruments at fair value through other comprehensive income within equity	-	-	(111)	111	-
Total	769	412	483	13,750	15,414
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2020	769	412	483	13,750	15,414
Balance at 1 January 2019	769	412	47	10,392	11,620
Total comprehensive income for the period					
Net profit for 2019	-	-	-	2,088	2,088
Other liabilities – “Social Fund”	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-	589	-	589
Transfer of gain from disposal of equity instruments at fair value through other comprehensive income within equity	-	-	(30)	30	-
Total	769	412	606	12,508	14,295
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2019	769	412	606	12,508	14,295

Notes to the Separate Financial Statements

for the year ended 31 December 2020

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 2020, the parent company of the Bank is PPF Financial Holdings B.V. with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 61880353, the parent company of the PPF Financial Holdings B.V. is PPF Group N.V. with its registered office in the Netherlands, Amsterdam, Strawinskylaan 933, postal code: 1077XX, registration number: 33264887 and the ultimate controlling person is Mr Petr Kellner.

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 derivative financial instruments, 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 2020 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 from unpaid principal ("SPPI") in note 3.3;
- assessment of whether there has been a significant increase in the credit risk of financial instrument 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.

COVID-19 and its impact on the financial statements and the going-concern assessment

The World Health Organization declared the announced a global health emergency in January 2020 and later, in March, declared the coronavirus outbreak a pandemic. The Bank is aware that the COVID-19 virus and the measures taken by public authorities to limit the spread of the virus are still a serious situation and pose risks to the banking industry.

The effects of the coronavirus had an impact on banking operations and on the Bank's financial performance in 2020. Since early 2020, the Bank has further strengthened its governance and increased its prudence in assessing the risks. The risk management is presented in note 43. For the methods to determine inputs into the ECL measurement model, including the incorporation of forward-looking information, please refer to note 5. There were no changes in accounting policies due to COVID-19 situation.

As for the Bank's financial performance in 2020, the Bank recorded a significant increase in expected credit losses, mostly caused by a significant deterioration in expected macroeconomic conditions due to the COVID-19 pandemic. As for the other potential effects of the COVID-19 pandemic, the Bank did not observe any significant deterioration in its liquidity position in 2020, the situation on the bond market was stable by the second half of 2020, and the Bank did not have any difficulty in meeting the minimum capital requirements set by the regulator.

In the upcoming 12-month period, there are still uncertainties about the future development of the COVID-19 pandemic and its effect on the Bank's performance. Potential risks include the following:

- the quality of the loan portfolio may be negatively affected;
- further clients may have difficulties repaying their liabilities, or clients may default;
- further risk costs;
- adverse effects of new business;
- market declines or limited financing.

However, the Bank is continuously monitoring the situation and, based on our current knowledge and stress testing performed on the basis of all available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

The separate financial statements have been prepared on the basis of the going-concern principle.

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

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

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, reverse repo operations with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank. The financial assets are measured at amortised cost in line with IFRS 9.

Loans and advances

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. 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.

3.3.6 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 2020 or 2019.

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 quantitative 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 5.1.

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. 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

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 the financial asset (in either its entirety or a portion of it), the financial assets are 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 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 be partially in the scope of IFRS 9 and partially in 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 in 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.

3.10 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.

3.11 Dividend income

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

3.12 Investments in subsidiaries

Investments in subsidiaries are 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 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 2020, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Effective for annual periods beginning after 1 January 2020 and earlier application is permitted.)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

CHANGE IN BASIS FOR DETERMINING CASH FLOWS

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

HEDGE ACCOUNTING

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

DISCLOSURE

The amendments will require the Bank to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The Bank plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

The Bank does not apply hedge accounting. Therefore, the changes related to hedge accounting have no impact on the financial statements.

The Bank actively monitors the situation and assumes that the update of the effective interest rate applicable to financial assets and financial liabilities will not result in any significant gain or loss in 2021.

The Bank will also disclose additional information in the financial statements ended 31 December 2021 to enable users to understand the effects of the reference interest rate reform on the Bank's financial instruments, including information about the Bank's exposure to reference rate risks and related risk management activities, as required by IFRS.

Amendments to IFRS 16: Leases COVID-19-Related Rent Concessions

(Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

This practical expedient is not available for lessors.

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 Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

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

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

Amendment to IAS 16: Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

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

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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

Annual Improvements to IFRS Standards 2018–2020 (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

The Bank assessed the improvements 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.

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 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;
 - the exposure has been designated as a exposure with forbearance;
 - the exposure in the regime of increased monitoring (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 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.

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.

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. 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.

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 2020 are shown in the table below:

Czech republic – GDP growth	Weight	2020	2021	2022
Baseline scenario	80%	-7.0%	5.0%	3.0%
Optimistic scenario	12%	-3.0%	9.0%	5.5%
Pessimistic scenario	8%	-13.5%	-1.5%	-1.3%

World – GDP growth	Weight	2020	2021	2022
Baseline scenario	80%	-4.2%	5.2%	4.0%
Optimistic scenario	12%	-3.0%	6.0%	4.8%
Pessimistic scenario	8%	-6.0%	0.0%	2.5%

The resulting estimated credit losses then reflect 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 change in 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.

In 2020, the level of expected credit losses was heavily affected by the COVID-19 pandemic, resulting in a deterioration in macroeconomic forecasts. The amount of expected credit losses resulting from the effect of forward-looking information (ie from the expected development of GDP) as at 31 December 2020 totalled CZK 471 million for the loan and bond portfolio.

Sensitivity analysis to development of GDP are presented in note 43.1., section Sensitivity Analysis of loss allowance by relevant categories.

6 Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2020 to 31 December 2020 except for those disclosed below.

Change in presentation of bills of exchange and collateral deposits for derivatives

In 2019, the Bank presented bills of exchange amounting to MCZK 4,174 as Debt instruments at amortised cost in the statement of financial position. In 2020, the Bank decided to improve the presentation to better reflect the substance of these items and reclassified these bills of exchange to Loans and advances to customers in the comparative numbers presented as at 31 December 2019.

Also in 2019, the Bank presented collateral deposits received for derivative instruments of MCZK 1,875 as Other liabilities in the statement of financial position. In 2020, the Bank decided to improve the presentation to better reflect the substance of these items and reclassified MCZK 793 as Deposits from banks and MCZK 1,082 as Deposits from customers in the comparative numbers presented as at 31 December 2019.

Impact of the change in presentation on the statement of financial position:

MCZK	2019	Reclassification	2019*
Debt instruments at amortised cost	4,174	(4,174)	–
Loans and advances to customers	36,935	4,174	41,109
Other	185,849	–	185,849
Total assets	226,958	–	226,958
Deposits from banks	24,950	793	25,743
Deposits from customers	171,723	1,082	172,805
Other liabilities	3,018	(1,875)	1,143
Other	12,972	–	12,972
Total liabilities	212,663	–	212,663

* Restated comparative numbers as at 31 December 2019, as presented in the Annual Report

7 Net interest income and similar income

MCZK	2020	2019
Interest and similar income		
Cash and cash equivalents	1,212	2,324
Loans and advances to banks	31	105
Loans and advances to customers	2,393	2,827
Of which:		
Unpaid interest income from impaired loans	2	2
Unpaid interest income from loans with forbearance	1	–
Financial assets at fair value through profit or loss	605	681
Financial assets at fair value through other comprehensive income	241	136
Of which:		
Interest and similar income – EIR	4,241	5,937
Interest and similar income – other	241	136
	4,482	6,073
Interest expense and similar charges		
Deposits from banks	(30)	(147)
Deposits from customers	(944)	(1,575)
Debt securities issued and short sales	(213)	(236)
Lease liabilities	(3)	(3)
	(1,190)	(1,961)
Net interest income and similar income	3,292	4,112

The Bank did not waive any interest past due during the years 2020 and 2019.

8 Dividend income

MCZK	2020	2019
Dividends – received form subsidiaries	415	–
Dividends – other	–	2
Total	415	2

9 Net fee and commission income

MCZK	2020	2019
Fee and commission income		
Toll administration fee income*	279	13
Transaction fee with clients	113	111
Fees from administration of shares/bonds issue	42	18
Custody fees	25	20
Fees from guarantees provided	13	25
Transaction fee with banks	3	5
Other	18	17
Of which:		
Fee income – contracts with customers – under IFRS 15	480	184
Fee income – other – under IFRS9	13	25
	493	209
Fee and commission expense		
Toll administration fee expense*	(205)	(9)
Transaction fee with other counterparties	(39)	(39)
Transaction fee with banks	(37)	(25)
Other	(3)	(6)
	(284)	(79)
Net fee and commission income	209	130

* 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.

10 Net income from financial operations

MCZK	2020	2019
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	1,273	(732)
Of which:		
Net gains/(losses) from trading derivatives	828	(1,249)
Trading securities	445	517
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	285	88
Of which:		
Debt instruments	285	88
Foreign exchange gains/(losses)	(1,214)	209
Total	344	(435)

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).

11 General administrative expenses

MCZK	2020	2019
Personnel expenses		
Wages and salaries	(282)	(252)
Social expenses	(95)	(83)
Liability insurance, pension insurance	(4)	(4)
Remuneration paid to key management personnel*		
Short-term benefits	(40)	(39)
Long-term benefits	(14)	(15)
	(435)	(393)
Other general operating expenses		
Consultancy services	(121)	(133)
Gifts	(105)	(210)
IT	(83)	(68)
Other	(73)	(103)
	(382)	(514)
Total	(817)	(907)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2020 and 2019 was as follows:

	2020	2019
Board of Directors	5	5
Supervisory Board**	6	6
Executives	2	2
Employees**	240	237

* 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.

12 Depreciation and amortisation

MCZK	2020	2019
Depreciation on property, plant and equipment	(17)	(17)
Depreciation on property, plant and equipment – ROU	(32)	(32)
Amortisation of intangible assets	(32)	(25)
Total	(81)	(74)

13 Other operating expenses

MCZK	2020	2019
Payment to Resolution Fund	(310)	(291)
Payment to Deposit Insurance Fund	(1)	(1)
Payment to Guarantee Fund	(1)	(1)
Total	(312)	(293)

The basis for the calculation of the payment to the Guarantee Fund for 2020 amounted to MCZK 100 (2019: MCZK 68).

14 Impairment gains/losses

MCZK	2020	2019
Gains/(Losses) from change in loss allowances:		
Loans and advances to banks	–	1
Financial assets at fair value through other comprehensive income	(105)	(13)
Loans and advances to customers	(1,208)	329
Other assets	1	–
Write-offs – loans and advances to customers*	(479)	(237)
Revenues from previously written-off loans and advances to customers	21	–
Gains/(Losses) from change in provisions – off-balance sheet assets	20	(6)
Total	(1,750)	74

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

The sharp increase of the impairment losses in 2020 was caused by an increase in expected credit losses due to a significant deterioration in expected macroeconomic conditions (especially the GDP growth expected in 2020 and 2021), the recognition of some loans and advances to customers as non-performing and the prudent assessment of the net collateral value if influenced by the COVID pandemic.

15 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	2020	2019
Income tax – current	(455)	(511)
Income tax – related to prior years	11	3
Income tax – deferred	266	(33)
Income tax expense	(178)	(541)

MCZK	2020	2019
Tax rate	19.0%	19.0%
Profit from operations (before taxation)	1,311	2,629
Computed taxation using applicable tax rate	249	500
Tax non-deductible expenses	147	88
Non-taxable income – dividends received	(79)	–
Non-taxable income – other	(163)	(43)
Tax related to prior years	(11)	(3)
Other items	35	(1)
Income tax (expense)/income – current	(178)	(541)
Effective tax rate	13.6%	20.6%

16 Cash and cash equivalents

MCZK	31.12.2020	31.12.2019
Cash on hand	50	35
Nostro account balances	2,502	1,647
Balances with the central bank	2,761	6,100
Reverse repo operations with the central bank	84,783	148,931
Loss allowance	-	-
Net cash and cash equivalents	90,096	156,713

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").

17 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	31.12.2020	31.12.2019
Bonds and notes issued by:		
Government	11,624	2,282
Corporate	145	250
Positive fair value of derivatives:		
Interest rate contracts	5,314	3,048
Currency contracts	2,208	1,586
Of which:		
Listed instruments	11,708	2,462
Unlisted instruments	7,583	4,704
Total	19,291	7,166

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.

18 Financial assets at fair value through other comprehensive income

MCZK	31.12.2020	31.12.2019
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	10,930	4,892
Corporate bonds	8,383	12,482
Equity instruments at fair value through other comprehensive income		
Shares and other equity instruments issued by:		
Other issuers	1	177
Of which:		
Listed instruments	17,583	15,259
Unlisted instruments	1,731	2,292
Total	19,314	17,551

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 160 as at 31 December 2020 (2019: MCZK 67). 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 note 43.1.

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	31.12.2020	31.12.2019
Swift S.C. (ISIN: BE0016790090)	1	1
Best Hotel Properties (ISIN: SK1120005105)	–	176
Total	1	177

The Bank recognised a gain (loss) due to changes in the fair value of these investments in other comprehensive income. In both 2020 and 2019, the Bank disposed of some equity instruments from the portfolio and thus transferred a cumulative gain of MCZK 111 (2019: MCZK 30) within equity to “Retained earnings”. The Bank did not receive any dividends from the instruments in 2020 or 2019.

19 Loans and advances to banks

MCZK	31.12.2020	31.12.2019
Loans to banks	27	77
Deposits	9	1,009
Cash collateral for derivative instruments	1,625	2,194
Balances with the central bank	2,469	356
Loss allowance	–	–
Net loans and advances to banks	4,130	3,636

At 31 December 2020, loans and advances to banks included balances with the central bank amounting to MCZK 2,469 (31. 12. 2019: MCZK 356) 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	31.12.2020	31.12.2019
Total loans and advances to customers	37,949	42,119
Loss allowance	(2,204)	(1,010)
Net loans and advances to customers	35,745	41,109

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	31.12.2020 Share (%)	31.12.2019 Share (%)	31.12.2020 MCZK	31.12.2019 MCZK
Ruconfin B.V.	RU	NL	-	100%	-	51
PPF Co3 B.V.	ID, IN, PH, KZ, RS, EU	NL	100%	100%	237	81
USconfin 1 DAC	US	IE	-	-	-	-
Participating interests					237	132

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

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 Telenor Bulgaria and Hungary, and the depositing of collateral for Telenor Serbia at Mobi Bank.

In 2018, the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States. The Bank sold the company in 2019; the net gain from the sale amounted to MCZK 8.

In 2020, two subsidiaries of the Bank – PPF CO3 B.V. and Ruconfin B.V. – merged: The acquiring company is PPF Co3 B.V.

The Bank held no interest participation with significant influence as at 31 December 2020 and 31 December 2019.

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 2019	3	169	15	88	3	278
Additions	1	-	-	17	3	21
Disposals/Transfer	-	-	-	(4)	(5)	(9)
At 31 December 2019	4	169	15	101	1	290
At 1 January 2020	4	169	15	101	1	290
Additions	1	4	1	26	30	62
Disposals/Transfer	-	(2)	(1)	(4)	(28)	(35)
At 31 December 2020	5	171	15	123	3	317
Depreciation						
At 1 January 2019	3	1	9	65	-	78
Additions	1	32	1	15	-	49
Disposals	-	-	-	(4)	-	(4)
At 31 December 2019	4	33	10	76	-	123
At 1 January 2020	4	33	10	76	-	123
Additions	1	33	1	14	-	49
Disposals	-	(2)	(1)	(4)	-	(7)
At 31 December 2020	5	64	10	86	-	165
Net book value						
At 31 December 2019	-	136	5	25	1	167
At 31 December 2020	-	107	5	37	3	152

At 31 December 2020, the Bank recorded right-of-use assets in the amount of MCZK 102 (2019: MCZK 130).

23 Intangible assets

MCZK	Software	Software not in use yet	Total
Cost			
At 1 January 2019	428	49	477
Additions	28	86	114
Disposals/Transfer	–	(40)	(40)
At 31 December 2019	456	95	551
At 1 January 2020	456	95	551
Additions	79	56	135
Disposals/Transfer	–	(79)	(79)
At 31 December 2020	535	72	607
Amortisation			
At 1 January 2019	333	–	333
Additions	25	–	25
Disposals	–	–	–
At 31 December 2019	358	–	358
At 1 January 2020	358	–	358
Additions	32	–	32
Disposals	–	–	–
At 31 December 2020	390	–	390
Net book value			
At 31 December 2019	98	95	193
At 31 December 2020	145	72	217

24 Income tax assets/liabilities

As at 31 December 2020, the Bank recognised Income tax assets of MCZK 46 (31. 12. 2019: Income tax liability of MCZK 61) in the statement of financial position.

As at 31 December 2020, the tax liabilities of the Bank totalled MCZK 455 (31. 12. 2019: MCZK 511), the Bank paid income tax advances totalling MCZK 498 (31. 12. 2019: MCZK 446) and tax paid abroad amounts to MCZK 3 (31. 12. 2019: MCZK 4).

25 Deferred tax liability/asset and income tax

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 2020 and 2019 the tax rate in the Czech Republic was 19%).

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

MCZK	31.12.2020	31.12.2019
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	20	18
Deferred tax asset from loans and advances to customers	221	–
Deferred tax assets	241	18
Deferred tax liabilities		
Deferred tax liability from financial assets at fair value through other comprehensive income	(83)	(131)
Deferred tax liability from loans and advances to customers	(11)	(25)
Deferred tax liability from intangible assets	(1)	–
Deferred tax liabilities	(95)	(156)
Net deferred tax assets (liabilities)	146	(138)

No changes in the tax rate applicable to the deferred tax calculation occurred in 2020. There was no unrecognised item related to deferred tax.

Analysis of the movements of Deferred tax is as follows:

MCZK	Total
At 31 January 2020	(138)
Deferred tax income/(expense) recognised in Profit or Loss	266
Deferred tax income/(expense) recognised in Other comprehensive income	18
At 31 December 2020	146
At 31 January 2019	28
Deferred tax income/(expense) recognised in Profit or Loss	(33)
Deferred tax income/(expense) recognised in Other comprehensive income	(132)
At 31 December 2019	(138)

26 Other assets

MCZK	31.12.2020	31.12.2019
Cash collateral to payment cards	157	166
Clearing with securities market	87	42
Prepaid expenses and accrued revenues	49	20
Other	60	67
Loss allowance	(4)	(4)
Total	349	291

27 Deposits from banks

MCZK	31.12.2020	31.12.2019
Payable on demand (Ioro accounts)	803	1,030
Cash collateral to derivatives	1,130	793
Repo operations	-	23,920
Total	1,933	25,743

28 Deposits from customers

MCZK	Payable on demand		Term deposits		Repo operations		Cash collateral to derivatives		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial institutions*	3,485	3,533	602	12,291	28,907	62,848	95	36	33,089	78,708
Public sector	19,809	20,694	13,220	15,141	-	-	-	-	33,029	35,835
Non-financial institutions	17,605	11,301	4,367	4,699	250	-	416	313	22,638	16,313
Households/Individuals	6,738	5,333	67	397	-	-	-	-	6,805	5,730
Holding companies	35,391	33,701	88	1,785	-	-	422	733	35,901	36,219
Total	83,028	74,562	18,344	34,313	29,157	62,848	933	1,082	131,462	172,805

* Holding companies excluded

29 Debt securities issued

	Interest	Maturity	31.12.2020 MCZK	31.12.2019 MCZK
Investment certificates	fixed	2021–2024	3,122	3,496
Issued notes	fixed	2020	–	40
Total			3,122	3,536

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 2020 and 2019.

