

Annual Report 2021

Fio banka, a.s.

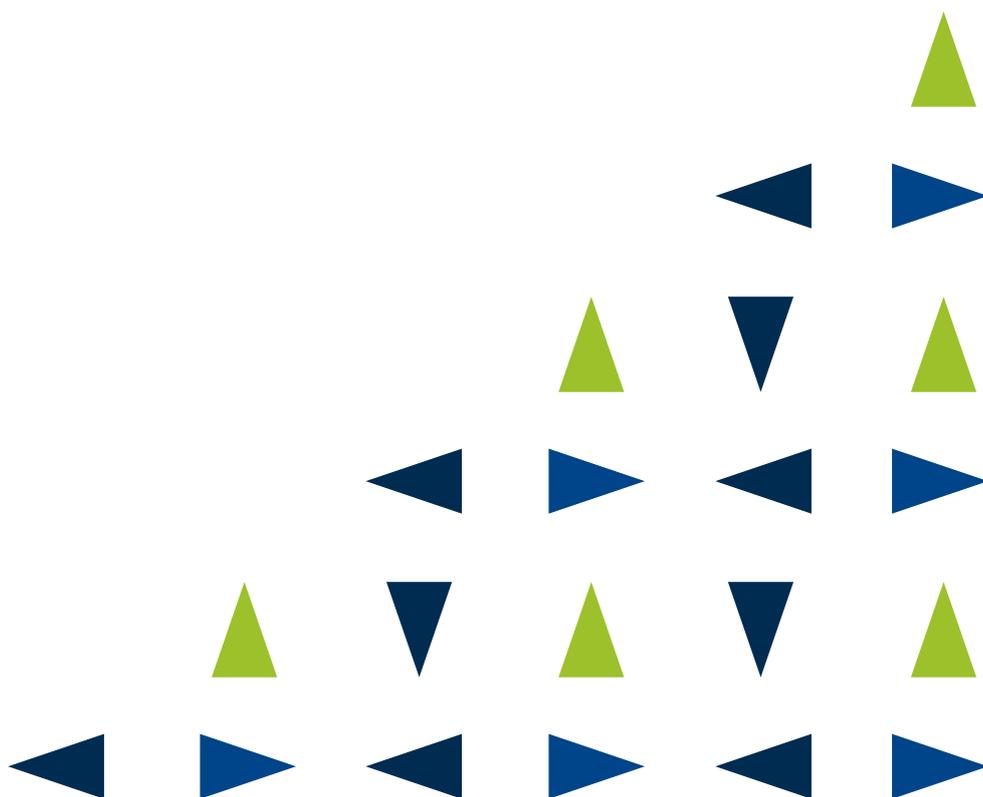


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General Part

Introduction



Dear Sirs and Madams,

Let me reflect on another elapsed year together with you. Although 2021 repeatedly saw measures relating to the coronavirus pandemic, it was a successful year for the Bank. We managed to further expand our offer to include new products and improve the existing services and we worked on several significant projects. We were rewarded by an unceasing inflow of clients and a record profit that exceeded CZK 2 billion.

We witnessed (not passively) further progress in the approach of clients to finances and related trends accelerated by the pandemic. I would like to mention the continued move of common financial transactions to the online environment, a mortgage boom, and a more massive inclination of the population to investment products arising from the accumulation of savings during the pandemic, and particularly an increasingly resonating topic of inflation.

The first half of the year was affected by lockdown, which fortunately did not have a dramatic impact on the financial services sector. Although the branches were open, the already mentioned transfer of interest to digital channels continued. For this reason, we focused on providing additional options for opening and administrating accounts remotely in order to satisfy clients who prefer online access. For example the possibility to open an account in a simple manner in a mobile phone clearly contributed to the growth in the number of clients who opened their accounts online.

However, branches continue to be an important communication channel and we do not plan to reduce the number of points of sale. On the contrary, we add new ones when needed and we modernise the existing ones. As part of a "contactless" account handling, we installed further deposit ATMs to branches; overall, more than 80% of Czech branches currently have cash deposit machines. We also consider it an important competitive advantage that all our branches keep their cash desks. As a result, clients can make cash transactions if needed through these cash desks, which is important primarily for businessmen and companies.

I can present business results for the past year with pride and joy. The balance sheet total of Fio banka increased year-on-year by one fifth and amounted to CZK 214.7 billion. The volume of deposits increased at a similar pace and loans were also successful, up by more than 40% year-on-year. In total, Fio banka had more than 1,160,000 clients at the end of the year, which is a respectable figure. The net profit of CZK 2.3 billion is a record profit in the history of Fio banka and is almost double in the year-on-year comparison. In addition, we exceeded one billion profit for the fourth year in a row. We see these figures as a confirmation that our concept of a gradual and meaningful development works well and we are heading in the right direction.

In total, our services attracted 90 thousand new clients, one fifth of them additionally opened an account intended for investments. The popularity of investment services significantly increased predominantly in the last months of the past year when increased inflation attracted newly interested persons. The fast year-on-year growth of interbank rates by which the Czech National Bank responded to the increasing inflation rate significantly impacted the end of the year on the banking market.

Fio funds managed by Fio investiční společnost saw record growth. At the beginning of 2021, we made investments in EUR available in the global fund which is important primarily for the clients in Slovakia. The sales of Fio funds increased year-on-year by 220%, the volume of managed funds exceeded CZK 1 billion. The funds are an affordable and comprehensible investment instrument for the clients, which does not require in-depth knowledge or day-to-day active monitoring of the capital market, and we see in the new year that the interest in these funds continues to grow. The number of individual

investors increased likewise, which was also due to the historically first issue of our own bonds that we offered at the end of the year and sold out in only 13 business days.

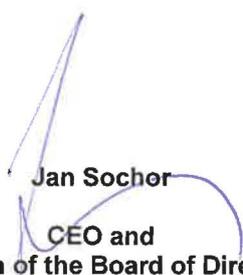
One of the key topics of 2021 was the record demand for housing. Mortgages saw an unprecedented interest thanks to low interest rates; the interest slowly faded away in the last months of the year in relation to the increase in the rates. The volume of provided Fio mortgages increased by more than half in comparison with the prior year which also exceeded previous highs.

As to important projects that we completed in the past year, I would like to emphasise, in addition to the foregoing, the expansion of the offer of loans by traditional instalment consumer loans in the Czech Republic which were lacking in our product portfolio. Further, we introduced unique tools for setting the required level of security for payment cards or the already mentioned Fio bonds issued primarily for Fio banka to meet the new regulatory requirements for capital and eligible liabilities (MREL) determined for banking institutions in the EU.

In 2022, we want to make bank identity (Bank ID) available to Czech clients as an instrument for electronic identification of citizens or, for example, for investments through a real estate fund that will allow the clients to participate in a long-term real estate appreciation. We want to repeatedly pay attention to our applications, both banking and non-banking. As part of a maximum simplification of services, we are preparing, together with the Czech Banking Association, a new payment service that will allow sending money without knowing the bank account number to the recipient's mobile phone.

We are naturally planning further development also in Slovakia where Fio banka has been operating for a long time. The interest in our services on this market, which is close to us in terms of geography and history, increases every year. Further, we want to boost the position and awareness of the Fio banka brand here, slightly strengthen the branch network and focus on supplementing the offer to include instalment loans, development of services provided online and further improvements.

As you see, we do not intend to be idle in the following year and we want to do everything to be an even better partner for you in the world of finance. I want to sincerely thank our clients, employees, shareholders and business partners for their current loyalty and trust and wish them a successful year 2022 with the lowest number of obstacles and restrictions.



Jan Sochor
CEO and
Chairman of the Board of Directors

A. Principal Information

Name of the Company: Fio banka, a.s. (hereinafter the “Company”, “Fio banka” or the “Bank”)
Registered office: V Celnici 1028/10, 117 21 Prague 1
Corporate ID: 618 58 374

B. Information on Shares, Share Capital, Shareholders and Subsidiaries

- The Company’s registered capital amounting to CZK 760,000 thousand is divided into 760,000 of ordinary book-entry registered shares (ISIN: CZ0008034246) with a nominal value of CZK 1,000.
- Transferability of the shares is not restricted; the shares may be transferred based on share transfer agreements.
- The shares entail rights as provided for in legislation and the statutes; no other rights or preferential rights are attached to the shares.
- The shares are not listed on any regulated market.
- As of 31 December 2021, the Company had a sole shareholder – Fio holding, a.s., corporate ID: 60192763, Prague 1, V Celnici 1028/10, Postal Code: 117 21.
- No dividends were paid in the past eleven years.
- The Company or any entity in which the Company has a direct or indirect equity interest exceeding 50% of the share capital or voting rights own no shares of the Company.
- As of 31 December 2021, the Company had the following subsidiaries: RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 47116404, V Celnici 1028/10, Postal Code: 117 21, Czech Republic, RM-S FINANCE, s.r.o., Corporate ID: 62915240, V Celnici 1028/10, Postal Code: 117 21, Czech Republic (with the following subsidiaries: Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01, Slovakia, and Fio leasing, a.s., Corporate ID: 61860841, V Celnici 1028/10, Postal Code: 117 21), Fio forexová, s.r.o., Corporate ID: 27589587, V Celnici 1028/10, Postal Code: 117 21, Czech republic, Fio Consulting, spol. s.r.o., Corporate ID: 25740334, V Celnici 1028/10, Postal Code: 117 21, Czech Republic, Fio investiční společnost, a.s., Corporate ID: 06704441, V Celnici 1028/10, Postal Code: 117 21 and Fio realitní fond SICAV, a.s., Corporate ID: 14052628, V Celnici 1028/10, Postal Code: 117 21.