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

MCZK	Debt securities issued	Lease liabilities	Total
At 1 January 2020	3,536	131	3,667
Net increase/(decrease) in cash and cash equivalents			–
Lease payments	–	(35)	(35)
Changes in lease liabilities	–	7	7
Proceeds from issue of debt securities	2,233	–	2,233
Repayment of debt securities issued	(2,647)	–	(2,647)
Net cash from financing activities	(414)	(28)	(442)
Effect of exchange rate fluctuations	–	–	–
Interest expense	145	3	148
Interest paid	(145)	(3)	(148)
At 31 December 2020	3,122	103	3,225
At 1 January 2019	2,583	162	2,745
Net increase/(decrease) in cash and cash equivalents			–
Lease payments	–	(34)	(34)
Changes in lease liabilities	–	3	3
Proceeds from issue of debt securities	1,611	–	1,611
Repayment of debt securities issued	(658)	–	(658)
Net cash from financing activities	953	(31)	922
Effect of exchange rate fluctuations	(3)	–	(3)
Interest expense	106	4	110
Interest paid	(103)	(4)	(107)
At 31 December 2019	3,536	131	3,667

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	31.12.2020	31.12.2019
Negative fair value of derivatives:		
Interest rate contracts	5,509	3,143
Currency contracts	1,863	1,954
Liabilities from short sales of securities	9,338	3,957
Total	16,710	9,054

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 2020	35	130	18	183
Creation	6	-	-	6
Use	-	-	-	-
Release	(26)	-	(1)	(27)
Provisions at 31 December 2020	15	130	17	162
Provisions at 1 January 2019	29	184	19	232
Creation	80	3	-	83
Use	-	(57)	-	(57)
Release	(74)	-	(1)	(75)
Provisions at 31 December 2019	35	130	18	183

In 2020, 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 (31.12.2019: MCZK 118). From 2018 to the end of 2020 no negotiations were ordered.

33 Other liabilities

MCZK	31.12.2020	31.12.2019
Blocked and escrow accounts	384	180
Payables to suppliers	194	159
Lease liabilities	103	131
Liabilities from clearing	65	552
Accrued expenses and deferred income	56	43
Other liabilities to employees	22	20
Social and health insurance	8	7
Liabilities from securities transactions	4	2
Other payables	84	49
Total	920	1,143

34 Lease liabilities

MCZK	31.12.2020	31.12.2019
Lease liabilities	103	131
Current	31	35
Non-current	72	96
Interest on lease liabilities	3	3

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. Interest on lease liabilities are recognised in the income statement in the line item “Interest and similar income”.

Maturity analysis – contractual undiscounted cash flows:

MCZK	2020	2019
Less than one year	33	37
Between one and five years	72	97
More than five years	2	4
Total	107	138

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
Loans and advances at 31 December 2020:		
to banks (CNB included)	84,783	83,280
to clients	–	–
Loans and advances at 31 December 2019:		
to banks (CNB included)	148,931	147,410
to clients	261	476

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
Deposits at 31 December 2020:		
to banks	–	–
to clients	29,157	28,592
Deposits at 31 December 2019:		
to banks	23,920	26,856
to clients	62,848	61,450

36 Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2020

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	7,522	7,522	5,387	(2,010)	–	3,377
Reverse repurchase agreements	84,783	84,783	84,783	–	(83,280)	1,503
Total	92,305	92,305	90,170	(2,010)	(83,280)	4,880

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2020

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	(7,372)	(7,372)	(5,796)	1,766	–	(4,030)
Repurchase agreements	(29,157)	(29,157)	(29,157)	–	28,592	(565)
Total	(36,529)	(36,529)	(34,953)	1,766	28,592	(4,595)

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2019

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	4,634	4,634	2,713	(1,049)	–	1,664
Reverse repurchase agreements	149,192	149,192	149,192	–	(147,666)	1,526
Total	153,826	153,826	151,905	(1,049)	(147,666)	3,190

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2019

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	(5,097)	(5,097)	(4,234)	1,646	–	(2,588)
Repurchase agreements	(86,768)	(86,768)	(86,768)	–	85,370	(1,398)
Total	(91,865)	(91,865)	(91,002)	1,646	85,370	(3,986)

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 2020:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2019:			
	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 2020 and as at 31 December 2019 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings B.V.	Netherlands	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 2020 or 31 December 2019.

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. 2019: MCZK 412).

38 Fair value reserve

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

No dividends were paid by the Bank in 2020 and 2019.

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 2020	1,133
Proposed allocation of profit for 2020:	
Transfer to retained earnings	(1,133)
	-

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	31.12.2020	31.12.2019
Guarantees issued	1,011	1,126
Undrawn credit commitments	9,515	11,964
Total	10,526	13,090

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	31.12.2020	31.12.2019
Values under custody or administration	138,220	119,743
Total	138,220	119,743

Off-balance sheet financial instruments

MCZK	Notional value		Positive fair value		Negative fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivatives						
Interest Rate Swaps	285,578	243,755	5,308	3,041	(5,489)	(3,143)
Interest Rate Forwards	29,700	50,700	6	6	(19)	-
Interest Rate futures	390	43	-	-	-	-
FX/Cross-currency swap	137,542	160,802	1,848	1,286	(1,539)	(1,111)
FX forwards	19,684	31,210	220	301	(185)	(843)
FX options purchase	10,350	-	140	-	-	-
FX options sale	10,350	-	-	-	(140)	-
			7,522	4,634	(7,372)	(5,097)

Residual maturity of derivatives

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

MCZK	At 31 December 2020					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years		
Outflow						
Interest derivatives	(10,574)	(45,888)	(93,302)	(166,098)		(315,862)
Currency derivatives	(67,359)	(57,332)	(42,541)	-		(167,232)
Inflow						
Interest derivatives	10,572	45,915	93,202	165,979		315,668
Currency derivatives	67,516	57,455	42,605	-		167,576
Net position	155	150	(36)	(119)		150
At 31 December 2019						
MCZK	At 31 December 2019					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years		Total
Outflow						
Interest derivatives	(7,972)	(76,342)	(74,223)	(136,057)		(294,594)
Currency derivatives	(82,514)	(46,803)	(63,062)	-		(192,379)
Inflow						
Interest derivatives	7,989	76,325	74,273	135,911		294,498
Currency derivatives	82,420	46,572	63,020	-		192,012
Net position	(77)	(248)	8	(146)		(463)

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 2020				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	90,096	-	90,096	90,096
Loans and advances to banks	-	4,130	-	4,130	4,130
Loans and advances to customers	-	229	35,558	35,787	35,745
Financial liabilities					
Deposits from banks	-	1,933	-	1,933	1,933
Deposits from customers	-	131,503	-	131,503	131,462
Debt securities issued	-	3,112	-	3,112	3,122

MCZK	As at 31 December 2019				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	156,713	-	156,713	156,713
Loans and advances to banks	-	3,636	-	3,636	3,636
Loans and advances to customers	-	-	41,111	41,111	41,109
Financial liabilities					
Deposits from banks	-	25,743	-	25,743	25,743
Deposits from customers	-	172,741	-	172,741	172,805
Debt securities issued	-	3,469	-	3,469	3,536

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:

As at 31 December 2020

MCZK	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	11,708	61	–	11,769
Derivatives held for trading	–	7,522	–	7,522
Financial assets at fair value through other comprehensive income	17,583	1,731	–	19,314
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,338	–	–	9,338
Derivatives held for trading	–	7,372	–	7,372

MCZK	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	2,462	70	–	2,532
Derivatives held for trading	–	4,634	–	4,634
Financial assets at fair value through other comprehensive income	15,259	2,292	–	17,551
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	3,957	–	–	3,957
Derivatives held for trading	–	5,097	–	5,097

In 2020 and 2019, 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

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 Bank'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 asset (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 2020 or 2019 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 2020 and 2019, the Bank accounted for modifications (in 2020 also with regard to COVID), whereas the profit (loss) from the modification was insignificant, both individually and in aggregate.

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

MCZK	31.12.2020 Fair value	31.12.2019 Fair value
Debt instruments	19,313	17,374
Total	19,313	17,374

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
31.12.2020					
Very low risk	10,729	-	-	-	10,729
Low to fair risk	1,667	-	-	-	1,667
Medium risk	5,226	1,691	-	-	6,917
High risk	-	-	-	-	-
Default	-	-	-	-	-
Fair value	17,622	1,691	-	-	19,313
Loss allowance	(93)	(67)	-	-	(160)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	4,789	-	-	-	4,789
Low to fair risk	7,011	-	-	-	7,011
Medium risk	4,282	1,118	-	-	5,400
High risk	174	-	-	-	174
Default	-	-	-	-	-
Fair value	16,256	1,118	-	-	17,374
Loss allowance	(39)	(28)	-	-	(67)

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	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	39	28	-	-	67
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(2)	45	-	-	43
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	11	-	-	-	11
Changes in PD/LGD/EADs, unwind of discount	65	1	-	-	66
Derecognition of financial asset	(15)	-	-	-	(15)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(5)	(7)	-	-	(12)
Net change in 2019	54	39	-	-	93
Loss allowance as at 31.12.2020	93	67	-	-	160

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	41	13	-	-	54
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	1	(8)	-	-	(7)
Transfer to stage 2	(1)	6	-	-	5
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	12	1	-	-	13
Changes in PD/LGD/EADs, unwind of discount	(4)	17	-	-	13
Derecognition of financial asset	(11)	-	-	-	(11)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	1	(1)	-	-	-
Net change in 2019	(2)	15	-	-	13
Loss allowance as at 31.12.2019	39	28	-	-	67

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

MCZK	31.12.2020			31.12.2019		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Nostro account balances	2,502	-	2,502	1,647	-	1,647
Balances with the central bank	2,761	-	2,761	6,100	-	6,100
Reverse repo with the central bank	84,783	-	84,783	148,931	-	148,931
Loans and advances to banks	4,130	-	4,130	3,636	-	3,636
Total	94,176	-	94,176	160,314	-	160,314

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	87,412	-	-	-	87,412
Low to fair risk	6,280	-	-	-	6,280
Medium risk	173	311	-	-	484
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	93,865	311	-	-	94,176
Loss allowance	-	-	-	-	-
Net carrying amount	93,865	311	-	-	94,176

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	155,947	-	-	-	155,947
Low to fair risk	3,032	-	-	-	3,032
Medium risk	1,297	38	-	-	1,335
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	160,276	38	-	-	160,314
Loss allowance	-	-	-	-	-
Net carrying amount	160,276	38	-	-	160,314

The Bank did not report any accrued interest to individually impaired loans and advances to banks as at 31 December 2020 and 2019.

Loans and advances to customers

MCZK	31.12.2020			31.12.2019		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	37,949	(2,204)	35,745	42,119	(1,010)	41,109
Total	37,949	(2,204)	35,745	42,119	(1,010)	41,109

MCZK	31.12.2020					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Very low risk	-	-	-	-	-	
Low to fair risk	375	-	-	-	375	
Medium risk	32,172	517	-	-	32,689	
High risk	10	1,739	-	-	1,749	
Default	-	-	3,136	-	3,136	
Gross carrying amount	32,557	2,256	3,136	-	37,949	
Loss allowance	(572)	(48)	(1,584)	-	(2,204)	
Net carrying amount	31,985	2,208	1,552	-	35,745	

MCZK	31.12.2019					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Very low risk	-	-	-	-	-	
Low to fair risk	394	-	-	-	394	
Medium risk	36,620	835	-	-	37,455	
High risk	1,353	56	-	-	1,409	
Default	-	-	2,861	-	2,861	
Gross carrying amount	38,367	891	2,861	-	42,119	
Loss allowance	(164)	(22)	(824)	-	(1,010)	
Net carrying amount	38,203	869	2,037	-	41,109	

MCZK	31.12.2020					
	Stage 1	Stage 2	Stage 3	POCI	Total	
Loss allowance as at 1.1.2020	164	22	824	-	1,010	
Transfers between stages:						
Transfer to stage 1	-	-	-	-	-	
Transfer to stage 2	(4)	42	(3)	-	35	
Transfer to stage 3	(16)	-	818	-	802	
New financial assets originated or purchased	195	1	-	-	196	
Changes in PD/LGD/EADs, unwind of discount	302	2	442	-	746	
Derecognition of financial asset	(57)	(17)	(18)	-	(92)	
Write-offs	-	-	(479)	-	(479)	
Changes to methodologies	-	-	-	-	-	
Modification of contractual cash flows of financial assets	-	-	-	-	-	
FX differences and other changes	(12)	(2)	-	-	(14)	
Net change in 2020	408	26	760	-	1,194	
Loss allowance as at 31.12.2020	572	48	1,584	-	2,204	

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	169	9	1,161	-	1,339
Transfers between stages:					
Transfer to stage 1	-	(1)	-	-	(1)
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(1)	-	21	-	20
New financial assets originated or purchased	105	18	22	-	145
Changes in PD/LGD/EADs, unwind of discount	11	(3)	10	-	18
Derecognition of financial asset	(120)	(1)	(153)	-	(274)
Write-offs	-	-	(237)	-	(237)
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
Net change in 2019	(5)	13	(337)	-	(329)
Loss allowance as at 31.12.2019	164	22	824	-	1,010

Accrued interest to credit-impaired loans and advances to customers was reported in the amount of MCZK 84 as at 31 December 2020 (31. 12. 2019: MCZK 161).

Financial assets that are written off but still subject to enforcement activities amounted to MCZK 416 as at December 2020 (31. 12. 2019: MCZK 0).

Analysis of Loans and advances to customers by days past due

MCZK	2020	2019
Gross	37,949	42,119
Performing	34,813	39,258
Due	34,602	39,030
Past due 1–30 days	211	224
Past due 31–90 days	-	4
Past due 91–360 days	-	-
Past due more than 360 days	-	-
Non-performing	3,136	2,861
Loss allowance	(2,204)	(1,010)
Total	35,745	41,109

Loan commitments

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	9,001	216	-	-	9,217
High risk	5	144	-	-	149
Default	-	-	149	-	149
Gross amount	9,006	360	149	-	9,515
Loss allowance	(6)	-	(1)	-	(7)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	11,493	394	-	-	11,887
High risk	75	-	-	-	75
Default	-	-	2	-	2
Gross amount	11,568	394	2	-	11,964
Loss allowance	(20)	-	-	-	(20)

Financial guarantees, letters of credit

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	702	291	-	-	993
High risk	-	15	-	-	15
Default	-	-	3	-	3
Gross amount	702	306	3	-	1,011
Loss allowance	(4)	(1)	(3)	-	(8)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	589	521	-	-	1,110
High risk	-	-	-	-	-
Default	-	-	16	-	16
Gross amount	589	521	16	-	1,126
Loss allowance	(1)	(1)	(13)	-	(15)

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

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	21	1	13	-	35
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	19	-	-	-	19
Changes in PD/LGD/EADs, unwind of discount	(18)	-	-	-	(18)
Derecognition of financial asset	(12)	-	(9)	-	(21)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
Net change in 2020	(11)	-	(9)	-	(20)
Loss allowance as at 31.12.2020	10	1	4	-	15

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	22	1	6	-	29
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	2	-	2
New financial assets originated or purchased	30	1	-	-	31
Changes in PD/LGD/EADs, unwind of discount	(24)	-	6	-	(18)
Derecognition of financial asset	(7)	(1)	(1)	-	(9)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
Net change in 2019	(1)	-	7	-	6
Loss allowance as at 31.12.2019	21	1	13	-	35

Other assets – Past due, but not impaired

As at 31 December 2020 the Bank reported MCZK 0 of other assets as “Past due, but not impaired” (31.12.2019: 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

Note: the calculation is performed on unrounded values

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%:

2020 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)	160	176	16	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	-	-	-	10%
Loans and advances to customers	2,204	2,266	62	3%
Loan commitments, financial guarantees and letters of credit	15	16	1	7%

2019 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)	67	74	7	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	-	-	-	10%
Loans and advances to customers	1,010	1,029	19	2%
Loan commitments, financial guarantees and letters of credit	35	37	2	6%

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%:

2020 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)	160	144	(16)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	-	-	-	(10%)
Loans and advances to customers	2,204	2,142	(62)	(3%)
Loan commitments, financial guarantees and letters of credit	15	14	(1)	(7%)

2019 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)	67	60	(7)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	-	-	-	(10%)
Loans and advances to customers	1,010	992	(18)	(2%)
Loan commitments, financial guarantees and letters of credit	35	33	(2)	(6%)

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.

2020 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	2,204	1,825	(379)	(17%)
Loan commitments, financial guarantees and letters of credit	15	12	(3)	(21%)

2020 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	2,204	2,761	557	25%
Loan commitments, financial guarantees and letters of credit	15	22	7	47%

2019 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	1,010	958	(52)	(5%)
Loan commitments, financial guarantees and letters of credit	35	29	(6)	(17%)

2019 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	1,010	1,632	622	62%
Loan commitments, financial guarantees and letters of credit	35	48	13	37%

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 expected development of GDP.

2020 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	2,204	2,033	(171)	(8%)
Loan commitments, financial guarantees and letters of credit	15	12	(3)	(20%)

2020 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	2,204	2,383	179	8%
Loan commitments, financial guarantees and letters of credit	15	18	3	20%

2019 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	1,010	987	(23)	(2%)
Loan commitments, financial guarantees and letters of credit	35	33	(2)	(6%)

2019 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	1,010	1,039	29	3%
Loan commitments, financial guarantees and letters of credit	35	38	3	8%

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 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	31.12.2020	31.12.2019
Guarantees	1,868	941
Property	8,186	8,204
Cash	377	547
Other	3,903	1,975
Unsecured	34,141	43,542
Total	48,475	55,209

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	31.12.2020	31.12.2019
Guarantees	436	826
Property	1,029	1,204
Cash	4	-
Other	-	26
Unsecured	1,819	823
Total	3,288	2,879

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.

COVID III and COVID Plus (economic stimulus measures in the Czech Republic) related to COVID-19

COVID III GUARANTEES

The Ministry of Finance (in the Czech Republic) has prepared a support scheme in form of a portfolio guarantee provided by ČMZRB (Českomoravská záruční a rozvojová banka, a state-owned bank). Credit and risk assessment under the scheme is carried out directly by individual commercial banks, which provide loans. Enterprises (with up to 500 employees) may qualify for a guaranteed loan. The maximum loan amount supported by the guarantee is MCZK 50.

COVID PLUS GUARANTEES

EGAP (Export Guarantee and Insurance Company) provides guarantees to large companies with more than 250 employees. Again, the programme is carried out by individual commercial banks. Companies are able to apply for loans ranging from MCZK 5 to MCZK 2,000. Companies must have at least 20% of their yearly revenue coming from exports to qualify and are able to use loans up to a maximum of 25 per cent of total annual revenue.

The Bank is involved in the both the COVID III and COVID Plus schemes. As at 31 August 2020, the Bank provided loans under the COVID III programme in the total amount of MCZK 73 and under the COVID Plus scheme in the total amount of MCZK 1,659. Loans provided under both schemes are reported as Loans and advances to customers secured by the Guarantees.