C. Information on Activity

Business authorisation:

- The Ministry of Finance of the Czech Republic dated 15 August 1994, ref. no. 102/38 536/94;
- Decision of the Czech Securities Commission dated 18 June 1999, ref. no. 521/1388-k/99, whereby the authorisation granted by the Ministry of Finance of the Czech Republic on 15 August 1994, ref. no. 102/38 536/94, continued to be fully effective;
- Certification concerning the scope of the securities trading authorisation issued on 25 January 2001, ref. no. 43/Z/19/2001, by the Czech Securities Commission under Article II Transitory Provisions, Subparagraph 9 of Act No. 362/2000 Coll.;
- Decision of the Czech Securities Commission of 10 February 2004, ref. no.: 43/N/226/2003/1 – extension of the business authorisation;
- Decision of the Czech National Bank of 31 August 2006, ref. no.: 43/N/158/2005/6, 2006/7096/540 – extending the business authorisation to include derivatives trading; and
- Decision of the Czech National Bank of 5 May 2010, ref. no. 2010/4201/570 – granting a banking licence.

Commencement of operation: 31 August 1994

Information on the Company’s Formation, its Participation and Principal Business Activity:

Fio banka, a.s. was formed by a single Memorandum of Association on 20 June 1994 (under the former name Fio, burzovní společnost, a.s.) and was incorporated following its registration in the Register of Companies in Prague on 31 August 1994. Since 15 March 1995, the Company has been a shareholder of Burza cenných papírů Prague, a.s. As of 31 December 2019, the Bank owned 100 registered shares of Burza cenných papírů Prague, a.s. in the certificate form with a nominal value of CZK 1,000. On 20 February 1995, the Company obtained membership in Burza cenných papírů Prague, a.s., starting its trading activity there in April 1995.

In line with a decision of the Czech Securities Commission of 10 February 2004, ref. no.: 43/N/226/2003/1, and with regard to the decision of the Czech Securities Commission, ref. no.: 512/1388-k/99 of 18 June 1999, the extent of the authorisation to perform securities trading granted to Fio, burzovní společnost, a.s. (Fio banka, a.s. at present) was as follows since 11 March 2004:

- Provision of principal investment services under Section 4 (2) (a), (b), (c), (d), (e) of Act No. 256/2004 Coll., the Capital Market Undertaking Act (hereinafter the "Act"), in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Act; and
- Provision of additional investment services under Section 4 (3) (a), (b), (c), (e) of the Act, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Act, and additional investment services under Section 4 (3) (d), (f) of the Act, in respect of investment instruments as defined in Section 3 (1) (a), (b), (c), (d) of the Act.

In line with a decision of the Czech National Bank of 31 August 2006, ref. no. 43/N/158/2005/6, 2006/7096/540, the extent of the authorisation to perform securities trading granted to Fio, burzovní společnost, a.s. (Fio banka, a.s. at present) was as follows since 12 September 2006:

- I. Principal investment activities under Section 4 (2) of the Act:
 - a) Receipt and provision of instructions relating to investment instruments (Section 4 (2) (a) of the Act);
 - b) Performance of instructions relating to investment instruments to a customer's account (Section 4 (2) (b) of the Act);
 - c) Proprietary trading with investment instruments (Section 4 (2) (c) of the Act);
 - d) Discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments (Section 4 (2) (d) of the Act);
 - e) Investment advisory concerning investment tools (Section 4 (2) (e) of the Act);
 - f) Underwriting of investment instruments or their placement with the subscription obligation (Section 4 (2) (g) of the Act); and
 - g) Placement of investment instruments without the subscription obligation (Section 4 (2) (h) of the Act).
- II. Additional investment activities under Section 4 (3) of the Act:
 - a) Custody and administration of investment tools including related services (Section 4 (3) (a) of the Act);
 - b) Provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates (Section 4 (3) (b) of the Act);
 - c) Provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies (Section 4 (3) (c) of the Act);
 - d) Provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading (Section 4 (3) (d) of the Act); and
 - e) Execution of foreign exchange operations related to the provision of investment services (Section 4 (3) (e) of the Act).

The provision of investment services under art. I., a) through c) and e) relates to investment instruments in line with Section 3 (1) (a), (b), (d) through (k) of the Capital Market Undertaking Act, ie investment securities, collective investment securities and derivatives. The provision of investment services under art. I., d), g) and h) relates to investment instruments in line with Section 3 (1) (a), (b) of the Capital Market Undertaking Act, ie investment securities and collective investment securities.

The provision of investment services under art. II., b) relates to investment instruments in line with Section 3 (1) (a) and (b) of the Capital Market Undertaking Act, ie investment securities and collective investment securities. The provision of investment services under art. II., a) and d) relates to investment instruments in line with Section 3 (1) (a), (b), (d) through (k) of the Capital Market Undertaking Act, ie investment securities, collective investment securities and derivatives.

In line with a decision of the Czech National Bank of 5 May 2010, ref.no. 2010/4201/570, the extent of the authorisation to perform securities trading granted to Fio banka, a.s. has been as follows since 5 May 2010:

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:

- a) Acceptance of deposits from the general public;
- b) Extension of credit,

- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:

- a) Investing in securities on the Company's own account;
- b) Finance lease;
- c) Payments and clearing;
- d) Issuance and administration of payment facilities, eg credit cards and traveller's cheques;
- e) Issuance of guarantees;
- f) Opening of letters of credit;
- g) Collection services; and
- h) Provision of investment services within the scope of principal investment services

Within the scope of principal investment services

- Under Section 4 (2) (a) of the Capital Market Undertaking Act No. 256/2004 Coll., as amended (hereinafter referred to as the "Capital Market Undertaking Act"), receipt and provision of instructions relating to investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (b) of the Capital Market Undertaking Act, performance of instructions relating to investment instruments to a customer's account, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (c) of the Capital Market Undertaking Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (d) of the Capital Market Undertaking Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (e) of the Capital Market Undertaking Act, investment advisory concerning investment tools, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (g) of the Capital Market Undertaking Act, underwriting of investment instruments or their placement with the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (h) of the Capital Market Undertaking Act, placement of investment instruments without the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

and within the scope of additional investment services

- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider

participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

- Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
- Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
 - i) Financial brokerage;
 - k) Foreign exchange services;
 - l) Provision of banking information;
 - m) Proprietary trading or trading on a client's account with foreign currencies and gold;
 - n) Rental of safe-deposit boxes; and
 - o) Activities that directly relate to the activities in the banking licence.

D. Report on the Company's Business Activity and Assets

Assessment of retail banking:

The year 2021 was successful for Fio banka in many respects. The net profit amounted to CZK 2.3 billion which is a 92% year-on-year increase and exceeded the previous record result of 2019. The number of new clients slightly increased year-on-year and their total number was 1,162,000 at the end of the year. The balance sheet total increased by 18% year-on-year and amounted to CZK 214.7 billion, the volume of deposits increased by 16% to CZK 203.4 billion.

In 2021, Fio banka attracted more than 90 thousand new clients of which 75 thousand thanks to its flagship product, fee-free current account. In acquisitions, the trend of opening accounts online continues, the number of accounts opened in this manner increased year-on-year by more than 40%. We promoted this trend in the first quarter by making available the possibility to open an account in a mobile application, which was used by approximately half of online clients.

We made other services available online, such as transfer of clients from another bank or the widest options of security for payment cards on the market. New advantages were provided by Visa cards where we offered unlimited ATM withdrawals free of charge anywhere in the world. Businessmen welcomed the modernisation in acceptance of payment cards in POS terminals and the payment gateway.

We paid great attention to the development of the Fio Smartbanking mobile banking application to which we continuously add other services to make it a full-fledged version of the internet banking. The number of clients who use the application is growing fast, by 55% year-on-year. As part of the support for handling standard tasks online, we worked on the implementation of bank identity (Bank ID) in the past year, we will make it operational shortly.

In addition to strengthening online channels, there was the continuing trend from the past year, the record high demand for mortgages and relating year-on-year growth in the volume of provided mortgage loans by more than half. The demand slowly faded away at the end of the year due to an increase in market interest rates and their subsequent reflection in the price lists of individual banks. In terms of loans, Fio banka supplemented the offer of its loan products by consumer loans and it was successful in the expansion of the entire loan portfolio where the volume of provided loans increased year-on-year by 43%.

Given the change in people's behaviour and an increased transfer of services to online environment, we focused primarily on optimisation and modernisation in both branch and ATM network. We opened three new branches, one in the Czech Republic (Mělník) and two in Slovakia (Humenné, Ružomberok). Further, we opened another mortgage centre, i.e. a place specialised solely in mortgage loans (Ostrava). We equipped the branches with ATMs possessing a deposit function, but concurrently we keep cash desks with physical service. In total, we currently have 224 ATMs and to a great extent they have the deposit function – more precisely 71 of them, more than double of the last year's number.