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	31.12.2020	31.12.2019
Performing	34,193	39,072
Of which:		
Loans and advances to customers with forbearance:	293	30
Non-performing	1,552	2,037
Of which:		
Loans and advances to customers with forbearance:	897	1,622
Total	35,745	41,109

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

MCZK	31.12.2020	31.12.2019
Loans and advances to customers without forbearance:	34,555	39,457
Residents:		
Financial institutions*	1,856	1,317
Non-financial institutions	15,477	15,806
Households/individuals	109	117
Public sector	-	74
Holding companies	397	256
Non-residents	16,716	21,887
Loans and advances to customers with forbearance:	1,190	1,652
Residents:		
Financial institutions*	-	-
Non-financial institutions	290	58
Households/individuals	3	-
Public sector	-	-
Holding companies	-	-
Non-residents	897	1,594
Total	35,745	41,109

* Holding companies excluded

Loan moratorium (economic stimulus measures in the Czech Republic) related to COVID-19

In 2020, clients of banks (in the Czech Republic) could defer loan instalments by three or six months under Act No 177/2020 Coll. on certain measures in the area of loan repayment in connection with the COVID 19 pandemic (the loan moratorium). The moratorium was binding for all bank and non-bank lenders. It was possible to defer instalments of both consumer and business loans, including mortgages agreed and drawn before 26 March 2020. If customers used the moratorium, the loan repayment period was extended accordingly.

After the moratorium expired, no legally binding moratorium was approved. But the Ministry of Finance is still monitoring whether banks are working with clients on a case-by-case basis and offering them forbearance where necessary due to COVID-19 related issues.

As at 31 December 2020, the Bank reported total loans and advances to customers under moratorium in the amount of MCZK 4,751. The Bank also reported loans and advances to customer with forbearance related to COVID-19 in the amount of MCZK 427, while loans and advances to customer in the amount of MCZK 254 are reported at the same time as under the moratorium as well as with forbearance.

As at 31 December 2020, loans and advances to customers under a loan moratorium or with other forbearance related to COVID-19 in the amount of MCZK 162 were past due. Further, as at 31 December 2020, loans and advances to customers under a loan moratorium or with other forbearance related to COVID-19 in the amount of MCZK 21 had been transformed to stage 3 since the moratorium or other forbearance approval.

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 shall 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial institutions*	4,130	3,636	11,092	14,992	2,823	6,693
Public sector	-	-	-	75	22,554	7,174
Non-financial institutions	-	-	18,987	20,760	5,147	5,409
Real estate	-	-	6,515	7,524	286	-
Production and distribution of electricity, gas and heat	-	-	3,111	3,015	589	699
Wholesale and retail	-	-	735	1,075	1,590	1,398
Accommodation	-	-	1,083	1,008	-	-
Other	-	-	7,543	8,138	2,682	3,312
Households/Individuals	-	-	128	147	-	-
Holding entities	-	-	5,538	5,135	558	630
Total	4,130	3,636	35,745	41,109	31,082	19,906

* 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Czech Republic	3,336	500	18,056	17,002	24,169	8,577
Slovak Republic	-	-	995	2,068	285	273
Netherlands	12	-	796	680	3	213
Other EU countries	336	1,430	2,752	3,007	1,091	3,268
Russian Federation	9	948	162	621	410	1,998
Asia	84	-	12,146	17,731	928	1,310
North America	-	602	-	-	3,026	3,376
Other	353	156	838	-	1,170	891
Total	4,130	3,636	35,745	41,109	31,082	19,906

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.

The amounts on the basis of their expected recovery or settlement are essentially the same as the carrying amounts of 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 2020						
Cash and cash equivalents	90,096	-	-	-	-	90,096
Financial assets at fair value through profit or loss	658	1126	4,097	13,410	-	19,291
Financial assets at fair value through other comprehensive income	295	336	12,108	6,574	1	19,314
Loans and advances to banks	4,130	-	-	-	-	4,130
Loans and advances to customers	7,996	8,906	17,568	1,275	-	35,745
Investments and other assets	290	-	-	-	857	1,147
Total	103,464	10,368	33,774	21,259	858	169,723
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	124,255	2,028	5,179	-	-	131,462
Debt securities issued	55	772	2,295	-	-	3,122
Financial liabilities at fair value through profit or loss	462	1,064	3,966	11,218	-	16,710
Tax and other liabilities and provisions	986	24	70	2	-	1,082
Shareholders' equity	-	-	-	-	15,414	15,414
Total	127,691	3,888	11,510	11,220	15,414	169,723
At 31 December 2019						
Cash and cash equivalents	156,713	-	-	-	-	156,713
Financial assets at fair value through profit or loss	687	577	1,118	4,784	-	7,166
Financial assets at fair value through other comprehensive income	484	1,244	9,845	5,801	177	17,551
Loans and advances to banks	3,584	26	26	-	-	3,636
Loans and advances to customers	7,936	12,097	18,929	2,147	-	41,109
Investments and other assets	268	-	-	-	515	783
Total	169,672	13,944	29,918	12,732	692	226,958
Deposits from banks	25,743	-	-	-	-	25,743
Deposits from customers	151,850	13,044	7,911	-	-	172,805
Debt securities issued	738	1,696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	743	847	1,918	5,546	-	9,054
Tax and other liabilities and provisions	1,347	85	31	62	-	1,525
Shareholders' equity	-	-	-	-	14,295	14,295
Total	180,421	15,672	10,962	5,608	14,295	226,958

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 2020						
Commitments provided	9,515	-	-	-	-	9,515
Guarantees provided	489	-	-	-	-	489
Total	10,004	-	-	-	-	10,004
At 31 December 2019						
Commitments provided	11,964	-	-	-	-	11,964
Guarantees provided	582	-	-	-	-	582
Total	12,546	-	-	-	-	12,546

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 2020						
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	124,237	2,038	5,291	-	-	131,566
Debt securities issued	55	772	2,520	-	-	3,347
Financial liabilities at fair value through profit or loss	-	56	2,440	8,302	-	10,798
Derivatives	462	1,008	1,669	4,233	-	7,372
Total	126,225	2,866	10,251	8,302	-	147,644
At 31 December 2019						
Deposits from banks	25,751	-	-	-	-	25,751
Deposits from customers	151,886	13,201	8,068	-	-	173,155
Debt securities issued	738	1,696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	-	24	835	3,099	-	3,958
Derivatives	743	823	1,083	2,448	-	5,097
Total	179,118	15,744	11,088	5,547	-	211,497

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 rate, 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 2020							
Financial assets	133,054	18,569	10,349	4,207	13	2,585	168,777
Financial liabilities	107,950	39,637	4,405	123	97	1,794	154,006
FX derivatives	(8,259)	20,420	(5,968)	(4,614)	(180)	(866)	533
Net exposure	16,845	(648)	(24)	(530)	(264)	(750)	
At 31 December 2019							
Financial assets	182,724	17,778	14,171	8,112	265	3,352	226,401
Financial liabilities	145,659	60,860	3,678	199	277	1,554	212,227
FX derivatives	(22,182)	42,942	(10,464)	(8,590)	(180)	(1,889)	(363)
Net exposure	14,883	(140)	29	(677)	(192)	(91)	

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 2020 and 2019:

MCZK	2020			2019		
	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	(648)	(32)	32	(140)	(7)	7
USD	(24)	(1)	1	29	1	(1)
INR	(530)	(27)	27	(677)	(34)	34
RUB	(264)	(13)	13	192	10	(10)

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 2020						
Cash and cash equivalents	90,096	-	-	-	-	90,096
Financial assets at fair value through profit or loss	660	6,196	3,238	9,197	-	19,291
Financial assets at fair value through other comprehensive income	862	5,419	9,397	3,635	1	19,314
Loans and advances to banks	4,130	-	-	-	-	4,130
Loans and advances to customers	19,673	8,077	7,987	8	-	35,745
Investments and other assets	290	-	-	-	857	1,147
Total	115,711	19,692	20,622	12,840	858	169,723
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	124,255	2,028	5,179	-	-	131,462
Debt securities issued	55	772	2,295	-	-	3,122
Financial liabilities at fair value through profit or loss	462	1,064	3,966	11,218	-	16,710
Tax and other liabilities and provisions	986	24	70	2	-	1,082
Shareholders' equity	-	-	-	-	15,414	15,414
Total	127,691	3,888	11,510	11,220	15,414	169,723
Gap	(11,828)	15,828	9,182	1,622	(14,804)	-
Cumulative gap	(11,828)	4,000	13,182	14,804	-	-
At 31 December 2019						
Cash and cash equivalents	156,713	-	-	-	-	156,713
Financial assets at fair value through profit or loss	689	602	1,115	4,760	-	7,166
Financial assets at fair value through other comprehensive income	1,305	6,585	6,971	2,513	177	17,551
Loans and advances to banks	3,584	26	26	-	-	3,636
Loans and advances to customers	22,626	9,404	8,965	114	-	41,109
Investments and other assets	268	-	-	-	515	783
Total	185,185	16,617	17,077	7,387	692	226,958
Deposits from banks	25,743	-	-	-	-	25,743
Deposits from customers	151,850	13,044	7,911	-	-	172,805
Debt securities issued	738	1,696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	1,821	823	1,707	4,703	-	9,054
Tax and other liabilities and provisions	970	24	93	4	434	1,525
Shareholders' equity	-	-	-	-	14,295	14,295
Total	181,122	15,587	10,813	4,707	14,729	226,958
Gap	4,063	1,030	6,264	2,680	(14,037)	-
Cumulative gap	4,063	5,093	11,357	14,037	-	-

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 yield information

The effective yields on significant categories of financial assets and liabilities of the Bank as at 31 December 2020 and 2019 were as follows:

In % p.a.	2020	2019
Financial assets		
Cash and cash equivalents	0.24	1.98
Financial assets at fair value through profit or loss	1.11	2.24
Financial assets at fair value through other comprehensive income*	2.04	3.99
Loans and advances to banks	0.02	0.74
Loans and advances to customers	4.49	6.13
Financial liabilities		
Deposits from banks	0.00	0.35
Deposits from customers	(0.36)	0.66
Debt securities issued	3.04	0.34
Financial liabilities at fair value through profit or loss*	0.92	3.44

* Yield interest rate is calculated from debt securities 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 (bp) 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 2020 BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(151)	85
EUR	(56)	12
USD	(226)	(1)
GBP	(6)	(1)
RUB	-	-
HUF	-	-
KZT	-	-
INR	-	-
IDR	-	-
Total BPV (absolute)	439	99

As at 31 December 2019 BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	186	(5)
EUR	(74)	(73)
USD	(322)	(6)
GBP	-	-
RUB	-	-
HUF	1	-
KZT	(4)	-
INR	-	-
IDR	-	-
Total BPV (absolute)	587	84

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	2020		2019	
	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	96	(96)	(85)	85
Average for the period	48	(48)	30	(30)
Maximum for the period	186	174	257	142
Minimum for the period	(174)	(186)	(142)	(257)

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 2020	31 December 2019
Change in annual net interest income		
Impact of +200 bp interest rate movement	(490)	(30)
Impact of -200 bp interest rate movement	64	(375)
Change in the economic value of equity		
Impact of +200 bp interest rate movement	(1,095)	(778)
Impact of -200 bp interest rate movement	394	154

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 not exposed to settlement risk as all transactions are settled in a delivery versus payment manner.

43.4 Operational risk

43.4.1 Operational risks

The Security and Operational Risk Management department is responsible for managing the 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 Security and 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 and the information system security management system, and it monitors, measures and assesses physical and information security, and prepares the methodology for the management and mitigation of the risks.

The Security and 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 insurance and legal risk. The Security and 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 expenses and income.

43.4.2 Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts with 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 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 the 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.

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 2020		
Issued capital	769	769
Share premium	412	412
Retained earnings	12,617	13,750
Profit/(Loss)	1,133	-
Accumulated other comprehensive income	483	483
Less value adjustment due to requirements of prudent valuation	(55)	-
Less intangible assets	(129)	-
Mitigation of impact of IFRS 9 implementation	503	-
Tier 1 capital	15,733	-
Total	15,733	15,414
At 31 December 2019		
Issued capital	769	769
Share premium	412	412
Retained earnings	10,421	12,508
Profit/(Loss)	1,443	-
Accumulated other comprehensive income	606	606
Less value adjustment due to requirements of prudent valuation	(34)	-
Less intangible assets	(193)	-
Mitigation of impact of IFRS 9 implementation	226	-
Tier 1 capital	13,650	-
Total	13,650	14,295

Capital adequacy ratios are as follows:

%	2020	2019
Tier 1 common capital ratio	24.47%	18.27%
Tier 1 capital ratio	24.47%	18.27%
Total capital ratio	24.47%	18.27%

If the mitigation of the impact of IFRS 9 implementation were not applied, tier 1 common capital ratio, tier 1 capital ratio and total capital ratio would be 23.83% as at 31 December 2020 (2019: 18.02%).

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

MCZK	Exposure	Capital requirement
At 31 December 2020		
Central government or central banks	82	7
Regional governments or local authorities	5	-
Institutions	1,869	149
Corporates	36,186	2,895
Retail	-	-
Secured by mortgages on immovable property	212	17
Exposures in default	1,498	120
Items associated with particular high risk	5,551	444
Collective investment undertakings	-	-
Equity	239	19
Other items	917	73
Total	46,559	3,724
At 31 December 2019		
Central government or central banks	319	25
Regional governments or local authorities	16	1
Institutions	3,207	257
Corporates	47,543	3,803
Retail	-	-
Secured by mortgages on immovable property	313	25
Exposures in default	1,952	156
Items associated with particular high risk	2,111	169
Collective investment undertakings	-	-
Equity	310	25
Other items	271	22
Total	56,042	4,483
of which the effect of the mitigation of the impact of IFRS 9 implementation on specific credit risk adjustments	504	40
MCZK	2020	2019
Capital requirements for credit risk	3,724	4,483
Capital requirements for market risks	589	699
for interest rate risk of trading portfolio	475	630
for equity risk of trading portfolio	-	-
for foreign exchange risk	114	69
Capital requirements for settlement risk	-	-
Capital requirements for operational risk	552	487
Capital requirements for credit valuation adjustment risk	289	306
Total capital requirements	5,154	5,975

Minimum requirements for capital ratios are as follows:

	Minimum requirement	Capital conservation buffer	Counter-cyclical buffer
31.12.2020			
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.27%
Tier 1 capital	6%	2.5%	0.27%
Total regulatory capital	8%	2.5%	0.27%
31.12.2019			
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.71%
Tier 1 capital	6%	2.5%	0.71%
Total regulatory capital	8%	2.5%	0.71%

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 Credit Committee or ALCO, as appropriate.

44 Related-party transactions

As at 31 December 2020, the parent company of the Bank is PPF Financial Holdings B.V., with its registered office in the Netherlands, Amsterdam, Strawinskyiaan 933, postal code: 1077XX, registration number: 61880353, the parent company of PPF Financial Holdings B.V is PPF Group N.V., with its registered office in the Netherlands, Amsterdam, Strawinskyiaan 933, postal code: 1077XX, registration number: 33264887 and the ultimate controlling person is Mr Petr Kellner.

The Bank considered the transactions with its parent company, PPF Financial Holdings B.V. 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 Transaction with the parent company

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

MCZK	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss	24	23
Deposits from customers	(350)	(3,006)
Total	(326)	(2,983)

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	2020	2019
Interest and similar income	1	1
Fee and commission income	1	1
Total	2	2

44.2 Transactions with subsidiaries

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

MCZK	2020	2019
Loans and advances to customers	9,225	13,767
Deposits from customers	(347)	(690)
Total	8,878	13,077

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

MCZK	2020	2019
Interest and similar income	1,098	1,344
Interest expense and similar charges	(1)	(1)
Dividend income	415	-
Net impairment losses on financial assets	(293)	(6)
Other operating income	2	2
Total	1,221	1,339

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	31.12.2020	31.12.2019
Cash and cash equivalents	11	-
Financial assets at fair value through profit or loss	1,265	696
Financial assets at fair value through other comprehensive income	-	555
Loans and advances to banks	93	266
Loans and advances to customers	4,753	3,598
Other assets	43	28
Deposits from customers	(37,727)	(32,547)
Deposits from banks	(753)	(863)
Financial liabilities at fair value through profit or loss	(759)	(632)
Other liabilities	(137)	(153)
Total	(33,211)	(29,052)

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

MCZK	2020	2019
Interest and similar income	275	176
Interest expense and similar charges	(36)	(56)
Fee and commission income	330	59
Fee and commission expense	-	(1)
Net income from financial operations	714	726
Net impairment losses on financial assets	4	(4)
Other operating income	6	5
General administrative expenses	(134)	(158)
Total	1,159	747

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	31.12.2020	31.12.2019
Financial liabilities at fair value through profit or loss	(1)	(1)
Deposits from customers	(57)	(58)
Total	(58)	(59)

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	2020	2019
General administrative expenses	(54)	(54)
Net income from financial operations	(2)	(1)
Total	(56)	(55)

General administrative expenses consist of salaries and remuneration of the Group ,s key management personnel, described in detail in Note 11.

44.5 Credit commitments and guarantees provided

As a related party transaction, as at 31 December 2020 the Bank provided a credit commitment to related parties of MCZK 5,610 (31. 12. 2019: MCZK 8,186), a guarantee commitment and a guarantee in the amount of MCZK 0 (31 .12. 2019: MCZK 100).

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 below:

In March 2021, the ultimate controlling shareholder died.

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 2020

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 2020 to 31 December 2020 ("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 the information of the Board of Directors, in which the Company's statutory 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 the 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 2 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 57279667:

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

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 7 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 57279241:

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

The following agreements have been concluded with AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY, with its registered office at Block 3, Harcourt Centre, Harcourt Road, DO2A339, Dublin, Ireland, registration number: 619700:

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

The following agreements have been concluded with ABDE Holding s.r.o. v likvidaci (previously Airline Gate 1 s.r.o.), with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 02973081:

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

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

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

The following agreements have been concluded with Accord Research, s.r.o. v likvidaci, with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 290 48 974:

- General agreement on payment and banking 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 provisions for the contract with an administrator – scope of performance: financial services
- Contract for on the opening and maintenance of correspondent accounts – scope of performance: financial services
- Framework agreement on trading on financial markets (EMA) – scope of performance: financial services
- Creditor Accession Undertaking – scope of performance: financial services
- ISDA Master Agreement – scope of performance: financial services
- Commission 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

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: HE316792:

- General agreement on payment and banking services – scope of performance: financial services
- ISDA Master Agreement, as amended – 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 Strawinskyiaan 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 Benxy s.r.o. (previously Zonky s.r.o.), with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 035 70 967:

- 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
- Event Rental Agreement – short-term rental of non-residential premises to hold an event – scope of performance: financial services

The following agreements have been concluded with Bolt Start Up Development a.s., with its registered office at Praha 4, Michle, 140 00, Za Brumlovkou 266/2, 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
- Project Support Agreement – scope of performance: financial services
- Guarantee and Shareholder Undertaking Agreement – scope of performance: financial services
- Intercreditor Agreement – scope of performance: financial services
- Winding-up and Termination Agreement – scope of performance: financial services

The following agreements have been concluded with Central European Media Enterprises Ltd., with its registered office at Park Place, 55 Par-la-Ville Road, HM11, Bermuda Islands, registration number: 19574:

- General agreement on payment and banking 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 the trading on financial market (EMA) – scope of performance: financial services
- Agreement on provision of Investment services – scope of performance: financial services
- Agreement on provision of Penetration tests – scope of performance: provision of penetration tests
- 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 Group B.V. (previously PPF Infrastructure 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

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

- General agreement on payment and banking services – 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 CITY TOWER Holding a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 02650665:

- General agreement on payment and banking services – 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

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 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 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
- Agreement on Establishing the Right of Lien on Receivables of the SEM Agreement – scope of performance: financial services
- Contracts establishing a lien on current accounts – 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
- Facilities Agreement up to CZK 1,967,000,000 – 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 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 ELTHYSIA LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE290356:

- 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. (previously PPF Beer Holdco 1 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

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

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

The following agreements have been concluded with FACIPERO INVESTMENTS LIMITED, with its registered office at Strovolos, Esperidon 5, 2001, 4th Floor, 1075 Nicosia, Cyprus, registration number: HE232483:

- 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 useway Bay 36/F Tower Two, 1 Matheson St, Causeway Bay, 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 FELISTON ENTERPRISES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE152674:

- 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, Praha 6, 160 00 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, Praha 6, 160 00 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:

- Commission 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

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 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 Broker, s.r.o. v likvidaci, with its registered office at Nové sady 996/25, Staré Brno, 602 00 Brno, registration number: 29196540:

- 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 ITS s.r.o. v likvidaci, with its registered office at Evropská 2690/17, Praha 6, 160 00, registration number: 08803251:

- 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 36/F Tower Two, Times Square, 1 Matheson St, 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 the 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
- Special Arrangement on the Agreement with an Administrator – scope of performance: financial services
- Agreement on a promissory note programme arrangement – scope of performance: financial services
- Agreement on the assignment of Loan Agreement No 41389616 – scope of performance: financial services
- Agreement on the assignment and amendment of the Agreement with an Administrator – scope of performance: financial services
- Agreement on the assignment of a special arrangement for the Agreement with an 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 (as 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
- Commission 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 SW solutions, distribution of SW and re-invoicing of expenses
- Agreement on the distribution of licences 1/2019 – scope of performance: distribution of licences and support
- Software licence agreement for ULA Oracle
- Confidentiality agreement – scope of performance: other services
- 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 Strawinskyalaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34126597:

- ISDA Master Agreement, as amended – scope of performance: financial services
- Special arrangement to the Agreement with an Administrator – scope of performance: financial services
- Agreement on the assignment of a special arrangement for the Agreement with an 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 Issuance of the Notes – scope of performance: financial services
- Agreement on the assignment of derivative transactions – scope of performance: financial services
- Agreement Related to the Offer of a Bond – scope of performance: financial services
- Loan Agreement No 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
- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments 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 termination of the Agreement on the provision of the Issue of the notes – scope of performance: financial services
- Creditor Accession Undertaking – scope of performance: financial services
- Agreement on the Assignment and Amendment of the Agreement with an Administrator – scope of performance: financial services
- Agreement Related to the Offer of a Bond – 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 for subordinated liabilities and rights – scope of performance: financial services
- 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 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

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 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 Air Land s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138462:

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

The following agreements have been concluded with Letňany Air Logistics s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138411:

- 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 LINDUS SERVICES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE281891

- 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 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
- Depository contract – account PO 140103KSB – scope of performance: financial services
- Agreement on Russian rouble loro account opening and maintenance procedures for a 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

- Commission 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 for on the opening and maintenance of a CZK correspondent account and terms and conditions of maintaining the account – 2005840171/6000 – Terms and Conditions for Correspondent Account in CZK – scope of performance: financial services

- Contract for on the opening and maintenance of a EUR correspondent account and terms and conditions of maintaining the account – 2005840200/6000 – Terms and Conditions for Correspondent Account in EUR – scope of performance: financial services

- Contract for on the opening and maintenance of a USD correspondent account and terms and conditions of maintaining the account – 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 for 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 the 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) No 2005840200/6000 – scope of performance: financial services

- Agreement on the maintenance of a correspondent foreign-currency account of a non-resident bank – nostro account USD 21 – scope of performance: financial services

The following agreements have been concluded with LLC RAV Agro, with its registered office at ul. 45 Strelkovoy Divizii, 232, office 205, 394 026 Voronezh, Russia, registration number: 1073667022879:

- 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 Limassol, 3032, City House, Karaiskaki 6, 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 MICROLIGHT TRADING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE224515:

- 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, W1C 1BE London, United Kingdom, registration number: 11669616:

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

The following agreements have been concluded with mluvi.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 MOBI BANKA AD BEOGRAD (NOVI BEOGRAD), with its registered office at Omladinskih brigada 90v, Belgrade, Serbia, registration number: 17138669:

- General agreement on payment and banking services – 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 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 Mystery Services s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24768103:

- Contract on 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 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

The following agreements have been concluded with Net Gate s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24765651:

- 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:

- 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 the Aculla SIPREC SRS recording system – scope of performance: stating of conditions for the provision of a recording system to the second contracting party and its use for the fulfilment of MiFID regulation requirements, financial services
- Framework agreement on payment and banking services – scope of performance: setting of a credit limit for the Company and the establishment 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 cloud, housing and related services – scope of performance: provision of cloud, housing and related services to the second contracting party, financial services
- Bulk SMS Connector Service Agreement – scope of performance: bulk sending of SMS from applications and provision of development capacities for application development according to the requirements of PPF banka a.s.
- Mobile SIPREC Service Agreement – provision of services in the monitoring and recording of calls for the purpose of meeting the requirements of MiFID (Markets in Financial Instruments Directive) 639131– scope of performance: other services

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 No BZ/30367615 – scope of performance: financial services
- 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 Hvězdova 1716/2b, Nusle, 140 00 Praha 4, 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 Pars nova a.s., with its registered office at Žerotínova 1833/56, 787 01 Šumperk, registration number: 25860038:

- Financial Guarantee Agreement No 300000206/001/2020 + Letter of Guarantee – scope of performance: financial services
- Loan Contract No 41571120 COVID PLUS PROGRAMME – scope of performance: financial services
- Agreement on fees – scope of performance: commercial 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:

- Contract on the use of a visual style and the provision of rights to use trademarks – scope of performance: other services
- Contract on the sublease of mobile equipment – scope of performance: other services
- Contract on the provision of services dated 31 March 2006 – scope of performance: other services
- Contract on the sublease of non-residential premises – E-GATE, as amended – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services
- Contract on the sublease of parking lots – scope of performance: financial services
- LAN Service Agreement – scope of performance: other services
- Cost Reimbursement Agreement Cost Reimbursement Agreement
- 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 A3 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61684201:

- General agreement on payment and banking services – scope of performance: financial 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 Beer IM Holdco 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 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 INR 1,875,000,000 Credit Facility + signature specimen, as amended – scope of performance: financial services
- Agreement dated 29 September 2016 on an INR 2,250,000,000 Credit Facility – scope of performance: financial services
- Agreement on an INR 2,500,000,000 Credit Facility as amended – scope of performance: financial services
- Agreement on an IDR 30,000,000,000 Credit Facility as amended – scope of performance: financial services
- Agreement on an INR 3,750,000,000 Credit Facility – scope of performance: financial services

- Agreement INR 4,000,000,000 Credit Facility – 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 31 July 2018 on a USD 40,000,000 Credit Facility – scope of performance: financial services
- Agreement of 27 November 2018 on an INR 4,000,000,000 – scope of performance: financial services
- Agreement of 22 November 2018 on a USD 32,000,000 – scope of performance: financial services
- Consent and waiver in respect of certain conditions precedent – scope of performance: financial services
- Letter of Comfort – scope of performance: financial services
- Agreement of 15 August 2019 on a USD 40,000,000 Credit Facility – scope of performance: financial services
- Agreement of 15 August 2019 on an 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 on a HUF 6,000,000,000 Credit Facility – scope of performance: financial services
- Agreement of 21 November 2019 on a EUR 47,000,000 Credit Facility – scope of performance: financial services
- Consent Letter – USD 25,000,000 Credit Facility (amended) – scope of performance: financial services
- Agreement of 22 May 2020 on a RSD 3,000,000,000 Credit Facility – scope of performance: financial services

The following agreements have been concluded with PPF CYPRUS MANAGEMENT LIMITED (previously ANTHIAROSE LIMITED), with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE224463:

- 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 Agreement, as amended – scope of performance: financial services
- Contract on the subscription and purchase of investment certificates – scope of performance: financial services
- Contract on the subscription and purchase of investment certificates – scope of performance: financial services
- Contract on the subscription and purchase of investment certificates – scope of performance: financial services
- Contract on the subscription and purchase of subordinated debt – scope of performance: financial services
- Confidentiality Agreement – scope of performance: financial services

The following agreements have been concluded with PPF CYPRUS RE MANAGEMENT LTD., with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE251908:

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

The following agreements have been concluded with 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 Financial Holdings B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61880353:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on the provision of credit risk management services – scope of performance: financial services
- Agreement on administration – scope of performance: financial services
- Contract of Mandate – scope of performance: other 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 the Provision of Investment Services – scope of performance: financial services
- Agreement on the Assignment of a Contract on Group Corporate Governance, object: financial services
- Contract on Group Corporate Governance – scope of performance: financial services

The following agreements have been concluded with PPF Finco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 77800117:

- General agreement on payment and banking services – scope of performance: financial 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 for 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
- Project Support Agreement – scope of performance: business services
- The 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 on the 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 IndustryCo B.V. (previously PPF Beer Topholdco 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

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 1209, Orange street, Wilmington, Delaware, United States of America, registration number: 7705173, byl/a uzavřen/a:

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

The following agreements have been concluded with PPF REAL ESTATE LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE188089:

- 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. (previously PPF Arena 1 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 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
- Escrow Agreement Reg. No 2322470004 – scope of performance: financial services
- Escrow Agreement Reg. No 2322480018 – scope of performance: financial services
- Escrow Agreement Reg. No 2322460009 – scope of performance: financial services
- Escrow Agreement Reg. No 2322490005 – scope of performance: financial services

The following agreements have been concluded with PT Home Credit Indonesia, with its registered office at Plaza Oleos, 8-9th Floor, Jl. TB Simatupang 53A, 125 20 Jakarta, Indonesia, registration number: 03.193.870.7-021.000:

- 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 Hvězdova 1716/2b, Nusle, 140 00 Praha 4, registration number: 25667254:

- General agreement on payment and banking services – scope of performance: financial services
- Contract on the provision of BZ No 90009006, as amended – scope of performance: financial services
- Agreement on the provision of banking products, Reg. No 41516419 – scope of performance: financial services
- Agreement on the right to complete a promissory note, Reg. No SD/41516419 – scope of performance: financial services
- Agreement on the payment of accommodation, ticket, and event agency service expenses – scope of performance: financial services

The following agreements have been concluded with Real Estate Russia B.V., with its registered office at Strawinskyalaan 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 REDLIONE LTD, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE178059:

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

The following agreements have been concluded with REPIENO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE282866:

- 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 RIXO s.r.o. with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 1487779:

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

The following agreements have been concluded with Ruconfin B.V., with its registered office at Strawinskyalaan 933, 1077 XX Amsterdam, Netherlands, registration number: 55391176:

- General agreement on payment and banking services – scope of performance: financial services
- Framework agreement on consultancy, cooperation and the provision of services as amended – scope of performance: financial services

The following agreements have been concluded with SALEMONTA LIMITED, with its registered office at 1066 Nicosia, Cyprus, registration number: HE161006:

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

The following agreements have been concluded with SATABOTO Ltd., with its registered office at ATHIENITIS CENTENNIAL BUILDING, Themistokli Dervi, 48, office 603, 6 floor, 1066 Nicosia, Cyprus, registration number: HE 155018:

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

The following agreements have been concluded with SB JSC Bank Home Credit, with its registered office at Nursultan Nazarbaev Street 248, Almaty, 0500059, Kazakhstan, registration number 513-1900-AO (UI):

- ISDA Master Agreement – scope of performance: financial services
- ISDA Credit Support Annex for a variation margin (VM) – scope of performance: financial services
- Correspondent Account Agreement – 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 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 SOTIO 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 Sotio N. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34302290:

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

The following agreements have been concluded with STEPHOLD LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE221908:

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

The following agreements have been concluded with STINCTUM HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE177110:

- 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, 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 ELECTRIC a.s. with its registered office at Průmyslová 610/2a, 301 00 Plzeň – Doudlevice, registration number: 477 18 579:

- Financial Guarantee Agreement No 300000195/001/2020 + Letter of Guarantee – scope of performance: financial services
- Loan Contract No 41571120 COVID PLUS PROGRAM – 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 Reg. No 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 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 for a Credit Facility up to CZK 3,500,000,000 – scope of performance: financial services
- Funded Participation Agreement – scope of performance: commercial services
- Financial Guarantee Agreement No 300000184/001/2020 + Letter of Guarantee – scope of performance: financial services
- Loan Contract No 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 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

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 Telematika a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 054 18 046:

- 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 Telenor Bulgaria EAD, with its registered office at Bulgaria, Sofia, 1766, Business Park Sofia, zh.k. Mladost 6, registration number: 130460283:

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

The following agreements have been concluded with 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

The following agreements have been concluded with 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

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 TIMEWORTH HOLDINGS LTD., with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE187475:

- General agreement on payment and banking services – scope of performance: financial services
- ISDA Master Agreement, as amended – scope of performance: financial services
- AGREEMENT ON THE PROVISION OF INVESTMENT 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 TOLESTO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE322834:

- 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 Bermuda Ltd, with its registered office at Bermuda Islands, Hamilton, Park Place, 55 Par-la-Ville Road, HM11, registration number: 55011:

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

The following agreements have been concluded with TV Bidco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: : 75994437:

- 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 Usconfin 1 DAC, with its registered office at Block 3 Harcourt Centre, Harcourt Road, Dublin 2, Ireland, registration number: 619282:

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

The following agreements have been concluded with VELTHEMIA LIMITED, with its registered office at Themistokli Dervi, 48, Office 608, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE282891:

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

The following agreements have been concluded with Velvon GmbH (previously Innoble GmbH), with its registered office at Landsberger Str. 155, 80687, Munich, Germany, registration number: HRB 239796:

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

6. Assessment of whether the Company incurred damage and assessment of the settlement thereof pursuant to Sections 71 and 72 of the AoC

All actions described in Section 4 of this Report on Relations were performed, and all agreements described in Section 5 of this Report on Relations were concluded, at arm's length. Similarly, all supplies provided and received based on these agreements were provided at arm's length. The Company incurred no damage as a result of these actions and agreements.

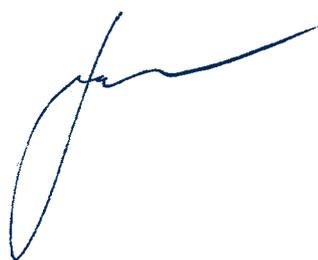
The Company declares that, in the Accounting Period, there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage, and therefore no assessment of damage settlement within the meaning of Sections 71 and 72 of the AoC is necessary.

Upon a thorough assessment of the Company's role vis-à-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 for the Company.

The Company's role vis-à-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 2021



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): Petr Kellner

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
AB 2 B.V.	57279667	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	until 11/06/2020	Air Bank a.s.
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	until 11/06/2020	Air Bank a.s.
AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY	619700	Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
ABDE Holding s.r.o. v likvidaci	02973081	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 3/09/2020	Home Credit Group B.V.
AB-X Projekt GmbH	HRB 247124	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Accord Research, s.r.o. v likvidaci	29048974	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
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.
ANTHEMONA LIMITED	HE 289 677	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
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.
ASTAVEDO LIMITED	HE 316 792	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF IndustryCo B.V.
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Benxy s.r.o.	035 70 967	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
Bolt Start Up Development a.s.	04071336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		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.
BTV Media Group EAD	130081393	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	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.
Central European Media Enterprises Ltd.	19574	Bermuda Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	TV Bidco B.V.
CETIN a.s.	040 84 063	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		CETIN Group B.V., PPF A3 B.V.
CETIN Bulgaria EAD	206149191	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest	from 1/7/2020	PPF TMT Bidco 1 Infra B.V.
CETIN d.o.o. Beograd-Novi Beograd	21594105	Serbia	Entity controlled by the same controlling entity by means of an ownership interest	from 1/7/2020	PPF TMT Bidco 1 Infra B.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 B.V. (previously PPF Infrastructure 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	from 14/5/2020	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		PPF IndustryCo B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	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
CME Bulgaria B.V.	34385990	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	CME Media Enterprises B.V.
CME Investments B.V.	33289326	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	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	from 13/10/2020	TV Bidco B.V.
CME Media Enterprises Limited	49774	Bermuda Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	Central European Media Enterprises Ltd.
CME Media Services Limited	6847543	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	CME Media Enterprises B.V.
CME Programming B.V.	33020125	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	CME Media Enterprises B.V.
CME Services s.r.o.	29018412	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	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	from 13/10/2020	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		PPF Real Estate Holding B.V.
Culture Trip (Israel) Ltd.	515308609	Israel	Entity controlled by the same controlling entity by means of an ownership interest	from 28/8/2020	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 AG (previously SOTIO Biotech AG)	CHE-354.429.802	Switzerland	Entity controlled by the same controlling entity by means of an ownership interest		Cytune Pharma B.V.
Cytune Pharma B.V.	80316557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 15/9/2020	PPF Capital Partners Fund B.V.
Cytune Pharma SAS	500998703	France	Entity controlled by the same controlling entity by means of an ownership interest		Cytune Pharma 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 Austria GmbH in Liqu	229578s	Austria	Entity controlled by the same controlling entity by means of an ownership interest		CETIN a.s.
CZECH TELECOM Germany GmbH i.L.	HRB 51503	Germany	Entity controlled by the same controlling entity by means of an ownership interest		CETIN a.s.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
CzechToll s.r.o.	06315160	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
D - Toll Holding GmbH	HRB 191929 B	Germany	Entity controlled by the same controlling entity by means of an ownership interest		PPF IndustryCo B.V.
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
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.
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.
eKasa s.r.o.	050 89 131	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
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.
Emeldi Technologies, s.r.o.	25663232	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic 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. (previously PPF Beer Holdco 1 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	from 20/8/2020	Chelton Properties Limited
ETO LICENSING LIMITED	HE 179 386	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 20/8/2020	FACIPERO INVESTMENTS 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.
FELISTON ENTERPRISES LIMITED	HE 152674	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTA LIMITED

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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.
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.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		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		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 Broker, s.r.o. v likvidaci	29196540	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 11/9/2020	Home Credit a.s.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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.
HC Finance USA LLC	7241255	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding, LLC
HC ITS s.r.o. v likvidaci	08803251	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 1/1/2020	Home Credit Group B.V.
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 EUROPE PLC	7744459	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	until 4/2/2020	PPF Group 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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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.
Home Credit US Holding, LLC	5467913	United States of America	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 of America	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		Ing. Petr Kellner
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		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 Stoct Company „Sibzavod Centre”	1035501017221	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 17/9/2020	LLC Trust - Invest
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		Stinctum Holdings Limited
Jokiaura Kakkonen Oy	2401050-2	Republic of Finland	Entity controlled by the same controlling entity by means of an ownership interest		PPF IndustryCo B.V.
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	from 13/10/2020	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
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Letiřtě 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		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		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.
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		JARVAN HOLDINGSLIMITED
LLC "KARTONTARA"	1197746247247	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
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		JARVAN HOLDINGS LIMITED
LLC Comcity Kotelnaya	5157746112959	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		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		Bavella B.V., GRANDVIEW RESOURCES CORP.
LLC ERKO	1044702180863	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Financial Innovations	1047796566223	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC Forward leasing	1157746587943	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		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		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		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		STEPHOLD LIMITED
LLC K-Development	1077760004629	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	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 Kvartal Togliatti	1056320172567	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 LB Voronezh	1133668033872	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA
LLC Logistics - A	1115048002156	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		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		PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC MCC Kupi ne kopi	1027700280640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit N.V.
LLC Mitino Sport City	1107746473383	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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		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		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		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		LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		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		LOSITANTO LIMITED
LLC Skladi 104	5009049271	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trigon II B.V.
LLC Sotio	1117746901502	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	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 Spetsializirovanniy zastroyshchik "Delta Com"	1137746330358	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V., ANTHEMONA LIMITED
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		VELTHEMIA LIMITED