Assessment of investment banking:

The year 2021 brought another record number of new investors to the Bank – one quarter more than in the previous year which also broke the then record. Every fifth client opened a business account. The increasing savings and primarily an increasingly resonant topic of inflation brought a wider group of households to investing and attracted newly interested people. Sales of mutual funds managed by Fio investiční společnost increased year-on-year by 220% and the managed assets exceeded the level of CZK 1 billion during the year. We boosted the interest already at the beginning of the year by opening a EUR class of Fio globální fond and we plan to expand the offer in the future.

The number of shareholders in the global fund amounted to 6,700 which is a year-on-year increase of 99%, 3,800 clients invest in the local fund (year-on-year increase of 60%). The funds attract investors both to attractive products and their current performance, which is in double digits in both funds. For 2021, the CZK class of the global fund achieved appreciation of 24.1%, its EUR class achieved 21,6% and the local fund 37,6%.

The traditional pillar of investment services was individual investing where the volumes of trades amounted to CZK 210 billion. After the previous doubling of the year-on-year volume it is another growth of 6% as compared to 2020. The largest part of the volume continued to be trading on American markets, however their share declined to 51% year-on-year (64% of the volume in 2020). The local market strengthened, it saw 45% of the volume of trades, the remaining 4% were on the German market.

An important milestone came at the end of the year when Fio banka launched a new investment product on the market – the historically first issue of its own bonds traded on the Czech RM-SYSTÉM stock exchange. Clients bought out the first tranche for CZK 600 million in only 13 business days. The six-year bonds with fixed annual interest of 5% and a nominal value of CZK 10 thousand impressed investors and attracted new ones. In total, the first tranche was distributed among more than 2,500 clients which is an average volume of investment of 21 pieces, i.e. CZK 210 thousand per one investor.

The annual Investment School, which we have been organising for many years took, place in spite of the pandemic at least in a restricted scheme. We believe that we will be able to go back to the standard scope of this popular educational programme in the following year. On the contrary, the Studentbroker project which helps students at colleges and universities in the Czech and Slovak Republics learn about trading on the financial markets, followed similar lines as in prior years. In 2021, it was attended by more than 550 students from nine schools, the students made approximately 20 thousand transactions during the project in total.

The most important events in 2021

Investing in the global equity fund in EUR

After more than two years of operations, Fio investiční společnost introduced a news in its offer which made it possible for Czech and Slovak clients to purchase share certificates of the successful Fio global equity fund also in EUR.

Launch of instalment loans

Fio banka included traditional instalment consumer loans in its portfolio. Clients may use them for anything between CZK 10 thousand and CZK 6 million, they are free of unnecessary fees and the clients may apply for them easily online.

Bank identity project

At the beginning of the year, Czech banks agreed to work together on aligning the bank identity standard with Bankovní identita, a.s. Fio banka started the work on obtaining the certification and implementing the project in its systems.

Opening an account also from a mobile phone

For the individuals interested in services of Fio banka, the bank introduced a possibility of opening a new account only using the Fio Smartbanking application – in a fast and simple manner and naturally free of charge. Interested clients are guided through the process by an intuitive guide and it is therefore possible to open an account from anywhere in a few minutes.

Widest options for payment card security on the market

Clients of Fio banka got a better control over their payment cards thanks to the possibility to block selected types of transactions, for example those with poor exchange rates (DCC), by specific country or trader. These functions contributed to an increase in security, the possibilities of setting are the widest on the market.

Transfer of an account from other banks online

An online tool was made available to the current clients of Fio banka to close an account in another bank and transfer the cash balance, standing orders and direct debits directly in Internetbanking. Fio banka will handle the account closing on behalf of the client.

New design of Smartbanking

In summer, we simplified the look of the mobile application, added the status of limits drawing and security setting of payment cards. In addition, we added possibilities to customise account overview. Version 2.5 brought Fio Smartbanking among the best rated applications in Google Play.

Value of assets in Fio funds exceeded CZK 1 billion

The volume of assets managed in Fio funds exceeded CZK 1 billion. The bank achieved this significant milestone almost exactly 3 years after it started to offer the share certificates of individual funds to investors.

Fio konto account with interest rate zones

In response to an increase in the Czech National Bank rates, Fio banka introduced a new zone in the savings account in which the balance is subject to a higher interest rate. An increased interest rate applies only to one savings account of an individual.

Fio banka offered its own bonds

It took only 13 business days for the clients of Fio banka to buy out the first tranches of the bonds issue by Fio banka for CZK 600 million. The issue of bonds was intended primarily for retail investors and was easily available through traditional channels of the bank.

Major awards

In 2021, Fio banka won one Golden and two Silver Crowns in the traditional **Golden Crown** financial product competition. The top positions in their respective categories were taken by the business account, silver goes to fee-free personal account and the e-Broker investment application. Fio business account has kept winning the Golden Crown survey since 2011 without interruption, this year for the eleventh time in a row. The other two products are also regularly awarded.

In the **Best Bank of 2021** competition organised by Hospodářské noviny, Fio ranked second. The imaginary silver medal was received in the **Financial Product of the Year** (for the business account) and the **Broker of the Year** competition.

In the **independent study by KPMG** which focuses on an assessment of customer experience in companies throughout the Czech Republic, we received the second best evaluation from clients in the sector of financial services. Overall, Fio banka ranked on respectable 12th position.

Děkujeme!



Our products were successful also on the Slovak market. Fio business account ranked first in an independent **Zlatá minca 2020** competition. The term deposit of Fio banka ranked third.



Structure of the branch network

Name of the company: Fio banka, a.s.

Corporate ID: 61858374

Registered office: V Celnici 1028/10, 117 21, Prague 1

Branches (as of 31 December 2021) – town, street, postal code, (country), e-mail:

Czech Republic

Beroun, nám. M. Poštové 854, 266 01, beroun@fio.cz
Blansko, nám. Svobody 5, 678 01, blansko@fio.cz
Brno, Gajdošova 4489/26, 615 00, brno.gajdosova@fio.cz
Brno, Joštova 4, 602 00, brno.jostova@fio.cz
Brno, Nové Sady 988/2, 602 00, brno.sady@fio.cz
Brno, Veverí 2581/102, 616 00, brno.veveri@fio.cz
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Klatovy, Vídeňská 181, 339 01, klatovy@fio.cz
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Ostrava Zábřeh, Výškovická 2526/118, 700 30, ostrava.vyskovicka@fio.cz
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Plzeň, Goethova 9/2, 301 00, plzen.goethova@fio.cz
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Praha 4, Budějovická 1523/9a, 140 00, paha.budejovicka@fio.cz
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Praha 8, Klapková 67/4, 182 00, praha.klapkova@fio.cz
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Žďár nad Sázavou, Nádražní 1, 591 01, zdar.nad.sazavou@fio.cz

Organisational branch:

Fio banka, a.s., pobočka zahraničnej banky (Slovakia)
Corporate ID No.: 36 869 376, registered office: Dunajská 1, Bratislava 811 08
Offices:

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Bratislava, Záhradnícka 74, 821 08, bratislava.zahradnicka@fio.sk
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Trading on the markets in the Czech Republic

The year 2021 was extremely successful on the Prague Stock Exchange. The performance of the local market exceeded principal European and American stock indices. The PX index added almost +39 %

and saw the end of the year above 1,426 points. If we include dividends, the performance of the Prague Stock Exchange was even +44 %. This growth was the highest since 2009, the Prague Stock Exchange returned to the levels of 2008 before the financial crisis in the PX index.

In the principal market, the most successful were the shares of Česká zbrojovka which increased by +73 % to CZK 508. The success was due to the acquisition of the American COLT group. However, the biggest interest was attracted by the growth of ČEZ shares (+60 %) which was accompanied by increased volumes to the Prague Stock Exchange. The driver of the improved financial management of the electricity company is the development in electricity prices. The shareholders additionally received a CZK 52 dividend. The banks also had a strong year. Erste managed to go up to the levels of 2018 (CZK 1,025) and its total growth of +55% only narrowly followed the shares of ČEZ. Another bank, Komerční banka (+46%), ranked fourth. Local banks profited from a rapid growth in the interest rates by the Czech National Bank. Yet, Moneta (+38%) fell slightly behind the index performance. Here, investors additionally monitored the story of the merger with the banking section of PPF, which includes Air Bank and Home Credit. The general meeting of Moneta approved the financing for the transactions, i.e. increase in the share capital for subscription of new shares. The STOCK shares managed to add +42% by autumn, after that they were withdrawn from the market after the takeover. The end on the stock exchange will be expected in 2022 by shareholders of O2 (+6,4%), its majority owner, the PPF Group, decided on the squeeze-out of minority shareholders for CZK 270. The shares of Avast (+16%) are also shares that will see the end of the stock exchange. In mid-2021, the American competitor NortonLifeLock decided to take over the company, the merger was already approved by both entities and the completion of the transaction is expected during 2022. The shares of a new entity will then be traded on the New York Stock Exchange.