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Street Retail	1207700449880	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 9/12/2020	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		JARVAN HOLDINGS LIMITED
LLC Trilogy (previously LLC TGK 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 Trust - Invest	1057746391306	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 17/9/2020	JARVAN HOLDINGS LIMITED
LLC Urozhay	1063627011910	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Yug
LLC Vagonmash	1117847029695	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	until 13/7/2020	ŠKODA TRANSPORTATION a.s.
LLC Vsegda Da	5177746179705	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		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		LLC LB Voronezh
LOSITANTO Ltd.	HE157131	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		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.
MARKÍZA - SLOVAKIA, spol s r.o.	31444873	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 13/10/2020	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	from 23/6/2020	Seal House JV a.s.
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.
mluvii.com s.r.o.	27405354	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
MOBI BANKA AD BEOGRAD (NOVI BEOGRAD)	17138669	Republic of Serbia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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
My Air a.s.	05479070	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
Mystery Services s.r.o.	24768103	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
NBWC Limited	1024143	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	ESK Developments Limited
Net Gate s.r.o.	247 65 651	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
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 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telco B.V., PPF A3 B.V., PPF CYPRUS MANAGEMENT LIMITED
O2 Family, s.r.o.	24215554	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		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 Slovakia, s.r.o.	35848863	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
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.
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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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.
One Westferry Circus S.a.r.l.	B175495	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest		PPR Real Estate s.r.o.
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.
PALM Investments a.s.	09262601	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 18/6/2020 until 30/9/2020	FO Management s.r.o., FO Servis s.r.o.
Pars nova a.s.	25860038	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ŠKODA TRANSPORTATION a.s.
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
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	from 13/10/2020	PRO PLUS d.o.o.
POTLAK LIMITED	HE362788	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
PPF a.s.	25099345	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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 Beer IM Holdco B.V.	67331378	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Capital Partners Fund 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.
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 Holding B.V.
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF Financial Holdings B.V.	61880353	Netherlands	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	from 7/4/2020	PPF Group N.V.
PPF FO Management B.V.	34186296	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
PPF FrenchCo SAS	888264744	France	Entity controlled by the same controlling entity by means of an ownership interest	from 25/8/2020	PPF IndustryCo B.V.
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		Ing. Petr Kellner, 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		Ing. Petr Kellner
PPF Holdings S.á r.l.	B 186335	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest	until 1/1/2020	Ing. Petr Kellner
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 IndustryCo B.V. (previously PPF Beer Topholdco B.V.)	67420427	Netherlands	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
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 of America	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.
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 CYPRUS RE MANAGEMENT LIMITED
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 SERVICES LIMITED	HE 92432	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
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. (previously PPF Arena 1 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 1 Infra B.V.	81312776	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 25/12/2020	PPF Telecom Group B.V.
PPF TMT Bidco 2 B.V. (previously PPF Beer Bidco 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	from 13/10/2020	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	from 13/10/2020	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	from 13/10/2020	CME Media Enterprises B.V.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
PT Home Credit Indonesia	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.
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	from 13/10/2020	BTV Media Group AD
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.
RIXO s.r.o.	01487779	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	until 26/2/2020	Home Credit Group B.V.
Ruconfin B.V.	55391176	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
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		Ing. Petr Kellner
SATACOTO Ltd.	HE 155018	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF IndustryCo 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		Ing. Petr Kellner
Seal House JV a.s.	09170782	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	from 19/5/2020	PPF Real Estate s.r.o.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
Selman Resources Limited	1005589	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 7/10/2020	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.
Shanghai Culture Trip Information Technology Co, Ltd	91310106MA1FYK5N2J	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	from 28/8/2020	The Culture Trip Ltd
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	HE 172539	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	901510100660467589T	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	until 20/10/2020	Home Credit Asia Limited
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.
Smart home security s.r.o.	063 21 399	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
SOTIO a.s.	24662623	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
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		Sotio N.V.
Sotio N.V.	34302290	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
SOTIO Therapeutics AG	CHE-385.585.958	Switzerland	Entity controlled by the same controlling entity by means of an ownership interest	from 16/12/2020	Sotio a.s.
SR Boats Limited	2016073	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	SR Development Limited
SR Development Limited	1968975	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	Chelton Properties Limited
SR-R Limited	708998	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	SR Development Limited
STEL-INVEST s.r.o.	262 38 365	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		CETIN a.s.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
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		SALEMONTA LIMITED
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		Home Credit Group 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 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		PPF IndustryCo B.V.
ŠKODA POLSKA Sp.z o.o. (previously TRADING RS 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 RAIL s.r.o.	058 22 149	Czech Republic	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		PPF IndustryCo B.V.
ŠKODA TRANSPORTATION UKRAINE, LLC	42614252	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	from 1/1/2019	ŠKODA TRANSPORTATION a.s.
Škoda Transportation USA, LLC	81-257769	United States of America	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.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
TALPA ESTERO LIMITED	HE 316 502	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		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
TANFORD LIMITED	HE 167 324	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 3/3/2020	Ing. Petr Kellner
Telematika a.s.	054 18 046	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Telenor Bulgaria EAD	130460283	Republic of Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 1 B.V.
Telenor Common Operation Ztr.	13-10-041370	Hungary	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 1 Infra B.V.
Telenor d.o.o. Beograd	20147229	Republic of Serbia	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 1 B.V.
Telenor d.o.o. Podgorica	50017124	Montenegro	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Bidco 1 B.V.
Telenor Magyarország Zrt.	13-10-040409	Hungary	Entity controlled by the same controlling entity by means of an ownership interest		TMT Hungary B.V.
Telenor Real Estate Hungary Ztr.	13-10-041060	Hungary	Entity controlled by the same controlling entity by means of an ownership interest		TMT Hungary B.V.
TELISTAN LIMITED	HE 341 864	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Eastern Properties B.V.
Temsa Deutschland GmbH	DE256871263	Germany	Entity controlled by the same controlling entity by means of an ownership interest	from 22/10/2020	Temsa Ulaşım Araçları San.ve Tic. A.Ş.
TEMSA EGYPT for Bus Manufacturing & Engineering SAE	3028	Egypt	Entity controlled by the same controlling entity by means of an ownership interest	from 22/10/2020	Temsa Ulaşım Araçları San.ve Tic. A.Ş.
Temsa North America, INC.	83-1118821	United States of America	Entity controlled by the same controlling entity by means of an ownership interest	from 22/10/2020	Temsa Ulaşım Araçları San.ve Tic. A.Ş.
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	8380046749	Turkey	Entity controlled by the same controlling entity by means of an ownership interest	from 22/10/2020	PPF IndustryCo B.V.
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.
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 means of an ownership interest	from 22/10/2020	Temsa Ulaşım Araçları San.ve Tic. A.Ş.

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
The Culture Trip (USA) Ltd.	5908200	United States of America	Entity controlled by the same controlling entity by means of an ownership interest	from 28/8/2020	The Culture Trip Ltd
The Culture Trip Ltd	7539023	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	from 28/8/2020	The Culture Trip Sarl.
The Culture Trip Sarl.	B220626	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest	from 28/8/2020	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	from 28/10/2020	Shenzhen Home Credit Xinchu 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	from 23/12/2020	PPF TMT Bidco 1 Infra B.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 Bermuda Ltd	55011	Bermuda Islands	Entity controlled by the same controlling entity by means of an ownership interest	until 13/10/2020	TV Bidco B.V.
TV Bidco B.V.	75994437	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		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	from 13/10/2020	CME Media Enterprises B.V.
Usconfin 1 DAC	619282	Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka 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

Company name	Identification / registration number	Country of registration	Method and means of control	Note	Controlled via
VGBC Limited	700080	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	Chelton Properties Limited
VGMC Limited	709492	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	from 20/8/2020	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		PPF IndustryCo B.V.
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	from 20/8/2020	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.	5714354	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.
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.

Consolidated Entities

As PPF banka holds shares in two subsidiaries, it draws up prepares consolidated financial statements. The Bank consolidates the following subsidiaries:

Share in %	2020	2019
Ruconfin B.V.	0%	100%
PPF Co3 B.V.	100%	100%
USconfin 1 DAC	0%	0%

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

In 2016 Bank purchased 100% shares of 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 the companies under the Home Credit, the purchase of retail loans from Telenor Bulgaria and Hungary, and the depositing of collateral for Telenor Serbia at Mobi Bank.

In 2018 the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States. In 2019 the Bank sold this company.

In 2020, two subsidiaries of the Bank – PPF CO3 B.V. and Ruconfin B.V. – merged: The acquiring company is PPF Co3 B.V.

Key Consolidated Financial Information

under International Financial Reporting Standards (IFRS)

Profit before tax

in millions of CZK

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

Total assets

in millions of CZK

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

Key Consolidated Financial Information

In millions of CZK

2020

2019

Assets

Cash and cash equivalents	90,100	156,815
Financial assets at fair value through profit or loss	19,291	7,166
Financial assets at fair value through other comprehensive income	19,314	17,551
Loans and advances to banks	5,096	3,971
Loans and advances to customers	34,779	40,601
Other assets	910	670
Total assets	169,490	226,774

Equity and liabilities

Deposits from banks	1,933	25,743
Deposits from customers	131,145	172,175
Debt securities issued	3,122	3,536
Financial liabilities at fair value through profit or loss	16,710	9,054
Other liabilities	1,100	1,551
Issued capital	769	769
Other components of equity	14,711	13,946
Total equity and liabilities	169,490	226,774

Income statement

Net interest and similar income	3,457	4,263
Net fee and commission income	233	163
Net income from financial operations and dividend income	284	(482)
General administrative expenses	(822)	(911)
Impairment gains/(losses)	(1,643)	233
Other operating profit or loss	(384)	(349)
Income tax expense	(377)	(699)
Net profit for the year	748	2,218

Key ratios

Non-performing client loans/total client loans	8.82%	7.09%
ROAA	0.38%	0.96%
ROAE	4.95%	16.69%
Assets per employee (in CZK million)	703	965
Administrative expenses per employee (in CZK million)	3	4
Net profit per employee (in CZK million)	3	10

Independent Auditor's Report



KPMG Česká republika Audit, s.r.o.

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www.kpmg.cz

This document is an 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 ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

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

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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



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 2,309 million as at 31 December 2020 (31 December 2019: CZK 1,150 million). Gross amount of loans and advances to customers amounted to CZK 37,088 million as at 31 December 2020 (31 December 2019: CZK 41,751 million).

Refer to Note 3 (Significant accounting policies) and Note 19 (Loans and receivables) in the notes to the consolidated financial statements.

Key audit matter	How the audit matter was addressed
<p>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 impact of the COVID-19 global pandemic on multiple sectors of the economy, required our increased attention in the audit. As such, we determined it to be a key audit matter.</p> <p>The loans are assigned to one of three stages in line with the requirements of IFRS 9 <i>Financial instruments</i> 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.</p> <p>Impairment allowances for the performing exposures are determined by modelling techniques taking into account historical experience, forward-looking information and management</p>	<p>Assisted, where applicable, by our own credit risk, valuation and information technology (IT) specialists, we performed, among others, the procedures outlined below:</p> <p>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.</p> <p>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.</p> <p>We evaluated whether in its loan staging and ECL measurement the Group appropriately considered the effects of the market disruption resulting from the</p>



Key audit matter	How the audit matter was addressed
<p>judgment. Key assumptions and judgments relevant to the assessment of performing exposures comprise:</p> <ul style="list-style-type: none"> — 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. <p>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.</p>	<p>COVID-19 pandemic.</p> <p>We obtained the relevant forward-looking information and macroeconomic projections used in the Group's ECL assessment. We independently assessed the information by means of corroborating inquiries of the Management Board and inspecting publicly available information.</p> <p>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;</p> <p>For use in the following procedures, we challenged 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</p> <p>For a sample of Stage 1 and Stage 2 loans, by reference to respective loan files and inquiries of the credit risk personnel, we:</p> <ul style="list-style-type: none"> — 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. <p>For a sample of Stage 3 loans, we challenged the estimated cash flow scenarios and their probabilities. In performing the procedure, we focused on the key assumptions, such as the</p>



Key audit matter	How the audit matter was addressed
	<p>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.</p> <p>We critically assessed the overall reasonableness of the estimated ECLs by comparing the ratios of loss allowances to gross loans per stage and in total against market and peer averages.</p> <p>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.</p>

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the separate and 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 separate and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the separate and the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on 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 28 April 2020 and our uninterrupted engagement has lasted for 22 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 April 2021 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of PPF banka a.s. as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague
22 April 2021

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


Jindřich Vašina
Partner
Registration number 2059

Consolidated Financial Statements

for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

In millions of CZK	Note	2020	2019
Interest and similar income*	7	4,650	6,231
Interest expense and similar charges	7	(1,193)	(1,968)
Net interest and similar income		3,457	4,263
Dividend income			2
Fee and commission income	8	517	242
Fee and commission expense	8	(284)	(79)
Net fee and commission income		233	163
Net income from financial operations	9	284	(484)
Other operating income		9	18
Operating income		3,983	3,962
Personnel expenses	10	(437)	(393)
Other general administrative expenses	10	(385)	(518)
General administrative expenses		(822)	(911)
Depreciation and amortisation	11	(81)	(74)
Other operating expenses	12	(312)	(293)
Operating expenses		(1,215)	(1,278)
Impairment gains/(losses)	13	(1,643)	233
Profit before income tax		1,125	2,917
Income tax expense	14	(377)	(699)
Net profit for the year		748	2,218
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – currency translation differences		31	48
Fair value reserve (debt instruments measured at fair value through other comprehensive income, tax included):		(26)	587
Net change in fair value		259	675
Net amount transferred to profit or loss		(285)	(88)
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		14	2
Other comprehensive income for the period		19	637
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		767	2,855

* 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 8 to 93 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2021.

Signed on behalf of the Board of Directors by:



Petr Jirásko



Miroslav Hudec

Consolidated Statement of Financial Positions

as at 31 December 2020

In millions of CZK	Note	31.12.2020	31.12.2019 restated*
Assets			
Cash and cash equivalents	15	90,100	156,815
Financial assets at fair value through profit or loss	16	19,291	7,166
Financial assets at fair value through other comprehensive income	17	19,314	17,551
Loans and advances to banks	18	5,096	3,971
Loans and advances to customers	19	34,779	40,601
Property, plant and equipment	21	152	167
Intangible assets	22	217	193
Income tax assets	23	46	9
Deferred tax assets	24	80	-
Other assets	25	415	301
Total assets		169,490	226,774
Liabilities			
Deposits from banks	26	1,933	25,743
Deposits from customers	27	131,145	172,175
Debt securities issued	28	3,122	3,536
Financial liabilities at fair value through profit or loss	30	16,710	9,054
Income tax liabilities	23	8	61
Deferred tax liabilities	24	-	163
Provisions	31	162	183
Other liabilities	32	930	1,144
Total liabilities		154,010	212,059
Shareholders' equity			
Issued capital	36	769	769
Share premium	36	412	412
Retained earnings		13,810	12,953
Translation reserve	37	6	(25)
Fair value reserve	38	483	606
Total shareholders' equity		15,480	14,715
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		169,490	226,774

* Restated, see note 6 Changes in accounting policies.

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

In millions of CZK	Note	2020	2019 restated*
Cash flows from operating activities			
Profit before income tax		1,125	2,917
Adjustments for:			
Depreciation and amortisation	11	81	74
Net impairment loss on investment securities		105	12
Net impairment loss on loans and advances		1,864	(156)
Net interest income	7	(3,457)	(4,263)
Revaluation of financial assets and liabilities at fair value through profit or loss		(635)	207
Net gain/loss on the sale of financial assets at fair value through other comprehensive income		(285)	(87)
Dividends received		–	(2)
Other non-cash adjustments		(51)	320
Operating profit before the change in operating assets and liabilities		(1,253)	(978)
Changes in:			
Financial assets at fair value through profit or loss		(11,451)	2,235
Loans and advances to banks		(1,361)	(48)
Loans and advances to customers		4,794	(3,975)
Other assets		(114)	(15)
Financial liabilities at fair value through profit or loss		7,656	(7,126)
Deposits from banks		(23,810)	(41,356)
Deposits from customers		(40,943)	38,695
Other liabilities		(182)	(2,295)
Subtotal		(66,664)	(14,863)
Interest received		4,017	6,171
Interest paid		(1,279)	(1,780)
Income taxes paid		(491)	(801)
Net cash from/(used in) operating activities		(64,417)	(11,273)
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(8,236)	(12,101)
Proceeds from sale of financial assets at fair value through other comprehensive income		6,472	13,562
Acquisition of property and equipment		(34)	(16)
Acquisition of intangible assets		(56)	(74)
Sale of subsidiaries		–	8
Dividends received		–	2
Net cash from/(used in) investing activities		(1,854)	1,381
Cash flow from financing activities			
Proceeds from issue of debt securities		2,233	1,611
Repayment of debt securities issued		(2,647)	(658)
Leasing payments		(35)	(34)
Net cash from/(used in) financing activities		(449)	919
Net increase/(decrease) in cash and cash equivalents		(66,720)	(8,973)
Cash and cash equivalents at 1 January	15	156,815	165,789
Effect of exchange rate fluctuations on cash and cash equivalents held		5	(1)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		90,100	156,815

* Restated, see note 6 Changes in accounting policies.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

In millions of CZK	Issued capital	Share premium	Translation reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2020	769	412	(25)	606	12,953	14,715
Total comprehensive income for the period						
Net profit for 2020	-	-	-	-	748	748
Other liabilities – “Social Fund”	-	-	-	-	(2)	(2)
Other comprehensive income						
Foreign operations – currency translation differences	-	-	31	-	-	31
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-	-	(12)	-	(12)
Transfer of gain from disposal of equity instruments at fair value through other comprehensive income within equity	-	-	-	(111)	111	-
Total	769	412	6	483	13,810	15,480
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2020	769	412	6	483	13,810	15,480
Balance at 1 January 2019	769	412	(73)	47	10,707	11,862
Total comprehensive income for the period						
Net profit for 2019	-	-	-	-	2,218	2,218
Other liabilities – “Social Fund”	-	-	-	-	(2)	(2)
Other comprehensive income						
Foreign operations – currency translation differences	-	-	48	-	-	48
Changes in fair value of financial assets at fair value through other comprehensive income (tax included)	-	-	-	589	-	589
Transfer of gain from disposal of equity instruments at fair value through other comprehensive income within equity	-	-	-	(30)	30	-
Total	769	412	(25)	606	12,953	14,715
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2019	769	412	(25)	606	12,953	14,715

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

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 comprise the Bank and its subsidiaries listed in note 20 (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 2020, the parent company of the Bank is PPF Financial Holdings B.V. with its registered office in the Netherlands at Strawinskylaan 933, Amsterdam, postal code: 1077XX, registration number: 61880353, the parent company of the PPF Financial Holdings B.V is PPF Group N.V. with its registered office in the Netherlands at Strawinskylaan 933, Amsterdam, postal code: 1077XX, registration number: 33264887 and the ultimate controlling person is Mr Petr Kellner.

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 derivative financial instruments, 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 2020 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 3.4.

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 instrument 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.

COVID-19 and its impact on the financial statements and the going-concern assessment

The World Health Organisation declared a global health emergency in January 2020. Later, in March, it declared the coronavirus outbreak a pandemic. The Group is aware that the COVID-19 virus and the measures taken by public authorities to limit the spread of the virus are still a serious situation and pose risks to the banking industry and the financial sector.

The effects of the coronavirus had an impact on banking operations and on the financial performance of the Group and the banking industry and financial sector in general in 2020. Since early 2020, the Group has further strengthened its governance and increased its prudence in assessing the risks. Risk management is presented in note 43. For methods used to determine inputs into the ECL measurement model, including the incorporation of forward-looking information, please refer to note 5. No changes in accounting policies were prompted by the COVID-19 situation.

As for the Group's financial performance in 2020, the Group recorded a significant increase in expected credit losses, mostly caused by a significant deterioration in expected macroeconomic conditions due to the COVID-19 pandemic. As for the other potential effects of the COVID-19 pandemic, the Group did not observe any significant deterioration in its liquidity position in 2020, the situation on the bond market was stable by the second half of 2020, and the Group did not have any difficulty in meeting the minimum capital requirements set by the regulator (either individually or on the level of the regulated consolidated group).

In the upcoming 12-month period, uncertainties still surround the future development of the COVID-19 pandemic and its effect on the Group's performance. Potential risks include the following:

- the quality of the loan portfolio may be negatively affected;
- further clients may have difficulties repaying their liabilities, or clients may default;
- further risk costs;
- adverse effects of new business;
- market declines or limited financing.

However, the Group is continuously monitoring the situation and, based on our current knowledge and stress testing performed on the basis of all available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

The consolidated financial statements have been prepared on the basis of the going-concern principle.

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. This was not 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 into the functional currency 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 into 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 a functional currency other than CZK

The assets and liabilities of consolidated entities with a functional currency other than CZK are translated into CZK at spot exchange rates at the reporting date. The income and expenses of these consolidated entities are translated into CZK at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences at translation are recognised directly in the “translation reserve” within equity. 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 as 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 as 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 as 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, 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 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, reverse repo operations with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank. The financial assets are measured at amortised cost in line with IFRS 9.

Loans and advances

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. 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.

3.4.6 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 2020 or 2019.

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 quantitative 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 5.1.

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. 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

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 the financial asset (in either its entirety or a portion of it), the financial assets are 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 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 be partially in the scope of IFRS 9 and partially in 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 in 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 Dividend income

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

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 relevant to the Bank's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2020, 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.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

(Effective for annual periods beginning after 1 January 2020; earlier application is permitted.)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

CHANGE IN THE BASIS FOR DETERMINING CASH FLOWS

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

HEDGE ACCOUNTING

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

DISCLOSURE

The amendments will require the Bank to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

The Group does not apply hedge accounting. Therefore, the changes related to hedge accounting have no impact on the financial statements.

The Group actively monitors the situation and assumes that the update of the effective interest rate applicable to financial assets and financial liabilities will not result in any significant gain or loss in 2021.

The Group will also disclose additional information in the financial statements ended 31 December 2021 to enable users to understand the effects of the reference interest rate reform on the Group's financial instruments, including information about the Group's exposure to reference rate risks and related risk management activities, as required by IFRS.

Amendments to IFRS 16: Leases – COVID-19-related rent concessions

(Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

This practical expedient is not available for lessors.

The Group's assessment of the new amendments to standards found 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's assessment of the new amendments to standards found no major impact on its financial statements.

Amendments to IAS 1: Presentation of financial statements classification of liabilities as current or non-current

(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.)

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

The Group's assessment of the new amendments to standards found no major impact on its financial statements.

Amendment to IAS 16: Property, plant and equipment property, plant and equipment – proceeds before intended use

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The Group's assessment of the new amendments to standards found no major impact on its financial statements.

Amendments to IAS 37: Provisions, contingent liabilities and contingent assets onerous contracts – cost of fulfilling a contract

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group's assessment of the new amendments to standards found no major impact on its financial statements.

Annual improvements to IFRS Standards 2018–2020

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to illustrative examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 the reference to a reimbursement by the lessor to the lessee for leasehold improvements, as well as the explanation of a lessee's accounting for such reimbursement.

The Group's assessment of the new amendments to standards found 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.

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 43.1);
- 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;
- the exposure has been designated as an exposure with forbearance;
- the exposure is in the regime of increased monitoring (a “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 43.1);
- 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.

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.

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 to measure expected credit losses.

During 2020 and 2019, the Group assessed and subsequently revised its model assumptions and 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 76 in the consolidated statement of financial position as at 31 December 2020 (31 December 2019: MCZK 100) and a decrease in impairment losses by MCZK 77 in the consolidated statement of comprehensive income in 2020 (2019: MCZK 97).

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 Group, 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 2020 are shown in the table below:

Czech Republic – GDP growth	Weight	2020	2021	2022
Baseline scenario	80%	-7.0%	5.0%	3.0%
Optimistic scenario	12%	-3.0%	9.0%	5.5%
Pessimistic scenario	8%	-13.5%	-1.5%	-1.3%

World – GDP growth	Weight	2020	2021	2022
Baseline scenario	80%	-4.2%	5.2%	4.0%
Optimistic scenario	12%	-3.0%	6.0%	4.8%
Pessimistic scenario	8%	-6.0%	0.0%	2.5%

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.

In 2020, the level of expected credit losses was heavily affected by the COVID-19 pandemic, resulting in a deterioration in macroeconomic forecasts. The amount of expected credit losses resulting from the effect of forward-looking information (i.e. from the expected development of GDP) as at 31 December 2020 totalled CZK 460 million for corporate loans, bonds, accounts and balances with banks and central banks and loans and advances to banks .

The analysis of sensitivity to developments in GDP is presented in note 43.1. under "Sensitivity analysis of loss allowance by relevant categories – individual level".

6 Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2020 to 31 December 2020 except for those disclosed below.

Change in the presentation of bills of exchange and collateral deposits for derivatives

In 2019, the Group presented bills of exchange amounting to MCZK 4,174 as debt instruments at amortised cost in the statement of financial position. In 2020, the Group decided to improve the presentation to better reflect the substance of these items and reclassified these bills of exchange to loans and advances to customers in the comparative numbers presented as at 31 December 2019.

Also in 2019, the Group presented collateral deposits received for derivative instruments of MCZK 1,875 as other liabilities in the statement of financial position. In 2020, the Group decided to improve the presentation to better reflect the substance of these items and reclassified MCZK 793 as deposits from banks and MCZK 1,082 as deposits from customers in the comparative numbers presented as at 31 December 2019.

Impact of the change in presentation on the statement of financial position:

MCZK	2019	Reclassification	2019*
Debt instruments at amortised cost	4,174	(4,174)	–
Loans and advances to customers	36,427	4,174	40,601
Other	186,173	–	186,173
Total assets	226,774	–	226,774
Deposits from banks	24,950	793	25,743
Deposits from customers	171,093	1,082	172,175
Other liabilities	3,019	(1,875)	1,144
Other	12,997	–	12,997
Total liabilities	212,059	–	212,059

* Restated comparative numbers as at 31 December 2019, as presented in the Annual Report

7 Net interest income and similar income

MCZK	2020	2019
Interest and similar income		
Cash and cash equivalents	1,212	2,324
Loans and advances to banks	71	166
Loans and advances to customers	2,521	2,924
Of which:		
Unpaid interest income from impaired loans	3	2
Unpaid interest income from loans with forbearance	1	–
Financial assets at fair value through profit or loss	605	681
Financial assets at fair value through other comprehensive income	241	136
Of which:		
Interest and similar income – EIR	4,409	6,095
Interest and similar income – other	241	136
	4,650	6,231
Interest expense and similar charges		
Deposits from banks	(30)	(147)
Deposits from customers	(947)	(1,582)
Debt securities issued and short sales	(213)	(236)
Lease liabilities	(3)	(3)
	(1,193)	(1,968)
Net interest income and similar income	3,457	4,263

The Group did not waive any interest past due during the years 2020 and 2019.

8 Net fee and commission income

MCZK	2020	2019
Fee and commission income		
Toll administration fee income*	279	13
Transaction fee with clients	113	111
Fees from administration of shares/bonds issue	42	18
Custody fees	25	20
Penalty fees	24	25
Fees from guarantees provided	13	25
Transaction fee with banks	3	5
Other	18	25
Of which:		
Fee income – contracts with customers – under IFRS 15	504	217
Fee income – other – under IFRS9	13	25
	517	242
Fee and commission expense		
Toll administration fee expense*	(205)	(9)
Transaction fee with other counterparties	(39)	(39)
Transaction fee with banks	(37)	(25)
Other	(3)	(6)
	(284)	(79)
Net fee and commission income	233	163

* Based on contracts concluded between the Group and CzechToll a.s. and between the Group and the issuer of fuel cards or the intermediary for card payments, respectively, the Group 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 Group by an external company. The Group collects and pays fees for the services provided and received.

9 Net income from financial operations

MCZK	2020	2019
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	1,273	(732)
Of which:		
Net gains/(losses) from trading derivatives	828	(1,249)
Trading securities	445	517
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	285	88
Of which:		
Debt instruments	285	88
Foreign exchange gains/(losses)	(1,274)	160
Total	284	(484)

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	2020	2019
Personnel expenses		
Wages and salaries	(284)	(252)
Social expenses	(95)	(83)
Liability insurance, pension insurance	(4)	(4)
Remuneration paid to key management personnel*		
Short-term benefits	(40)	(39)
Long-term benefits	(14)	(15)
	(437)	(393)
Other general operating expenses		
Consultancy services	(124)	(137)
Gifts	(105)	(210)
IT	(83)	(68)
Other	(73)	(103)
	(385)	(518)
Total	(822)	(911)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Group in the years 2020 and 2019 was as follows:

	2020	2019
Board of Directors	5	5
Supervisory Board **	6	6
Executives	2	2
Employees **	241	237

* 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	2020	2019
Depreciation on property, plant and equipment	(17)	(17)
Depreciation on property, plant and equipment – ROU	(32)	(32)
Amortisation of intangible assets	(32)	(25)
Total	(81)	(74)

12 Other operating expenses

MCZK	2020	2019
Payment to Resolution Fund	(310)	(291)
Payment to Deposit Insurance Fund	(1)	(1)
Payment to Guarantee Fund	(1)	(1)
Total	(312)	(293)

The basis for the calculation of the payment to the Guarantee Fund for 2020 amounted to MCZK 100 (2019: MCZK 68).

13 Impairment gains/losses

MCZK	2020	2019
Gains/(Losses) from change in loss allowances:		
Loans and advances to banks	(19)	3
Financial assets at fair value through other comprehensive income	(105)	(13)
Loans and advances to customers – individual	(1,137)	328
Loans and advances to customers – portfolio	(23)	(39)
Other assets	1	–
Write-offs – loans and advances to customers-individual*	(479)	(237)
Write-offs – loans and advances to customers-portfolio*	(7)	(2)
Revenues from previously written-off loans and advances to customers-individual	21	–
Revenues from previously written-off loans and advances to customers-portfolio	85	191
Gains/(Losses) from change in provisions – off-balance sheet assets	20	2
Total	(1,643)	233

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

The sharp increase in impairment losses in 2020 was caused by an increase in expected credit losses due to a significant deterioration in expected macroeconomic conditions (especially the GDP growth expected in 2020 and 2021), the recognition of some loans and advances to customers as non-performing and the prudent assessment of the net collateral value if influenced by the COVID pandemic.

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	2020	2019
Income tax – current	(614)	(644)
Income tax – related to prior years	12	3
Income tax – deferred	225	(58)
Income tax expense	(377)	(699)

MCZK	2020	2019
Tax rate in Czech Republic	19.0%	19.0%
Profit from operations (before taxation)	1,125	2,917
Computed taxation using applicable tax rate	214	554
Tax non-deductible expenses	194	88
Non-taxable income – other	(163)	(43)
Tax related to prior years	(12)	(3)
Effect of tax rates in foreign jurisdictions and other items	144	103
Income tax (expense)/income	(377)	(699)
Effective tax rate	33,51%	23,96%

15 Cash and cash equivalents

MCZK	31.12.2020	31.12.2019
Cash on hand	50	35
Nostro account balances	2,506	1,749
Balances with the central bank	2,761	6,100
Reverse repo operations with the central bank	84,783	148,931
Loss allowance	–	–
Net cash and cash equivalents	90,100	156,815

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	31.12.2020	31.12.2019
Bonds and notes issued by:		
Government	11,624	2,282
Corporate	145	250
Positive fair value of derivatives:		
Interest rate contracts	5,314	3,048
Currency contracts	2,208	1,586
Of which:		
Listed instruments	11,708	2,462
Unlisted instruments	7,583	4,704
Total	19,291	7,166

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	31.12.2020	31.12.2019
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	10,930	4,892
Corporate bonds	8,383	12,482
Equity instruments at fair value through other comprehensive income		
Shares and other equity instruments issued by:		
Other issuers	1	177
Of which:		
Listed instruments	17,583	15,259
Unlisted instruments	1,731	2,292
Total	19,314	17,551

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 160 as at 31 December 2020 (2019: MCZK 67). 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 note 43.1.

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	31.12.2020	31.12.2019
Swift S.C. (ISIN: BE0016790090)	1	1
Best Hotel Properties (ISIN: SK1120005105)	-	176
Total	1	177

The Group recognised a gain (loss) due to changes in the fair value of these investments in other comprehensive income. In both 2020 and 2019, the Group disposed of some equity instruments from the portfolio and thus transferred a cumulative gain of MCZK 111 (2019: MCZK 30) within equity to "Retained earnings". The Group did not receive any dividends from the instruments in 2020 or 2019.

18 Loans and advances to banks

MCZK	31.12.2020	31.12.2019
Loans to banks	27	77
Cash collateral for derivative instruments	1,625	2,194
Balances with the central bank	2,469	356
Deposits	999	1,349
Loss allowance	(24)	(5)
Net loans and advances to banks	5,096	3,971

At 31 December 2020, loans and advances to banks included balances with the central bank amounting to MCZK 2,469 (31 December 2019: MCZK 356) 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 43.1.

19 Loans and advances to customers

MCZK	31.12.2020	31.12.2019
Total loans and advances to customers	37,088	41,751
Loss allowance	(2,309)	(1,150)
Net loans and advances to customers	34,779	40,601

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

20 Consolidated entities

The Group controls the following subsidiaries:

	Principal place of business	Registered office	31.12.2020 Share (%)	31.12.2019 Share (%)
Ruconfin B.V.	RU	NL	–	100%
PPF Co3 B.V.	ID, IN, PH, KZ, RS, EU	NL	100%	100%
USconfin 1 DAC	US	IE	–	–
Participating interests				

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

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 Telenor Bulgaria and Hungary, and the depositing of collateral for Telenor Serbia at Mobi Bank.

In 2018, the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States. The Bank sold the company in 2019; the net gain from the sale amounted to MCZK 8.

In 2020, two subsidiaries of the Bank – PPF CO3 B.V. and Ruconfin B.V. – merged: The acquiring company is PPF Co3 B.V.

The Bank held no interest participation with significant influence as at 31 December 2020 and 31 December 2019.

Information on consolidated entities by country of registered office

MCZK	Entities with registered office in NL
As at 31 December 2019	
Turnover	1,481
Employees	–
Profit/(loss) before income tax	257
Corporate income tax	18
Governmental support granted	–
As at 31 December 2020	
Turnover	1,292
Employees	1
Profit/(loss) before income tax	(50)
Corporate income tax	50
Governmental support granted	–

21 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 2019	3	169	15	88	3	278
Additions	1	-	-	17	3	21
Disposals/Transfer	-	-	-	(4)	(5)	(9)
At 31 December 2019	4	169	15	101	1	290
At 1 January 2020	4	169	15	101	1	290
Additions	1	4	1	26	30	62
Disposals/Transfer	-	(2)	(1)	(4)	(28)	(35)
At 31 December 2020	5	171	15	123	3	317
Depreciation						
At 1 January 2019	3	1	9	65	-	78
Additions	1	32	1	15	-	49
Disposals	-	-	-	(4)	-	(4)
At 31 December 2019	4	33	10	76	-	123
At 1 January 2020	4	33	10	76	-	123
Additions	1	33	1	14	-	49
Disposals	-	(2)	(1)	(4)	-	(7)
At 31 December 2020	5	64	10	86	-	165
Net book value						
At 31 December 2019	-	136	5	25	1	167
At 31 December 2020	-	107	5	37	3	152

At 31 December 2020, the Group recorded right-of-use assets in the amount of MCZK 102 (2019: MCZK 130).

22 Intangible assets

MCZK	Software	Software not in use yet	Total
Cost			
At 1 January 2019	428	49	477
Additions	28	86	114
Disposals/Transfer	-	(40)	(40)
At 31 December 2019	456	95	551
At 1 January 2020	456	95	551
Additions	79	56	135
Disposals/Transfer	-	(79)	(79)
At 31 December 2020	535	72	607
Amortisation			
At 1 January 2019	333	-	333
Additions	25	-	25
Disposals	-	-	-
At 31 December 2019	358	-	358
At 1 January 2020	358	-	358
Additions	32	-	32
Disposals	-	-	-
At 31 December 2020	390	-	390
Net book value			
At 31 December 2019	98	95	193
At 31 December 2020	145	72	217

23 Income tax assets/liabilities

MCZK	31.12.2020	31.12.2019
Income tax assets	46	9
Income tax liability	8	61

As of 31 December 2020, the tax liabilities of the Group totalled MCZK 614 (31 December 2018: MCZK 644), the Group paid income tax advances totalling MCZK 540 (31 December 2019: MCZK 474) and tax paid abroad amounts to MCZK 112 (31 December 2019: MCZK 118).

24 Deferred tax liability/asset and income tax

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 2020 and 2019 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% (2019: 25%) for the Netherlands.

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

MCZK	31.12.2020	31.12.2019
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	20	18
Deferred tax asset from loans and advances to customers	155	–
Deferred tax assets	175	18
Deferred tax liabilities		
Deferred tax liability from financial assets at fair value through other comprehensive income	(83)	(131)
Deferred tax liability from loans and advances to customers	(11)	(50)
Deferred tax liability from intangible assets	(1)	–
Deferred tax liabilities	(95)	(181)
Net deferred tax assets (liabilities)	80	(163)

No changes in the tax rate applicable to the deferred tax calculation occurred in 2020. There was no unrecognised item related to deferred tax.