The START segment was dominated by Pilulka shares with incredible profit of +188%.

Foreign market trading

Stock markets continued the growth from the prior year and saw another very successful year. Investors forgot about the continued pandemic when the introduced distancing measures had no longer such overall economic impact. The labour market recovered quickly and returned to pre-pandemic levels. However, the pandemic continued to cause problems in supplier chains which resulted in an increased inflation. In Europe, energy prices increased significantly. Companies managed to handle the difficult situation very well, the profits at the level of principal indices significantly increased year-on-year. However, industry sectors such as retail or tourism continued to have difficult times. Nevertheless, there were no large company bankruptcies as governments and central banks continued their support for the economy. While principal central banks saw inflation as a temporary issue, interest rates in developing economies started to gradually increase. As such, government bond yields remained on very low levels during the year which supported maintenance of a higher stock valuation from the historical perspective. Inflation pressures however continued and the argument about its temporary character was gradually abandoned even by central bankers from major regions. The expectations of normalisation in the fiscal and currency policy negatively impacted primarily fast growing sectors with higher valuation at the end of the year.

In terms of individual stock indices, the performance turned around as compared to the prior year. Main indices in the USA and Europe increased by more than 20%. The best performance was recorded in the power, real estate, technology and financial sectors. On the contrary, weaker performance was recorded by indices in Asia where Japanese Nikkei added only 5%, South Korean Kospi 3.6% and the Hang Seng index lost 14% due to problems in China. A big issue on the market was an increased regulatory pressure of the Chinese government on the technology sector and overall greater state interventions in the economy than in prior years. For these reasons, shares of Chinese technology companies saw a significant decline. Due to the dampening of the real estate bubble, main developers got into financial difficulties and the Chinese economy slowed down in general.

Proprietary trading

In 2021, Fio banka kept or further strengthened its positions built on financial markets. In stock trading, the bank continued its market maker role in the Prague Stock Exchange in all issues placed on the Prime market while being part of the PX index. According to the statistics of trades by members of the Stock Exchange, the volume of trades by Fio banka in 2021 increased to CZK 51.24 billion from the

prior CZK 48.11 billion in 2020, which is a year-on-year increase of 6.5%. In the overall ranking of members of the Stock Exchange by completed trade volumes for 2021, the Bank kept its second position.

During 2021, Fio banka increased the volume of the debt securities portfolio. There were enough opportunities on the market, the issue activity of the Czech Ministry of Finance remained increased. In specific figures, the total volume of bonds increased from CZK 71.15 billion at the end of 2020 to CZK 117.86 billion at the end of 2021, which is a 66% increase. The portfolio additionally includes only government bonds of which almost 97% are Czech issues and the rest are Slovak bonds.

In mid-2021, the Czech National Bank initiated the cycle of interest rate increases and the 2-week repo rate increased from the original 0.25% to 3.75% by the end of the year. By this the central bank responded to the increasing inflation which hiked a great deal above the level of the tolerance band, be it the impact of global or local factors. In the latter half of the year it was therefore possible to generate significantly higher returns on the money market by placements of available funds. Most of trades by Fio banka were with the Czech National Bank in two-week repo transactions.

Information on the Company's assets and financial situation

The Bank's total assets amounted to CZK 214,684,966 thousand as of 31 December 2021, principally comprising cash in hand and balances with central banks of CZK 55,053,982 thousand, government zero-coupon bonds of CZK 0 thousand, loans and receivables to banks and cooperative credit unions of CZK 2,288,854 thousand, loans and receivables to customers of CZK 37,453,617 thousand, debt securities of CZK 117,877,849 thousand, shares, share certificates and other equity investments of CZK 203,748 thousand, investments in subsidiaries of CZK 71,608 thousand and other assets of CZK 1,283,410 thousand.

In 2021, the Company recorded a net fee and commission income of CZK 523,840 thousand, a net interest income of CZK 2,493,945 thousand and income from financial transactions of CZK 841,848 thousand. The Bank's profit from ordinary activities before tax was CZK 2,840,771 thousand.

The Bank's situation has been stable in the long-term. The Bank has permanently a sufficient amount of liquid financial assets to settle its liabilities; it makes allocations, on a regular basis and in full, to the Stock Exchange's guarantee funds, to the Deposit Insurance Fund and the Securities Dealers Guarantee Fund. The Bank has never been insolvent throughout its existence.

After assessing the impacts of COVID-19 on its business activities, the Bank has concluded that no negative events occurred that would have a material impact on the Company's ability to continue as a going concern and generate profit every year. The year-on-year decrease in profit is caused more by the market development (especially interest rates) than losses directly resulting from government restrictions. The Bank will continue to monitor the possible impact of COVID-19 and accept all necessary measures to mitigate the impacts not only on the Bank and its employees but primarily on its clients.

Successful expansion of the Bank's credit portfolio as well as an increase in other indicators resulted in a larger volume of risk exposures. As of 31 December 2021, the Bank's capital ratio was 22.49% (of which 22.22% constitutes the Tier 1 capital ratio), which is above the level of regulatory requirements, constituting a secure level for risk coverage.

Information on the contribution to the Guarantee Fund

As a securities trader, Fio banka, a.s., contributes to the Securities Traders Guarantee Fund, which provides a guarantee system from which compensation is paid to customers of securities traders that are unable to meet commitments towards their clients. The basis for calculating the Bank's contribution to the Guarantee Fund for 2021 amounted to CZK 240,668,403. The amount of the Bank's contribution amounted to CZK 4,813,368.

Information on the Bank's Environmental Objectives

Fio banka approaches the environmental protection in a pragmatic manner and starts primarily with itself. The management philosophy has contained a principle of not wasting resources and behave in environmentally friendly manner since the beginning as it sees these principles as a basis of good behaviour and business. At the same time, it sees sustainability as an opportunity for innovations and modernisation.

The current environmental objectives primarily relate to environmentally friendly operations. Here, the Bank meets the objectives by an increasing degree of banking processes digitisation which involves contracts in the electronic form and consequently reduction in paper consumption. With regard to sustainability and environmental protection, we are going to introduce “paperless” digital contracts and documents even in negotiations on business points which will significantly contribute to reducing consumption in this respect.

Naturally, we observe relevant legal regulations in our environmental objectives. In relation to lending and investment objectives, this is one of the considered criteria, primarily in terms of long-term sustainability and profitability of such business.

E. Statutory, Supervisory and Other Bodies

Board of Directors:

Jan Sochor, Chairman of the Board of Directors

Mr Sochor graduated from the Faculty of Mathematics and Physics of Charles University and has been active on the capital market for more than 20 years. He has been Chairman of the Board since 22 May 2002. From 30 April 2001 to 23 April 2002, he worked as a statutory executive of the securities trading company Fio brokerská, spol. s r.o. Prior to holding this post, he had been already employed in Fio brokerská, spol. s r.o., predominantly focusing on creating an electronic trading system. Jan Sochor also held the post of Chairman of the Board of Directors at Fio, burzovní společnost, a.s.

Josef Valter, Member of the Board of Directors

Mr Valter graduated from the Faculty of Law of Charles University in Prague. He has been employed in the Fio Financial Group since 2002, first as Head of the Legal Division and later as Director of the Legal and Compliance Division, which has been his position to date. Josef Valter was a member of the Board of Directors of Fio, družstevní záložna from 2002 to 2006 and Chairman of the Board of Directors of Fio, družstevní záložna from 2006 to 2010. He has been a member of the Board of Directors of Fio banka since 5 May 2010.

Jan Bláha, Member of the Board of Directors

Mr Bláha graduated from the Faculty of Economics of VŠB - Technical University of Ostrava and has been employed in the Fio Financial Group since 2000. At present, he is Director of the Sales Division. He has been a member of the Company's Board of Directors since 25 March 2015.

Marek Polka, Member of the Board of Directors

Mr Polka graduated from the Faculty of Finance and Accounting of the University of Economics, Prague (VSE) and has worked for the Fio Financial Group since May 2001 when he took up the position of a client assistant in the Prague branch. Mr Polka gradually held the positions of the acting head of the Plzeň branch, head of the Group's largest branch in Prague as well as the head of the entire Client Service Department. Since April 2006, he has been the head the Group's Client Division. On 1 April 2006 he became a member of the Board of Directors of Fio, družstevní záložna and on 3 May 2010 Chairman of the Board of Directors of Fio, družstevní záložna. His key responsibilities as the head of the Client Service Department predominantly involved ensuring proper operation of branches, managing customer relations and product range administration. Since 24 September 2014, Mr Polka has been Director of the Company's Credit Division. He has been a member of the Board of Directors of the Company since 25 March 2015.

Filip Novotný, Member of the Board of Directors

Mr Novotný graduated from the Faculty of Mathematics and Physics at Charles University. He joined the Fio financial group in October 2004, when he joined the company as a client-focused employee at the Prague office. Since 2006, he has held the position of chief risk manager at Fio, burzovní společnost, a.s. At present, he holds the position of chief risk manager at Fio banka and a member of the Board of Directors responsible for risk management..

Under Section 8 (1) of Act No. 21/1992 Coll. on Banks, as amended, the Bank's Board of Directors had five members as of 31 December 2021.

Supervisory Board:

Romuald Kopún, Chairman of the Supervisory Board

Mr Kopún graduated from the Faculty of Mathematics and Physics of Charles University. He has been a member of the Supervisory Board since 1994. By holding this position, he has gained the necessary experience in the capital market sector.

Petr Marsa, Vice Chairman of the Supervisory Board

Mr Marsa graduated from the Faculty of Mathematics and Physics of Charles University. He has been active on the financial market for more than 25 years. He has held various positions in the bodies of several entities within the Fio Financial Group.

Ján Franek, Member of the Supervisory Board (membership expired on 30 December 2021)

Mr Franek graduated from the Faculty of Nuclear Sciences and Physical Engineering of the Czech Technical University in Prague. He was working for the Fio Financial Group from 1995 to 30 December 2021. From 2001 to 30 December 2021, he was the head of the Software Division, responsible for the development and operations of the Fio Financial Group's information system and was the head of development projects aimed at expanding and improving the quality of client services.

During 2022, Fio banka, a.s. communicated with the Czech National Bank in respect of an approval regarding the appointment of a new (third) member of the Supervisory Board; however, the new member of the Supervisory Board was not appointed or approved by the Czech National Bank as of the financial statements preparation date.

Audit Committee:

Jan Kotíšek, Chairman of the Audit Committee

Mr Kotíšek graduated from the faculty of International Relations of the University of Economics, Prague (VSE) and completed the Executive MBA in Finance at the University of New York in Prague. Mr Kotíšek has worked on the financial market for more than 20 years, holding posts at Vojenský otevřený penzijní fond, a.s., Foresbank, a.s., Spořitelní a úvěrové družstvo Unibon, Záložna CREDITAS, spořitelní družstvo as well as at the Supervisory Office for Credit Unions.

Petr Marsa, Vice-chairman of the Audit Committee

Mr Marsa graduated from the Faculty of Mathematics and Physics of Charles University. He has been active on the financial market for more than 25 years. He has held various positions in the bodies of several entities within the Fio Financial Group.

Václav Svoboda, Member of the Audit Committee

Mr Svoboda graduated at the Faculty of Economics of the University of Economics, Prague. He has worked as a statutory auditor for over 20 years.

Members of the Board of Directors, Supervisory Board, Audit Committee or the Company's management hold no treasury shares of the Company.

The Company's employees do not have an opportunity to have equity interests in the Company.

F. Other Information

The statement of changes in equity for the last two reporting periods is included in the financial statements which form part of this annual report.

The number of average recalculated headcount and changes thereof are disclosed in the notes to the financial statements for the year ended 31 December 2021 which are part of this annual report. Increasing the number of the Company's staff corresponds to the Company's strategy aimed at the continuous increase of the quality of provided services.

The Company incurred no costs on research, development and environmental protection in 2021. The costs of labour relations incurred in 2021 are disclosed in the notes to the financial statements for the year ended 31 December 2021 which are part of this annual report.

Based on a decision of the Board of Directors of 5 May 2010, an organisational branch of the Company was established in Slovakia: Fio banka, a. s., pobočka zahraničnej banky, corporate ID: 36 869 376, Nám. SNP 21, Bratislava 811 01, Slovakia.

The Company will continue to operate as a going concern.

Significant Post Balance Sheet Events

No events occurred subsequent to the balance sheet date on 31 December 2021 that would have a material impact on the Bank's operation and financial performance.

Impacts of the war between Russia and Ukraine on the Bank

The ongoing military conflict in Ukraine and relating sanctions against the Russian Federation may have an impact on the European and global economy. The Company does not have any significant direct exposure to Ukraine, Russia and Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage, management is not able to reliably estimate the impact as events are unfolding day by day. A long-term impact may also affect trading volumes, cash flows and profitability..

Between February and April 2022, the Bank introduced measures in line with the relevant sanction regulations; however these sanctions have an impact only on marginal share of the Bank's clients.

Additionally, the Bank, as one of the first banks in the Czech Republic, took measures for the support of Ukraine and its citizens in the form of remitted fees for payments abroad made by its clients to accounts in Ukrainian banks.

Head of the organisational branch:

Marek Polka

Mr Polka graduated from the Faculty of Finance and Accounting of the University of Economics, Prague (VSE) and has worked for the Fio Financial Group since May 2001 when he took up the position of a client assistant in the Prague branch. Mr Polka gradually held the positions of the acting head of the Plzeň branch, head of the Group's largest branch in Prague as well as the head of the entire Client Service Department. Since April 2006, he has been head of the Group's Client Division. On 1 April 2006 he became a member of the Board of Directors of Fio, družstevní záložna and on 3 May 2010 Chairman of the Board of Directors of Fio, družstevní záložna. His key responsibilities as head of the Client Service Department predominantly involved ensuring proper operation of branches, managing customer relations and product range administration. Since 24 September 2014, Mr Polka has been Director of the Company's Credit Division. He has been a member of the Board of Directors of the Company since 25 March 2015.

G. Persons Responsible for the Annual Report

Jan Sochor, Chairman of the Board of Directors of Fio banka, a.s., holds responsibility for the annual report.

The financial statements were audited by:

Deloitte Audit s.r.o., corporate ID: 49620592, Italská 2581/67, Vinohrady, 120 00 Prague 2.

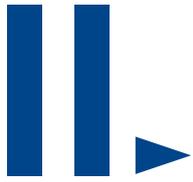
In Prague on 28 April 2022

Jan Sochor
Chairman of the Board of Directors



Josef Valter
Member of the Board of Directors





Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fio banka, a.s.

Having its registered office at: V Celnici 1028/10, 117 21 Praha 1

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fio banka, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2021, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fio banka, a.s. as of 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Key Audit Matters

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

| Key audit matter | Related audit procedures |
|--|---|
| Provisions for amounts due from clients | |
| (Notes 3.2.1 and 4.4. to the financial statements) | |
| As of 31 December 2021, gross amounts due from clients (hereinafter "loans") were CZK 38,799,507 thousand against which provisions for loans | Based on our risk assessment and knowledge of the industry, we reviewed provisions, assessed the methodology applied and the assumptions used. In cooperation with our specialists, we recalculated provisions. |

Key audit matter

(hereinafter "provisions") of CZK 1,345,890 thousand were recorded.

The provisions are determined either individually for significant credit impaired exposures (stage 3 defaulted) or using statistical models for performing loans (stage 1 and 2).

The assessment of provisions against amounts due from clients requires from the Company's management a significant level of judgement, especially with respect to the identification of impaired amounts and quantification of their impairment. Given the COVID-19 pandemic, the level of uncertainty and the level of management's judgement subjectivity have increased significantly with respect to the financial reporting for 2021.

Because of the significance of professional judgements and the size of loans, the audit of provisions is a key audit matter.

The most significant judgements are:

- Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.
- Timely identification of exposures with a significant increase in credit risk and credit impaired exposures in the context of the COVID-19 pandemic.
- Valuation of collateral and assumptions of future cash flows on individually assessed credit-impaired exposures.

Related audit procedures

We tested the design and operating effectiveness of selected key internal controls introduced by the Bank's management to assess impairment and recognise provisions. With the help of IT specialists, we tested IT controls relating to access rights and change management of relevant IT applications.

Testing of internal controls

We tested the design and operating effectiveness of the key internal controls to determine which loans are impaired and provisions for those assets. Our procedures included testing of the following:

- System-based and manual controls over the timely identification and recognition of provisions for loans;
- Controls over the provision calculation and recording;
- Controls over collateral valuation estimate; and
- The governance process of management validation of provision calculations.

Assumptions used in the expected credit loss models

We assessed, in cooperation with our specialists, the methodology of the models. We assessed whether the modelling assumptions considered all relevant risks and were reasonable in light of historical experience and forward outlook, economic climate, and the circumstances of the customers. We performed analytical procedures on a portfolio basis.

With respect to the extreme volatility of economic scenarios caused by the ongoing COVID-19 pandemic and government measures, we assessed whether the parameters used in the statistical models of expected credit loss provide a true view of the expected future default level and recoverability of loans.

Identification of exposures with a significant increase in credit risk and credit impaired loans

In cooperation with our specialists, we evaluated assumptions used for staging models and we recalculated the staging on a portfolio basis.

We tested a sample of loans (including loans that had not been classified by management as stage 3) to form our own assessment as to whether impairment events had occurred and to assess whether impairment had been identified in a timely manner.

Provisions for individually assessed credit impaired loans

The Bank determines provisions individually for significant credit impaired exposures (stage 3 defaulted).