Analysis of the movements of Deferred tax is as follows:

MCZK	Total
At 31 January 2020	(163)
Deferred tax income/(expense) recognised in Profit or Loss	225
Deferred tax income/(expense) recognised in Other comprehensive income	18
At 31 December 2020	80
At 31 January 2019	28
Deferred tax income/(expense) recognised in Profit or Loss	(58)
Deferred tax income/(expense) recognised in Other comprehensive income	(132)
At 31 December 2019	(163)

25 Other assets

MCZK	31.12.2020	31.12.2019
Cash collateral to payment cards	157	166
Clearing with securities market	87	42
Prepaid expenses and accrued revenues	49	20
Trade receivables	66	8
Other	60	69
Loss allowance	(4)	(4)
Total	415	301

26 Deposits from banks

MCZK	31.12.2020	31.12.2019
Payable on demand (loro accounts)	803	1,030
Cash collateral to derivatives	1,130	793
Repo operations	-	23,920
Total	1,933	25,743

27 Deposits from customers

MCZK	31.12.2020	31.12.2019
Payable on demand	82,681	73,872
Term deposits	18,344	34,373
Repo operations	29,157	62,848
Cash collateral to derivatives	933	1,082
Loans	30	-
Total	131,145	172,175

MCZK	31.12.2020	31.12.2019
Financial institutions*	32,742	78,018
Public sector	33,029	35,835
Non-financial institutions	22,638	16,313
Households/Individuals	6,805	5,730
Holding companies	35,931	36,279
Total	131,145	172,175

* Holding companies excluded

28 Debt securities issued

	Interest	Maturity	31.12.2020 MCZK	31.12.2019 MCZK
Investment certificates	fixed	2021–2024	3,122	3,496
Issued notes	fixed	2020	-	40
Total			3,122	3,536

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 2020 and 2019.

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

MCZK	Debt securities issued	Lease liabilities	Total
At 1 January 2020	3,536	131	3,667
Net increase/(decrease) in cash and cash equivalents			–
Lease payments	–	(35)	(35)
Changes in lease liabilities	–	7	7
Proceeds from issue of debt securities	2,233	–	2,233
Repayment of debt securities issued	(2,647)	–	(2,647)
Net cash from financing activities	(414)	(28)	(442)
Effect of exchange rate fluctuations	–	–	–
Interest expense	145	3	148
Interest paid	(145)	(3)	(148)
At 31 December 2020	3,122	103	3,225
At 1 January 2019	2,583	162	2,745
Net increase/(decrease) in cash and cash equivalents			
Lease payments	–	(34)	(34)
Changes in lease liabilities	–	3	3
Proceeds from issue of debt securities	1,611	–	1,611
Repayment of debt securities issued	(658)	–	(658)
Net cash from financing activities	953	(31)	922
Effect of exchange rate fluctuations	(3)	–	(3)
Interest expense	106	4	110
Interest paid	(103)	(4)	(107)
At 31 December 2019	3,536	131	3,667

30 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	31.12.2020	31.12.2019
Negative fair value of derivatives:		
Interest rate contracts	5,509	3,143
Currency contracts	1,863	1,954
Liabilities from short sales of securities	9,338	3,957
Total	16,710	9,054

31 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 2020	35	130	18	183
Creation	6	-	-	6
Use	-	-	-	-
Release	(26)	-	(1)	(27)
Provisions at 31 December 2020	15	130	17	162
Provisions at 1 January 2019	37	184	19	240
Creation	80	3	-	83
Use	-	(57)	-	(57)
Release	(82)	-	(1)	(83)
Provisions at 31 December 2019	35	130	18	183

In 2020, 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 December 2019: MCZK 118). From 2018 to the end of 2020 no hearings were ordered.

32 Other liabilities

MCZK	31.12.2020	31.12.2019
Blocked and escrow accounts	384	180
Payables to suppliers	195	159
Lease liabilities	103	131
Liabilities from clearing	65	552
Accrued expenses and deferred income	65	44
Other liabilities to employees	22	20
Social and health insurance	8	7
Liabilities from securities transactions	4	2
Other payables	84	49
Total	930	1,144

33 Lease liabilities

MCZK	31.12.2020	31.12.2019
Lease liabilities	103	131
Current	31	35
Non-current	72	96
Interest on lease liabilities	3	3

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. Interest on lease liabilities are recognised in the income statement in the line item "Interest and similar income".

Maturity analysis – contractual undiscounted cash flows:

MCZK	2020	2019
Less than one year	33	37
Between one and five years	72	97
More than five years	2	4
Total	107	138

34 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
Loans and advances at 31 December 2020:		
to banks (CNB included)	84,783	83,280
to clients	–	–
Loans and advances at 31 December 2019:		
to banks (CNB included)	148,931	147,410
to clients	261	476

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
Deposits at 31 December 2020:		
to banks	–	–
to clients	29,157	28,592
Deposits at 31 December 2019:		
to banks	23,920	26,856
to clients	62,848	61,450

35 Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2020

MCZK	Gross amounts under 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	7,522	7,522	5,387	(2,010)	–	3,377
Reverse repurchase agreements	84,783	84,783	84,783	–	(83,280)	1,503
Total	92,305	92,305	90,170	(2,010)	(83,280)	4,880

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2020

MCZK	Gross amounts under 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	(7,372)	(7,372)	(5,796)	1,766	–	(4,030)
Repurchase agreements	(29,157)	(29,157)	(29,157)	–	28,592	(565)
Total	(36,529)	(36,529)	(34,953)	1,766	28,592	(4,595)

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2019

MCZK	Gross amounts under 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	4,634	4,634	2,713	(1,049)	–	1,664
Reverse repurchase agreements	149,192	149,192	149,192	–	(147,666)	1,526
Total	153,826	153,826	151,905	(1,049)	(147,666)	3,190

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2019

MCZK	Gross amounts under 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	(5,097)	(5,097)	(4,234)	1,646	–	(2,588)
Repurchase agreements	(86,768)	(86,768)	(86,768)	–	85,370	(1,398)
Total	(91,865)	(91,865)	(91,002)	1,646	85,370	(3,986)

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.

36 Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2020:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2019:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

Holders of ordinary shares are entitled to declare 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 2020 and as at 31 December 2019 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings B.V.	Netherlands	554,711	715	92.96%
Hlavní město Praha	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
		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 2020 or 31 December 2019.

The Group 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 December 2019: MCZK 412).

37 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of PPF Co3 B.V. (31 December 2019: Ruconfin B.V., PPF Co3 B.V. and USconfin 1 DAC).

38 Fair value reserve

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

No dividends were paid in 2020 and 2019.

40 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 2020	748
Proposed allocation of profit for 2020:	
Transfer to retained earnings	(748)
	-

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 Group's credit activity.

MCZK	31.12.2020	31.12.2019
Guarantees issued	1,011	1,126
Undrawn credit commitments	9,515	7,811
Total	10,526	8,937

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	31.12.2020	31.12.2019
Values under custody or administration	138,220	119,743
Total	138,220	119,743

Off-balance sheet financial instruments

MCZK	Notional value		Positive fair value		Negative fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivatives						
Interest rate swaps	285,578	243,755	5,308	3,041	(5,489)	(3,143)
Interest rate forwards	29,700	50,700	6	6	(19)	-
Interest rate futures	390	43	-	-	-	-
FX/Cross-currency swap	137,542	160,802	1,848	1,286	(1,539)	(1,111)
FX forwards	19,684	31,210	220	301	(185)	(843)
FX options purchase	10,350	-	140	-	-	-
FX options sale	10,350	-	-	-	(140)	-
			7,522	4,634	(7,372)	(5,097)

Residual maturity of derivatives

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

MCZK	At 31 December 2020				
	Up to 3 months	3 monthsto 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(10,574)	(45,888)	(93,302)	(166,098)	(315,862)
Currency derivatives	(67,359)	(57,332)	(42,541)	-	(167,232)
Inflow					
Interest derivatives	10,572	45,915	93,202	165,979	315,668
Currency derivatives	67,516	57,455	42,605	-	167,576
Net position	155	150	(36)	(119)	150

MCZK	At 31 December 2019				
	Up to 3 months	3 monthsto 1 year	1 year to 5 years	Over 5 years	Total
Outflow					
Interest derivatives	(7,972)	(76,342)	(74,223)	(136,057)	(294,594)
Currency derivatives	(82,514)	(46,803)	(63,062)	-	(192,379)
Inflow					
Interest derivatives	7,989	76,325	74,273	135,911	294,498
Currency derivatives	82,420	46,572	63,020	-	192,012
Net position	(77)	(248)	8	(146)	(463)

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 at which each fair value measurement is categorised.

MCZK	As at 31 December 2020				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	90,100	-	90,100	90,100
Loans and advances to banks	-	5,096	-	5,096	5,096
Loans and advances to customers	-	229	34,577	34,806	34,779
Financial liabilities					
Deposits from banks	-	1,933	-	1,933	1,933
Deposits from customers	-	131,186	-	131,186	131,145
Debt securities issued	-	3,112	-	3,112	3,122
MCZK					
	As at 31 December 2019				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and cash equivalents	-	156,815	-	156,815	156,815
Loans and advances to banks	-	3,971	-	3,971	3,971
Loans and advances to customers	-	-	40,536	40,536	40,601
Financial liabilities					
Deposits from banks	-	25,743	-	25,743	25,743
Deposits from customers	-	172,111	-	172,111	172,175
Debt securities issued	-	3,469	-	3,469	3,536

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 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	11,708	61	-	11,769
Derivatives held for trading	-	7,522	-	7,522
Financial assets at fair value through other comprehensive income	17,583	1,731	-	19,314
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,338	-	-	9,338
Derivatives held for trading	-	7,372	-	7,372
MCZK				
As at 31 December 2019				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	2,462	70	-	2,532
Derivatives held for trading	-	4,634	-	4,634
Financial assets at fair value through other comprehensive income	15,259	2,292	-	17,551
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	3,957	-	-	3,957
Derivatives held for trading	-	5,097	-	5,097

In 2020 and 2019, 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 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.

43.1 Credit risk

Credit risk management

The Group is exposed to credit risks in relation to its business activities. Credit risks are managed at the consolidated 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 consolidated 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 partially writes off loans in the PPF Co3 B.V. portfolio of consumer loans provided in Russia, at the amount of the expected credit loss, when any amount of a receivable is more than 180 days past due. The Group writes off loans in this portfolio completely when they are more than 2,520 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, 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 2020 or 2019 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 2020 and 2019, the Group accounted for modifications (in 2020 also with regard to COVID), whereas 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	31.12.2020 Fair value	31.12.2019 Fair value
Debt instruments	19,313	17,374
Total	19,313	17,374

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	10,729	–	–	–	10,729
Low to fair risk	1,667	–	–	–	1,667
Medium risk	5,226	1,691	–	–	6,917
High risk	–	–	–	–	–
Default	–	–	–	–	–
Fair value	17,622	1,691	–	–	19,313
Loss allowance	(93)	(67)	–	–	(160)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	4,789	–	–	–	4,789
Low to fair risk	7,011	–	–	–	7,011
Medium risk	4,282	1,118	–	–	5,400
High risk	174	–	–	–	174
Default	–	–	–	–	–
Fair value	16,256	1,118	–	–	17,374
Loss allowance	(39)	(28)	–	–	(67)

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	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	39	28	-	-	67
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(2)	45	-	-	43
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	11	-	-	-	11
Changes in PD/LGD/EADs, unwind of discount	65	1	-	-	66
Derecognition of financial asset	(15)	-	-	-	(15)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(5)	(7)	-	-	(12)
Net change in 2019	54	39	-	-	93
Loss allowance as at 31.12.2020	93	67	-	-	160

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	41	13	-	-	54
Transfers between stages:	-	-	-	-	-
Transfer to stage 1	1	(8)	-	-	(7)
Transfer to stage 2	(1)	6	-	-	5
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	12	1	-	-	13
Changes in PD/LGD/EADs, unwind of discount	(4)	17	-	-	13
Derecognition of financial asset	(11)	-	-	-	(11)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	1	(1)	-	-	-
Net change in 2019	(2)	15	-	-	13
Loss allowance as at 31.12.2019	39	28	-	-	67

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

MCZK	31.12.2020			31.12.2019		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Nostro account balances	2,506	–	2,506	1,749	–	1,749
Balances with the central bank	2,761	–	2,761	6,100	–	6,100
Reverse repo with the central bank	84,783	–	84,783	148,931	–	148,931
Loans and advances to banks	5,120	(24)	5,096	3,976	(5)	3,971
Total	95,170	(24)	95,146	160,756	(5)	160,751

MCZK	31.12.2020					Total
	Stage 1	Stage 2	Stage 3	POCI		
Very low risk	87,416	–	–	–	87,416	
Low to fair risk	6,280	–	–	–	6,280	
Medium risk	1,163	311	–	–	1,474	
High risk	–	–	–	–	–	
Default	–	–	–	–	–	
Gross carrying amount	94,859	311	–	–	95,170	
Loss allowance	(24)	–	–	–	(24)	
Net carrying amount	94,835	311	–	–	95,146	

MCZK	31.12.2019					Total
	Stage 1	Stage 2	Stage 3	POCI		
Very low risk	155,947	–	–	–	155,947	
Low to fair risk	3,133	–	–	–	3,133	
Medium risk	1,638	38	–	–	1,676	
High risk	–	–	–	–	–	
Default	–	–	–	–	–	
Gross carrying amount	160,718	38	–	–	160,756	
Loss allowance	(5)	–	–	–	(5)	
Net carrying amount	160,713	38	–	–	160,751	

The Group did not report any accrued interest to individually impaired loans and advances to banks as at 31 December 2020 and 2019.

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

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	5	-	-	-	5
Transfers between stages:					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	14	-	-	-	14
Changes in PD/LGD/EADs, unwind of discount	5	-	-	-	5
Derecognition of financial asset	-	-	-	-	-
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
Net change in 2020	19	-	-	-	19
Loss allowance as at 31.12.2020	24	-	-	-	24

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	7	1	-	-	8
Transfers between stages:					
Transfer to stage 1	-	(1)	-	-	(1)
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	4	-	-	-	4
Changes in PD/LGD/EADs, unwind of discount	-	-	-	-	-
Derecognition of financial asset	(6)	-	-	-	(6)
Write-offs	-	-	-	-	-
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	-	-	-	-	-
Net change in 2020	(2)	(1)	-	-	(3)
Loss allowance as at 31.12.2020	5	-	-	-	5

Loans and advances to customers

MCZK	31.12.2020			31.12.2019		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	37,088	(2,309)	34,779	41,751	(1,150)	40,601
Total	37,088	(2,309)	34,779	41,751	(1,150)	40,601

MCZK	31.12.2020					Total
	Stage 1	Stage 2	Stage 3	POCI		
Individual						
Very low risk	-	-	-	-	-	-
Low to fair risk	375	-	-	-	-	375
Medium risk	24,307	6,594	-	-	-	30,901
High risk	10	1,739	-	-	-	1,749
Default	-	-	3,136	-	-	3,136
Portfolio						
Consumer loans	777	16	134	-	-	927
Gross carrying amount	25,469	8,349	3,270	-	-	37,088
Loss allowance	(274)	(419)	(1,616)	-	-	(2,309)
Net carrying amount	25,195	7,930	1,654	-	-	34,779

MCZK	31.12.2019					Total
	Stage 1	Stage 2	Stage 3	POCI		
Individual						
Very low risk	-	-	-	-	-	-
Low to fair risk	394	-	-	-	-	394
Medium risk	34,877	835	-	-	-	35,712
High risk	1,353	56	-	-	-	1,409
Default	-	-	2,861	-	-	2,861
Portfolio						
Consumer loans	1,263	12	100	-	-	1,375
Gross carrying amount	37,887	903	2,961	-	-	41,751
Loss allowance	(300)	(26)	(824)	-	-	(1,150)
Net carrying amount	37,587	877	2,137	-	-	40,601

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

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	300	26	824	-	1,150
Transfers between stages:					
Transfer to stage 1	-	(1)	-	-	(1)
Transfer to stage 2	(126)	390	(3)	-	261
Transfer to stage 3	(18)	(2)	840	-	820
New financial assets originated or purchased	168	27	11	-	206
Changes in PD/LGD/EADs, unwind of discount	(46)	2	450	-	406
Derecognition of financial asset	(9)	(18)	(19)	-	(46)
Write-offs	-	-	(486)	-	(486)
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	5	(5)	(1)	-	(1)
Net change in 2020	(26)	393	792	-	1,159
Loss allowance as at 31.12.2020	274	419	1,616	-	2,309
MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	271	9	1,164	-	1,444
Transfers between stages:					
Transfer to stage 1	-	(1)	-	-	(1)
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	(1)	-	21	-	20
New financial assets originated or purchased	196	18	22	-	236
Changes in PD/LGD/EADs, unwind of discount	(15)	1	10	-	(4)
Derecognition of financial asset	(147)	(1)	(153)	-	(301)
Write-offs	-	-	(239)	-	(239)
Changes to methodologies	-	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-	-
FX differences and other changes	(4)	-	(1)	-	(5)
Net change in 2019	29	17	(340)	-	(294)
Loss allowance as at 31.12.2019	300	26	824	-	1,150

Accrued interest on credit-impaired loans and advances to customers was reported in the amount of MCZK 85 as at 31 December 2020 (31 December 2019: MCZK 161).

Financial assets that are written off but still subject to enforcement activities amounted to MCZK 423 as at December 2020 (31 December 2019: MCZK 0).

Analysis of loans and advances to customers by days past due:

Loans and advances to customers – individual

MCZK	2020	2019
Gross	36,161	40,376
Performing	33,025	37,515
Due	32,814	37,287
Past due 1–30 days	211	228
Past due 31–90 days	–	–
Past due 91–360 days	–	–
Past due more than 360 days	–	–
Non-performing	3,136	2,861
Loss allowance	(2,246)	(1,109)
Total	33,915	39,267

Loans and advances to customers – portfolio

MCZK	2020	2019
Gross	927	1,375
Due	675	1,092
Past due 1 – 30 days	102	171
Past due 31 – 90 days	16	12
Past due 91 – 360 days	37	–
Past due more than 360 days	97	100
Loss allowance	(63)	(41)
Total	864	1,334

Loan commitments

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	9,001	216	-	-	9,217
High risk	5	144	-	-	149
Default	-	-	149	-	149
Gross amount	9,006	360	149	-	9,515
Loss allowance	(6)	-	(1)	-	(7)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	7,340	394	-	-	7,734
High risk	75	-	-	-	75
Default	-	-	2	-	2
Gross amount	7,425	394	2	-	7,811
Loss allowance	(20)	-	-	-	(20)

Financial guarantees, letters of credit

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	702	291	-	-	993
High risk	-	15	-	-	15
Default	-	-	3	-	3
Gross amount	702	306	3	-	1,011
Loss allowance	(4)	(1)	(3)	-	(8)

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	-	-	-	-	-
Low to fair risk	-	-	-	-	-
Medium risk	589	521	-	-	1,110
High risk	-	-	-	-	-
Default	-	-	16	-	16
Gross amount	589	521	16	-	1,126
Loss allowance	(1)	(1)	(13)	-	(15)

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

MCZK	31.12.2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2020	21	1	13	–	35
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	19	–	–	–	19
Changes in PD/LGD/EADs, unwind of discount	(18)	–	–	–	(18)
Derecognition of financial asset	(12)	–	(9)	–	(21)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
Net change in 2020	(11)	–	(9)	–	(20)
Loss allowance as at 31.12.2020	10	1	4	–	15

MCZK	31.12.2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2019	30	1	6	–	37
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	2	–	2
New financial assets originated or purchased	30	1	–	–	31
Changes in PD/LGD/EADs, unwind of discount	(24)	–	6	–	(18)
Derecognition of financial asset	(15)	(1)	(1)	–	(17)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
Net change in 2019	(9)	–	7	–	(2)
Loss allowance as at 31.12.2019	21	1	13	–	35

Other assets – Past due, but not impaired

As at 31 December 2020 the Group reported MCZK 0 of other assets as “Past due, but not impaired” (31 December 2019: 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

Note: the calculation is performed on unrounded values

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%:

MCZK 2020	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)	160	176	16	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	24	26	2	10%
Loans and advances to customers	2,246	2,312	66	3%
Loan commitments, financial guarantees and letters of credit	15	16	1	7%

MCZK 2019	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)	67	74	7	10%
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	5	5	0	10%
Loans and advances to customers	1,109	1,139	30	3%
Loan commitments, financial guarantees and letters of credit	35	37	2	7%

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%:

MCZK 2020	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)	160	144	(16)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	24	21	(2)	(10%)
Loans and advances to customers	2,246	2,180	(66)	(3%)
Loan commitments, financial guarantees and letters of credit	15	14	(1)	(7%)

MCZK 2019	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)	67	60	(7)	(10%)
Cash and cash equivalents (excl. cash on hand) and loans and advances to banks	5	5	0	(10%)
Loans and advances to customers	1,109	1,082	(27)	(2%)
Loan commitments, financial guarantees and letters of credit	35	33	(2)	(5%)

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.