We selected a sample of loans and, where we deemed them to be impaired, tested the amount of provisions recorded by the Bank in terms of loan categorisation, expected recovery and collateral held. In some cases, we used our own industry

| Key audit matter | Related audit procedures |
|--|--|
| | <p>experts, particularly in respect of commercial real estate, to assess the appropriateness of valuations and estimates used by the Company. Where we determined that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results in order to evaluate management estimate.</p> <p>Our testing reflected the financial position and performance of the debtor in the current economic environment affected by COVID-19.</p> |
| Interest and fee income recognition | |
| <p>(Notes 3.10, 4.17 and 4.18 to the financial statements)</p> <p>For the year ended 31 December 2021 the interest income and similar income amounted to CZK 2,813,448 thousand. Total fee and commission income for the same period amounted to CZK 799,621 thousand. With the main source being provided loans, client deposits and client transactions, these are the main contributors to the income of the Company affecting the profitability.</p> <p>Interest income and fee income are recognised in the profit and loss account in the period to which they relate on an accrual basis. Loan interest is accrued on a daily basis. Fees for services provided are recognised when the service is provided and are presented as fee and commission income. Fees for the execution of an act are recognised when the act has been completed and are presented as fee and commission income.</p> <p>Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording resulted in this matter being identified as a key audit matter.</p> | <p>We tested the design and operating effectiveness of the key internal controls and focused on:</p> <ul style="list-style-type: none"> • Assessment of interest/fees recognition; • Interest/fee inputs on client loans and deposits, including authorisation of the changes in the interest and fee price list and authorisation of non-standard interest/fees; • IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists; and • We evaluated the accounting treatment performed by the Company in respect of fees charged to clients to determine whether the methodology complies with the requirements of the relevant accounting standard. <p>We focused our testing on challenging the correct classification of interest income and fee income.</p> <p>On a sample basis, we checked the correctness of the calculation of interest income for the main types of provided loans to assess the completeness and accuracy of data used for the calculation. We also reviewed the correctness of accounting for the main types of fees.</p> <p>We performed analytical procedures and benchmarking.</p> |

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors 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.

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 ISAs 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 law or regulation, we exercise professional judgment and maintain professional scepticism 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 the Board of Directors, the Supervisory Board and the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, the Supervisory Board and the Audit Committee, 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 Report on Relations among Related Entities (the "Report on Relations")

We have reviewed the factual accuracy of the information included in the accompanying related party transactions report of Fio banka, a.s. for the year ended 31 December 2021 which is included in this annual report in Section V. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Fio banka, a.s. for the year ended 31 December 2021 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and 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 the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on the basis of a tender on 23 October 2018 and our total uninterrupted engagement has lasted for 12 years.

Consistence with the Additional Report to the 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 28 April 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the annual report.

In Prague on 28 April 2022

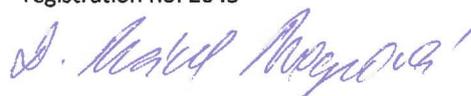
Audit firm:

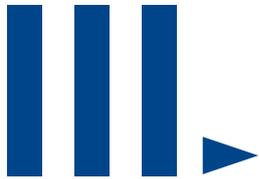
Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Diana Rádľ Rogerová
registration no. 2045





The Company's Financial Statements for the Year Ended 31 December 2021

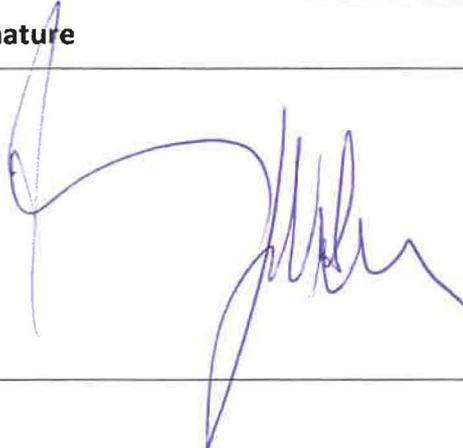
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Name of the Company: Fio banka, a.s.
Registered Office: V Celnici 1028/10, 117 21 Praha 1
Legal Status: Joint Stock Company
Corporate ID: 618 58 374

Components of the Financial Statements:

Balance Sheet
Off Balance Sheet Accounts
Profit and Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Financial Statements

These financial statements were prepared on 28 April 2022.

| Statutory body of the reporting entity: | Signature |
|---|--|
| Jan Sochor Chairman of the Board of Directors Marek Polka Member of the Board of Directors |  |

Business name of the entity Fio banka, a.s.
Registered office of the entity V celnici 1028/10, 11721 Praha 1
Corporate ID 61858374

| Balance sheet as of 31 December 2020 in CZK thousand | | Current period | | | Prior period | |
|---|---|----------------|-------------|------------|--------------|-------------|
| No. | Text | Line | Gross | Adjustment | Net | Net |
| 1. | Cash in hand and balances with central banks | 1 | 81 086 816 | 0 | 81 086 816 | 118 147 694 |
| 2. | State zero-coupon bonds and other securities eligible for refinancing with the CNB | 2 | 2 571 771 | 0 | 2 571 771 | 0 |
| 2.a) | State securities | 3 | 2 571 771 | 0 | 2 571 771 | 0 |
| 2.b) | Other | 4 | 0 | 0 | 0 | 0 |
| 3. | Loans and receivables to banks and cooperative credit unions | 5 | 1 915 066 | 0 | 1 915 066 | 2 097 265 |
| 3.a) | Repayable on demand | 6 | 1 470 961 | 217 | 1 470 744 | 1 700 756 |
| 3.b) | Other receivables | 7 | 444 322 | 0 | 444 322 | 396 509 |
| 4. | Loans and receivables to customers | 8 | 27 641 635 | 1 496 642 | 26 144 993 | 20 148 308 |
| 4.a) | Repayable on demand | 9 | 610 143 | 215 226 | 394 917 | 270 704 |
| 4.b) | Other receivables | 10 | 27 031 492 | 1 281 416 | 25 750 076 | 19 877 604 |
| 5. | Debt securities | 11 | 68 581 708 | 0 | 68 581 708 | 4 358 351 |
| 5.a) | Issued by government institutions | 12 | 68 581 708 | 0 | 68 581 708 | 4 358 351 |
| 5.b) | Issued by other entities | 13 | 0 | 0 | 0 | 0 |
| 6. | Shares, share certificates and other equity investments | 14 | 181 045 | 0 | 181 045 | 172 494 |
| 7. | Investments in associates | 15 | 0 | 0 | 0 | 0 |
| | of which: in banks | 16 | 0 | 0 | 0 | 0 |
| 8. | Investments in subsidiaries | 17 | 163 789 | 0 | 163 789 | 159 992 |
| | of which: in banks | 18 | 0 | 0 | 0 | 0 |
| 9. | Intangible fixed assets | 19 | 34 996 | 32 277 | 2 719 | 4 202 |
| 9.a) | Start-up costs | 20 | 0 | 0 | 0 | 0 |
| 9.b) | Goodwill | 21 | -1 143 | -1 143 | 0 | 0 |
| 10. | Tangible fixed assets | 22 | 645 076 | 145 499 | 499 577 | 243 878 |
| | Land and buildings for operating activities | 23 | 527 534 | 95 996 | 431 538 | 213 727 |
| 11. | Other assets | 24 | 1 345 459 | 1 775 | 1 343 684 | 1 376 186 |
| 12. | Receivables from subscribed capital | 25 | 0 | 0 | 0 | 0 |
| 13. | Prepayments and accrued income | 26 | 46 055 | 0 | 46 055 | 62 017 |
| | TOTAL ASSETS | 27 | 184 213 416 | 1 676 193 | 182 537 223 | 146 770 387 |
| 1. | Due to banks and cooperative credit unions | 28 | | | 224 458 | 233 134 |
| 1.a) | Repayable on demand | 29 | | | 224 458 | 233 134 |
| 1.b) | Other payables | 30 | | | 0 | 0 |
| 2. | Due to customers | 31 | | | 174 860 192 | 140 442 137 |
| 2a) | Repayable on demand | 32 | | | 171 285 699 | 136 106 204 |
| 2b) | Other payables | 33 | | | 3 574 493 | 4 335 933 |
| 3. | Payables from debt securities | 34 | | | 0 | 0 |
| 3a) | Issued debt securities | 35 | | | 0 | 0 |
| 3b) | Other payables from debt securities | 36 | | | 0 | 0 |
| 4. | Other liabilities | 37 | | | 1 470 646 | 1 125 499 |
| 5. | Deferred income and accrued expenses | 38 | | | 0 | 0 |
| 6. | Reserves | 39 | | | 290 150 | 425 804 |
| 6.a) | Reserves for pensions and similar liabilities | 40 | | | 0 | 0 |
| 6.b) | Reserves for taxes | 41 | | | 286 764 | 423 721 |
| 6.c) | Other reserves | 42 | | | 3 386 | 2 083 |
| 7. | Subordinated liabilities | 43 | | | 90 000 | 90 000 |
| 8. | Share capital | 44 | | | 760 000 | 760 000 |
| 8.a) | Share capital paid up | 45 | | | 760 000 | 760 000 |
| 8.b) | Treasury shares | 46 | | | 0 | 0 |
| 8.c) | Changes in share capital | 47 | | | 0 | 0 |
| 9. | Share premium | 48 | | | 0 | 0 |
| 10. | Reserve funds and other funds from profit | 49 | | | 0 | 0 |
| 11.a) | Mandatory reserve funds and risk funds | 50 | | | 0 | 0 |
| 11.c) | Other reserve funds | 51 | | | 0 | 0 |
| 11.d) | Other funds from profit | 52 | | | 0 | 0 |
| 11. | Revaluation reserve | 53 | | | 0 | 0 |
| 12. | Capital funds | 54 | | | 0 | 0 |
| 13. | Gains or losses from revaluation of | 55 | | | 0 | 28 537 |
| 13.a) | Assets and liabilities | 56 | | | 0 | 28 537 |
| 13.b) | Hedging derivative instruments | 57 | | | 0 | 0 |
| 13.c) | Retranslation of equity holdings | 58 | | | 0 | 0 |
| 14. | Retained earnings or accumulated losses brought forward | 59 | | | 3 665 275 | 1 862 156 |
| 15. | Profit/(loss) for the period | 60 | | | 1 176 502 | 1 803 120 |
| | TOTAL LIABILITIES | 61 | | | 182 537 223 | 146 770 387 |