MCZK 2020	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	2,246	1,991	(255)	(11%)
Loan commitments, financial guarantees and letters of credit	15	12	(3)	(21%)

MCZK 2020	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	2,246	2,785	539	24%
Loan commitments, financial guarantees and letters of credit	15	22	7	44%

MCZK 2019	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	1,109	1,034	(75)	(7%)
Loan commitments, financial guarantees and letters of credit	35	29	(6)	(17%)

MCZK 2019	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	1,109	1,724	615	55%
Loan commitments, financial guarantees and letters of credit	35	48	13	37%

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 expected GDP developments.

2020 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	2,246	2,055	(191)	(9%)
Loan commitments, financial guarantees and letters of credit	15	12	(3)	(20%)

2020 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	2,246	2,532	286	13%
Loan commitments, financial guarantees and letters of credit	15	18	3	20%

2019 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	1,109	1,076	(33)	(3%)
Loan commitments, financial guarantees and letters of credit	35	33	(2)	(6%)

2019 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	1,109	1,151	42	4%
Loan commitments, financial guarantees and letters of credit	35	38	3	9%

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 impractical 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 5.1. 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 2020 by +/- MCZK 6 (2019: +/- MCZK 4). A change in the PD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2020 by +/- MCZK 6 (2019: +/- MCZK 4).

Evaluation of collateral

The Group generally requires collateral before providing loans to certain debtors. 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 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. However, the Group usually does not require collateral for consumer loans. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Group’s ability to realise the collateral, where 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	31.12.2020	31.12.2019
Guarantees	1,868	941
Property	8,186	8,204
Cash	377	547
Other	8,834	9,717
Unsecured	28,349	27,104
Total	47,614	46,513

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	31.12.2020	31.12.2019
Guarantees	436	826
Property	1,029	1,204
Cash	4	–
Other	–	26
Unsecured	1,953	923
Total	3,422	2,979

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.

COVID III and COVID Plus (economic stimulus measures in the Czech Republic) related to COVID-19

COVID III GUARANTEES

The Ministry of Finance (in the Czech Republic) has prepared a support scheme in the form of a portfolio guarantee provided by ČMZRB (Českomoravská záruční a rozvojová banka, a state-owned bank). Credit and risk assessment under the scheme is carried out directly by individual commercial banks, which provide loans. Enterprises (with up to 500 employees) may qualify for a guaranteed loan. The maximum loan amount supported by the guarantee is MCZK 50.

COVID PLUS GUARANTEES

EGAP (Export Guarantee and Insurance Corporation) provides guarantees to large companies with more than 250 employees. Again, the programme is carried out by individual commercial banks. Companies are able to apply for loans ranging from MCZK 5 to MCZK 2,000. Companies must have at least 20% of their yearly revenue coming from exports to qualify and are able to use loans up to a maximum of 25 per cent of total annual revenue.

The Group is involved in the both the COVID III and COVID Plus schemes. As at 31 August 2020, the Group provided loans under the COVID III programme in the total amount of MCZK 73 and under the COVID Plus scheme in the total amount of MCZK 1,659. Loans provided under both schemes are reported as loans and advances to customers secured by guarantees.

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	31.12.2020	31.12.2019
Performing	33,125	38,464
Of which:		
Loans and advances to customers with forbearance:	293	30
Non-performing	1,654	2,137
Of which:		
Loans and advances to customers with forbearance:	897	1,622
Total	34,779	40,601

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

MCZK	31.12.2020	31.12.2019
Loans and advances to customers without forbearance:	33 589	38 949
Residents:		
Financial institutions*	1 856	1 317
Non-financial institutions	15,477	15,806
Households/individuals	109	117
Public sector	–	74
Holding companies	397	256
Non-residents	15,750	21,379
Loans and advances to customers with forbearance:	1,190	1,652
Residents:		
Financial institutions*	–	–
Non-financial institutions	290	58
Households/individuals	3	–
Public sector	–	–
Holding companies	–	–
Non-residents	897	1,594
Total	34,779	40,601

*Holding companies excluded

Loan moratorium (economic stimulus measures in the Czech Republic) related to COVID-19

In 2020, clients of banks (in the Czech Republic) could defer loan instalments by three or six months under Act No 177/2020 on certain measures in the area of loan repayment in connection with the COVID 19 pandemic (the loan moratorium). The moratorium was binding for all bank and non-bank lenders. It was possible to defer instalments of both consumer and business loans, including mortgages agreed and drawn before 26 March 2020. If customers used the moratorium, the loan repayment period was extended accordingly.

After the moratorium expired, no legally binding moratorium was approved. But the Ministry of Finance is still monitoring whether banks are working with clients on a case-by-case basis and offering them forbearance where necessary due to COVID-19-related issues.

As at 31 December 2020, the Group reported total loans and advances to customers under moratorium in the amount of MCZK 4,751. The Group also reported loans and advances to customers with forbearance related to COVID-19 in the amount of MCZK 427, while loans and advances to customers in the amount of MCZK 254 are reported simultaneously under the moratorium and with forbearance.

As at 31 December 2020, loans and advances to customers under a loan moratorium or with other forbearance related to COVID-19 in the amount of MCZK 162 were past due. Further, as at 31 December 2020, loans and advances to customers under a loan moratorium or with other forbearance related to COVID-19 in the amount of MCZK 21 had been transformed to stage 3 since the moratorium or other forbearance approval.

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 shall 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial institutions*	5,096	3,971	8,474	13,150	2,823	6,693
Public sector	-	-	-	75	22,554	7,174
Non-financial institutions	-	-	18,987	20,760	5,147	5,409
Real estate	-	-	6,515	7,524	286	-
Production and distribution of electricity, gas and heat	-	-	3,111	3,015	589	699
Wholesale and retail	-	-	735	1,075	1,590	1,398
Accommodation	-	-	1,083	1,008	-	-
Other	-	-	7,543	8,138	2,682	3,312
Households/Individuals	-	-	992	1,481	-	-
Holding entities	-	-	6,326	5,135	558	630
Total	5,096	3,971	34,779	40,601	31,082	19,906

* 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Czech Republic	3,336	500	18,056	17,002	24,169	8,577
Slovak Republic	-	-	995	2,068	285	273
Netherlands	12	-	796	680	3	213
Other EU countries	336	1,430	1,887	2,960	1,091	3,268
Russian Federation	9	948	259	723	410	1,998
Asia	395	335	12,578	17,168	928	1,310
North America	-	602	-	-	3,026	3,376
Other	1,008	156	208	-	1,170	891
Total	5,096	3,971	34,779	40,601	31,082	19,906

43.2 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.

The amounts on the basis of their expected recovery or settlement are essentially the same as the carrying amounts of 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 2020						
Cash and cash equivalents	90,100	-	-	-	-	90,100
Financial assets at fair value through profit or loss	658	1,126	4,097	13,410	-	19,291
Financial assets at fair value through other comprehensive income	295	336	12,108	6,574	1	19,314
Loans and advances to banks	4,131	311	654	-	-	5,096
Loans and advances to customers	8,340	8,122	17,042	1,275	-	34,779
Other assets	63	-	-	-	857	920
Total	103,587	9,895	33,901	21,259	858	169,500
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	123,938	2,028	5,179	-	-	131,145
Debt securities issued	55	772	2,295	-	-	3,122
Financial liabilities at fair value through profit or loss	462	1,064	3,966	11,218	-	16,710
Tax and other liabilities and provisions	1,004	24	70	2	-	1,100
Shareholders' equity	-	-	-	-	15,490	15,490
Total	127,392	3,888	11,510	11,220	15,490	169,500
At 31 December 2019						
Cash and cash equivalents	156,815	-	-	-	-	156,815
Financial assets at fair value through profit or loss	687	577	1,118	4,784	-	7,166
Financial assets at fair value through other comprehensive income	484	1,244	9,845	5,801	177	17,551
Loans and advances to banks	3,919	26	26	0	-	3,971
Loans and advances to customers	7,909	12,600	17,945	2,147	-	40,601
Other assets	285	-	-	-	385	670
Total	170,099	14,447	28,934	12,732	562	226,774
Deposits from banks	25,743	-	-	-	-	25,743
Deposits from customers	151,220	13,044	7,911	-	-	172,175
Debt securities issued	738	1,696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	743	847	1,918	5,546	-	9,054
Tax and other liabilities and provisions	970	24	93	4	460	1,551
Shareholders' equity	-	-	-	-	14,715	14,715
Total	179,414	15,611	11,024	5,550	15,175	226,774

Residual maturity of the Banks'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 2020						
Commitments provided	9,515	-	-	-	-	9,515
Guarantees provided	489	-	-	-	-	489
Total	10,004	-	-	-	-	10,004
At 31 December 2019						
Commitments provided	11,964	-	-	-	-	11,964
Guarantees provided	582	-	-	-	-	582
Total	12,546	-	-	-	-	12,546

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 2020						
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	123,920	2,038	5,291	-	-	131,249
Debt securities issued	55	772	2,520	-	-	3,347
Financial liabilities at fair value through profit or loss	-	56	2,440	8,302	-	10,798
Derivatives	599	986	1,554	4,233	-	7,372
Total	126,507	3,852	11,805	12,535	-	154,699
At 31 December 2019						
Deposits from banks	25,751	-	-	-	-	25,751
Deposits from customers	151,162	13,103	7,911	-	-	172,176
Debt securities issued	738	1696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	-	24	835	3,099	-	3,958
Derivatives	743	823	1,083	2,448	-	5,097
Total	178,394	15,646	10,931	5,547	-	210,518

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 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 rate, 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.

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 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 consolidated 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 2020							
Financial assets	133,054	18,620	10,351	4,134	123	2,565	168,847
Financial liabilities	107,849	39,183	4,389	121	83	1,794	153,419
FX derivatives	(8,259)	20,420	(5,968)	(4,614)	(180)	(866)	533
Net exposure	16,946	(143)	(6)	(601)	(140)	(95)	
At 31 December 2019							
Financial assets	182,724	17,756	14,228	8,066	367	3,198	226,339
Financial liabilities	145,197	60,755	3,725	108	258	1,554	211,597
FX derivatives	(22,182)	42,942	(10,464)	(8,590)	(180)	(1,889)	(363)
Net exposure	15,345	(57)	39	(632)	(71)	(245)	

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 2020 and 2019:

MCZK	2020			2019		
	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	(143)	(7)	7	(57)	(3)	3
USD	(6)	(0)	0	39	2	(2)
INR	(601)	(30)	30	(632)	(32)	32
RUB	(140)	(7)	7	(71)	(4)	4

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.

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 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 2020						
Cash and cash equivalents	90,100	-	-	-	-	90,100
Financial assets at fair value through profit or loss	660	6,196	3,238	9,197	-	19,291
Financial assets at fair value through other comprehensive income	862	5,419	9,397	3,635	1	19,314
Loans and advances to banks	4,785	311	-	-	-	5,096
Loans and advances to customers	20,053	7,293	7,425	8	-	34,779
Other assets	63	-	-	-	857	920
Total	116,523	19,219	20,060	12,840	858	169,500
Deposits from banks	1,933	-	-	-	-	1,933
Deposits from customers	123,938	2,028	5,179	-	-	131,145
Debt securities issued	55	772	2,295	-	-	3,122
Financial liabilities at fair value through profit or loss	462	1,064	3,966	11,218	-	16,710
Tax and other liabilities and provisions	1,004	24	70	2	-	1,100
Shareholders' equity	-	-	-	-	15,490	15,490
Total	127,392	3,888	11,510	11,220	15,490	169,500
Gap	(10,869)	15,331	8,550	1,620	(14,632)	-
Cumulative gap	(10,869)	4,462	13,012	14,632	-	-
At 31 December 2019						
Cash and cash equivalents	156,815	-	-	-	-	156,815
Financial assets at fair value through profit or loss	689	602	1,115	4,760	-	7,166
Financial assets at fair value through other comprehensive income	1,305	6,585	6,971	2,513	177	17,551
Loans and advances to banks	3,919	26	26	-	-	3,971
Loans and advances to customers	22,599	8,628	9,260	114	-	40,601
Other assets	285	-	-	-	385	670
Total	185,612	15,841	17,372	7,387	562	226,774
Deposits from banks	25,743	-	-	-	-	25,743
Deposits from customers	151,161	13,103	7,911	-	-	172,175
Debt securities issued	738	1,696	1,102	-	-	3,536
Financial liabilities at fair value through profit or loss	1,821	823	1,707	4,703	-	9,054
Tax and other liabilities and provisions	970	24	93	4	460	1,551
Shareholders' equity	-	-	-	-	14,715	14,715
Total	180,433	15,646	10,813	4,707	15,175	226,774
Gap	5,179	195	6,559	2,680	(14,613)	-
Cumulative gap	5,179	5,374	11,933	14,613	-	-

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 extended.

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Group as at 31 December 2020 and 2019 were as follows:

In % p.a.	2020	2019
Financial assets		
Cash and cash equivalents	0.24	1.98
Financial assets at fair value through profit or loss	1.11	2.24
Financial assets at fair value through other comprehensive income*	2.04	3.99
Loans and advances to banks	1.11	1.13
Loans and advances to customers	4.45	6.40
Financial liabilities		
Deposits from banks	0.00	0.35
Deposits from customers	(0.36)	0.69
Debt securities issued	3.04	0.34
Financial liabilities at fair value through profit or loss	0.92	3.44

* The yield interest rate is calculated from debt securities 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 (bp) 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 2020, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	(151)	85
EUR	(56)	12
USD	(226)	(1)
GBP	(6)	(1)
RUB	-	-
HUF	-	-
KZT	-	-
INR	-	-
IDR	-	-
Total BPV (absolute)	439	99

As at 31 December 2019, BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	186	(5)
EUR	(74)	(73)
USD	(322)	(6)
GBP	-	-
RUB	-	-
HUF	1	-
KZT	(4)	-
INR	-	-
IDR	-	-
Total BPV (absolute)	587	84

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

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	2020		2019	
	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	96	(96)	(85)	85
Average for the period	48	(48)	30	(30)
Maximum for the period	186	174	257	142
Minimum for the period	(174)	(186)	(142)	(257)

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

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 2020	31 December 2019
Change in annual net interest income		
Impact of +200 bp interest rate movement	(490)	(30)
Impact of -200 bp interest rate movement	64	(375)
Change in the economic value of equity		
Impact of +200 bp interest rate movement	(1,095)	(778)
Impact of -200 bp interest rate movement	394	154

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

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 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.

43.3.4 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 not exposed to settlement risk as all transactions are settled in a delivery versus payment manner.

43.4 Operational risk

43.4.1 Operational risks

The Security and Operational Risk Management Department is responsible for managing the 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 Security and 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 and the information system security management system, and it monitors, measures and assesses physical and information security, and prepares the methodology for the management and mitigation of the risks.

The Security and 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 insurance and legal risk. The Security and 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 expenses and income.

43.4.2 Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts with 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.

43.5 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 is carried out at the regulated consolidated group of PPF Financial Holdings B.V.

44 Related-party transactions

As at 31 December 2020, the parent company of the Group is PPF Financial Holdings B.V., with its registered office in the Netherlands at Strawinskylaan 933, Amsterdam, postal code: 1077XX, registration number: 61880353, the parent company of PPF Financial Holdings B.V is PPF Group N.V., with its registered office in the Netherlands at Strawinskylaan 933, Amsterdam, postal code: 1077XX, registration number: 33264887 and the ultimate controlling person is Mr Petr Kellner.

The Group considered the transactions with its parent company, PPF Financial Holdings B.V. 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	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss	24	23
Deposits from customers	(350)	(3,006)
Total	(326)	(2,983)

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	2020	2019
Interest and similar income	1	1
Fee and commission income	1	1
Total	2	2

44.2 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	31.12.2020	31.12.2019
Cash and cash equivalents	11	–
Financial assets at fair value through profit or loss	1,265	696
Financial assets at fair value through other comprehensive income	–	555
Loans and advances to banks	1,059	593
Loans and advances to customers	12,915	16,755
Other assets	109	38
Deposits from customers	(37,757)	(32,607)
Deposits from banks	(753)	(863)
Financial liabilities at fair value through profit or loss	(759)	(632)
Other liabilities	(146)	(153)
Total	(24,056)	(15,618)

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

MCZK	2020	2019
Interest and similar income	1,540	1,675
Interest expense and similar charges	(40)	(64)
Fee and commission income	331	67
Fee and commission expense	–	(1)
Net income from financial operations	714	726
Net impairment losses on financial assets	(276)	(40)
Other operating income	6	5
General administrative expenses	(134)	(158)
Total	2,141	2,210

44.3 Key management personnel

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

MCZK	31.12.2020	31.12.2019
Financial liabilities at fair value through profit or loss	(1)	(1)
Deposits from customers	(57)	(58)
Total	(58)	(59)

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	2020	2019
General administrative expenses	(54)	(54)
Net income from financial operations	(2)	(1)
Total	(56)	(55)

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

44.4 Credit commitments and guarantees provided

As a related-party transaction, as at 31 December 2020 the Group provided a credit commitment to related parties of MCZK 5,610 (31 December 2019: MCZK 4,033), a guarantee commitment and a guarantee in the amount of MCZK 0 (31 December 2019: MCZK 100).

45 Subsequent events

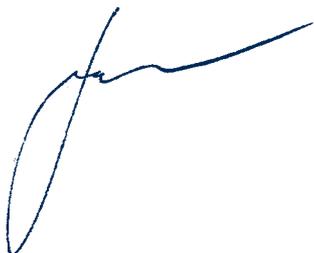
There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes, except for below:

In March 2021, the ultimate controlling shareholder died.

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 2020 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 Presentation Section of the Annual Report of PPF banka a.s. for 2020 are accurate and that no material circumstances have been neglected or distorted.



Miroslav Hudec

Managing Director of Financial Management

Prague 22 April 2021

Contacts

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