Profit and loss account for the year ended 31 December 2020
in CZK thousand

| No. | Text | Line No. | Current period | Prior period |
|------------|--|-------------|------------------|------------------|
| 1. | Interest income and similar income | PL1 | 2 353 286 | 2 919 667 |
| | Interest income from debt securities | PL2 | 702 471 | 109 325 |
| 2. | Interest expense and similar expense | PL3 | 346 497 | 521 705 |
| | Interest expense from debt securities | PL4 | 129 582 | 858 |
| 3. | Income from shares and participation interests | PL5 | 22 609 | 2 967 |
| 3.a. | Income from participation interests in associates | PL6 | 0 | 0 |
| 3.b. | Income from participation interests in subsidiaries | PL7 | 0 | 0 |
| 3.c. | Income from other shares and participation interests | PL8 | 22 609 | 2 967 |
| 4. | Commission and fee income | PL9 | 704 934 | 602 839 |
| 5. | Commission and fee expense | PL10 | 272 078 | 227 265 |
| 6. | Net profit or loss on financial operations | PL11 | 689 039 | 634 436 |
| 7. | Other operating income | PL12 | 16 936 | 11 071 |
| 8. | Other operating expenses | PL13 | 104 433 | 93 754 |
| 9. | Administrative expenses | PL14 | 861 914 | 745 680 |
| 9.a. | Staff costs | PL15 | 131 242 | 108 113 |
| 9.a.1. | of which: social security and health insurance | PL16 | 26 515 | 21 429 |
| 9.b. | Other administrative expenses | PL17 | 730 672 | 637 567 |
| 10. | Release of reserves and provisions for tangible and intangible fixed assets | PL18 | 0 | 0 |
| | <i>Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets</i> | | | |
| 11. | Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off | PL19 | 105 543 | 51 564 |
| | <i>Write-offs, charge for and use of provisions and reserves for receivables and guarantees</i> | | | |
| 12. | Release of provisions for participation interests | PL20 | 0 | 0 |
| | <i>Loss on the transfer of participation interests, charge for and use of provisions for participation interests</i> | | | |
| 13. | Release of other reserves | PL21 | 636 245 | 306 207 |
| 14. | Charge for and use of other reserves | PL22 | 0 | 0 |
| 15. | Share of profits/(losses) of subsidiaries and associates | PL23 | 0 | 0 |
| 16. | Profit/(loss) for the period from ordinary activities before taxes | PL24 | 0 | 0 |
| 17. | Extraordinary income | PL25 | 0 | 0 |
| 18. | Extraordinary expenses | PL26 | 0 | 0 |
| 19. | Profit/(loss) for the period from extraordinary activities before taxes | PL27 | 3 797 | 640 |
| 20. | Income tax | PL28 | 1 463 891 | 2 225 445 |
| 21. | Net profit/(loss) for the period | PL29 | 0 | 0 |
| 22. | Net profit/(loss) for the period | PL30 | 0 | 0 |
| 23. | Net profit/(loss) for the period | PL31 | 287 389 | 422 325 |
| 24. | Net profit/(loss) for the period | PL32 | 1 176 502 | 1 803 120 |

Statement of changes in equity
in CZK thousand

| | Share capital | Reserve funds | Valuation gains or losses | Retained earnings/ (loss) brought forward | Profit or loss in the approval process | Profit (loss) for the period | Total |
|---|---------------|---------------|---------------------------|---|--|------------------------------|-----------|
| Balance at 1 January 2019 | 760 000 | 0 | 19 904 | 833 842 | 1 028 313 | | 2 642 059 |
| Changes in accounting policies Corrections of major errors | | | | | | | |
| FX differences and valuation differences not included in profit or loss | | | 8 633 | | | | |
| Net profit/loss for the period | | | | | | 1 803 120 | |
| Dividends | | | | | | | |
| Transfers to funds | | | | 1 028 313 | -1 028 313 | | |
| Use of funds | | | | | | | |
| Share issues | | | | | | | |
| Increase/decrease in share capital | | | | | | | |
| Purchase of treasury shares | | | | | | | |
| Other changes | | | | | | | |
| Balance at 31 December 2019 | 760 000 | 0 | 28 537 | 1 862 155 | 0 | 1 803 120 | 4 453 812 |
| Balance at 1 January 2020 | 760 000 | 0 | 28 537 | 1 862 155 | 1 803 120 | | 4 453 812 |
| Changes in accounting policies Corrections of major errors | | | | | | | |
| FX differences and valuation differences not included in profit or loss | | | | | | | |
| Net profit/loss for the period | | | | | | 1 176 502 | |
| Dividends | | | | | | | |
| Transfers to funds | | | | 1 803 120 | -1 803 120 | | |
| Use of funds | | | | | | | |
| Share issues | | | | | | | |
| Increase/decrease in share capital | | | | | | | |
| Purchase of treasury shares | | | | | | | |
| Other changes | | | -28 537 | | | | |
| Balance at 31 December 2020 | 760 000 | 0 | 0 | 3 665 275 | 0 | 1 176 502 | 5 601 777 |

Off balance sheet accounts as of 31 December 2020
in CZK thousand

| No. | Text | Current period | Prior period |
|------------|---|-----------------------|---------------------|
| 1. | Issued commitments and guarantees | 44 954 321 | 22 962 500 |
| 2. | Provided collateral | | |
| 3. | Receivables from spot transactions | | |
| 4. | Receivables from term transactions | 20 763 629 | 14 526 721 |
| 5. | Receivables from option transactions | | |
| 6. | Receivables written off | | |
| 7. | Assets provided into custody, administration and safe-keeping | | |
| 8. | Assets provided for management | | |
| 9. | Accepted commitments and guarantees | | |
| 10. | Received pledges and collateral | 96 487 498 | 113 283 300 |
| 11. | Liabilities from spot transactions | | |
| 12. | Liabilities from term transactions | 20 741 016 | 14 521 460 |
| 13. | Liabilities from option transactions | | |
| 14. | Assets received into custody, administration and safe-keepir | 54 871 056 | 40 153 929 |
| 15. | Assets received for management | 0 | 92 227 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Name of the Company: Fio banka, a.s.
Registered Office: V Celnici 1028/10, 117 21 Prague 1
Legal status: Joint Stock Company
Corporate ID: 618 58 374

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1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

Fio banka, a.s. (hereinafter the “Company” or the “Bank”) was formed by a single Memorandum of Association on 20 June 1994 (under the former name Fio, burzovní společnost, a.s.) and was incorporated following its registration in the Register of Companies in Prague on 31 August 1994.

The Company’s business activity is in line with the provisions of Banking Act No. 21/1992 Coll., as amended, and the licence granted by the Czech National Bank. The subject of the Company’s business activity involves:

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:

- a) Acceptance of deposits from the general public;
- b) Extension of credit; and

- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:

- a) Investing in securities on the Company’s own account;
- b) Finance lease;
- c) Payments and clearing;
- d) Issuance and administration of payment facilities, e.g. credit cards and traveller’s cheques;
- e) Issuance of guarantees;
- f) Opening of letters of credit;
- g) Collection services;
- h) Provision of investment services within the scope of principal investment services.

Within the scope of principal investment services:

- Under Section 4 (2) (a) of the Capital Market Undertaking Act No. 256/2004 Coll., as amended (hereinafter referred to as the “Capital Market Undertaking Act”), receipt and provision of instructions relating to investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (b) of the Capital Market Undertaking Act, performance of instructions relating to investment instruments to a customer’s account, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (c) of the Capital Market Undertaking Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (d) of the Capital Market Undertaking Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (e) of the Capital Market Undertaking Act, investment advisory concerning investment tools, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (g) of the Capital Market Undertaking Act, underwriting of investment instruments or their placement with the obligation to issue, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (h) of the Capital Market Undertaking Act, underwriting of investment instruments issues or their placement without the obligation to issue, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

And within the scope of additional investment services

- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
 - Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
- i) Financial brokerage;
 - k) Foreign exchange services;
 - l) Provision of banking information;
 - m) Proprietary trading or trading on a client's account with foreign currencies and gold;
 - n) Rental of safe-deposit boxes; and
 - o) Activities that directly relate to the activities in the banking licence.

| | |
|--|----------------------|
| Company's share capital: | CZK 760,000 thousand |
| Balance sheet date: | 31 December 2021 |
| Financial statements prepared on: | 28 April 2022 |
| Accounting period: | Calendar year |
| Currency used in the financial statements: | Czech crown (CZK) |

The following table shows individuals and legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

| Shareholder | Ownership percentage |
|--|----------------------|
| Fio holding, a.s., V Celnici 1028/10, Postal Code 117 21, Prague 1 | 100% |
| Total | 100% |

On 31 October 2014, the Company, by means of its organisational branch Fio banka, a.s., pobočka zahraničnej banky (established in Slovakia) acquired part of the business of Fio o.c.p., a.s., in line with the decisions of the Czech National Bank dated 8 October 2014, the National Bank of Slovakia dated 9 October 2014 as well as the decision of the sole shareholder of Fio o.c.p., a.s. dated 31 October 2014, whereby the sole shareholder (the Company) acting in the capacity of the General Meeting approved concluding the respective Contract for the sale of part of business. On 24 August 2017, the Contract on transferring the shares of Fio o.c.p. was concluded based on which a 100% equity investment in Fio o.c.p. was transferred.

1.2. Year-on-Year Changes and Amendments to the Register of Companies

In the year ended 31 December 2021, the following changes were made in the Register of Companies held by the Municipal Court in Prague in respect of Fio banka, a.s. (in chronological order):

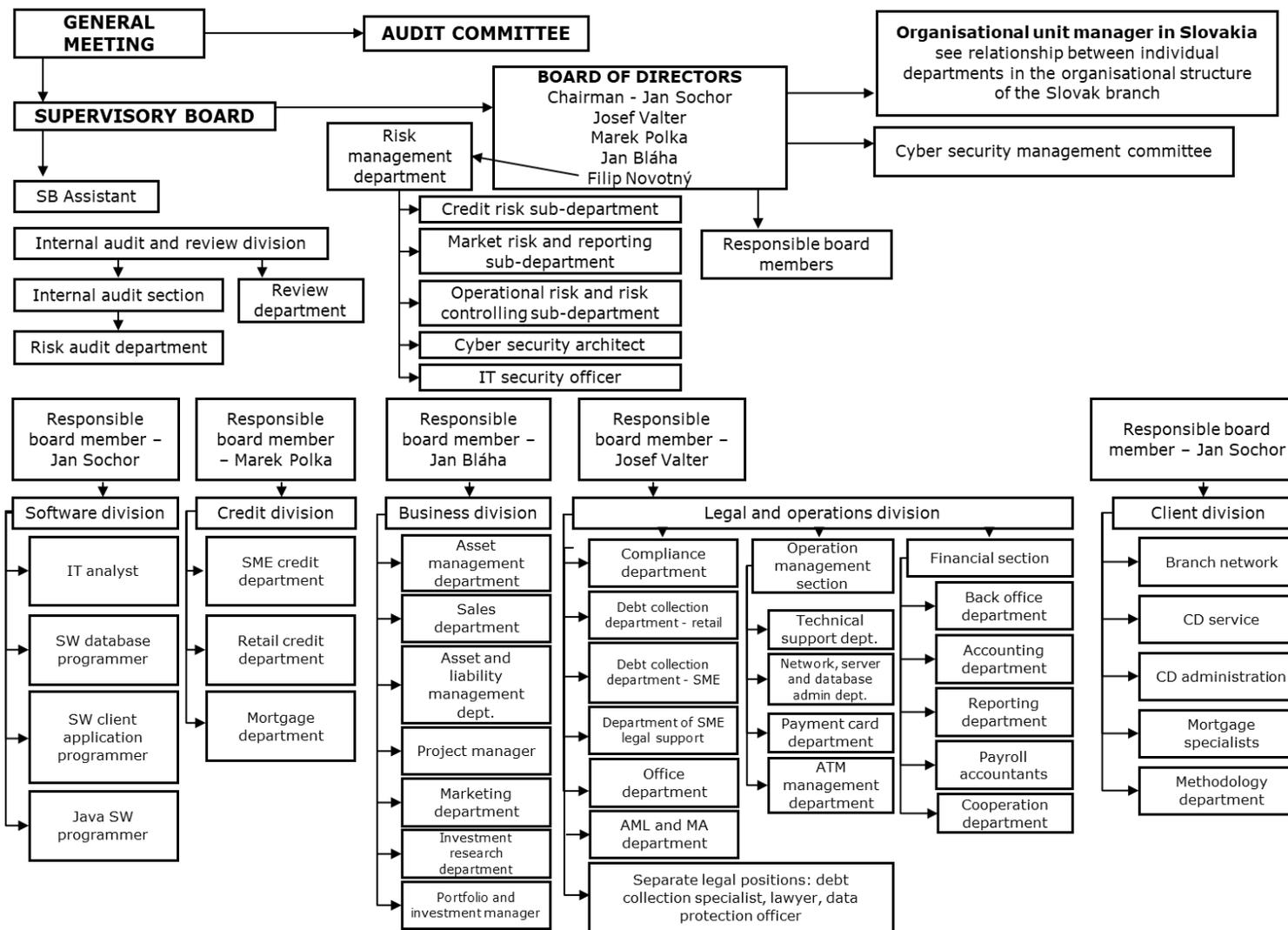
- On 30 December 2021, the following changes were made:
 - Membership of Ján Franek in the Supervisory Board of Fio banka, a.s. expired

In the year ended 31 December 2021, the following changes were made in the Register of Companies of Slovakia held by the District Court in Bratislava I in respect of Fio banka, a.s. pobočka zahraničnej banky (in chronological order):

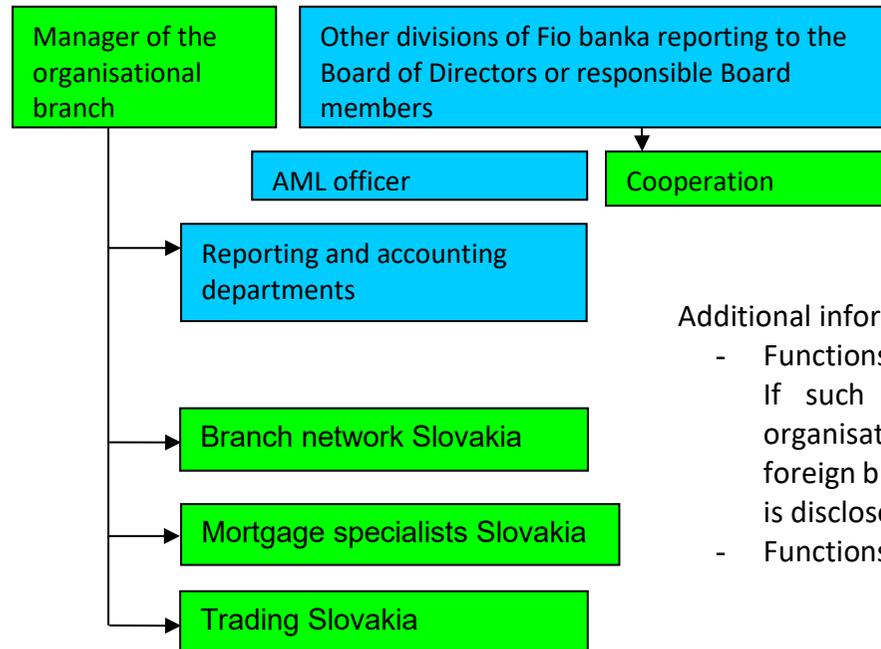
- On 5 August 2021, the following changes were made:
 - Change in the address of the registered office of Fio banka, a.s. pobočka zahraničnej banky to Dunajská 1, 811 08 Bratislava – mestská časť Staré mesto

1.3. Organisational Structure (as of 31 December 2021)

1.3.1. Fio banka, a.s.



1.3.2. Fio banka, a.s., pobočka zahraničnej banky



Additional information:

- Functions in blue boxes are managed centrally from the Czech Republic. If such department or function reports to the manager of the organisational branch, this relation only applies to the activities of the foreign branch in Slovakia. More detailed specification of “other divisions” is disclosed in the current organisational structure of Fio banka, a.s.
- Functions in green boxes are performed directly in the Slovak Republic.

1.4. Group Identification

The Company is part of the Fio financial group.

1.5. Board of Directors and Supervisory Board

| | Function | Name |
|---------------------------|---------------|---|
| Board of Directors | Chairman | Jan Sochor |
| | Member | Josef Valter |
| | Member | Jan Bláha |
| | Member | Marek Polka |
| | Member | Filip Novotný |
| Supervisory Board | Chairman | Romuald Kopún |
| | Vice-Chairman | Petr Marsa |
| | Member | Ján Franek (membership expired as of 30 December 2021)* |

*During 2022, Fio banka, a.s. communicated with the Czech National Bank in respect of an approval of a new (third) member of the Supervisory Board, however, the new member of the Supervisory Board was not appointed or approved by the Czech National Bank as of the financial statements preparation date.

Acting on behalf of the Company by the Board of Directors is performed jointly by the Chairman and Vice-Chairman or by the Vice-Chairman and another Vice-Chairman or by the Chairman with a Board member or by the Vice-Chairman with a Board member.

2. PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Company's accounting books and records are maintained, and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 501/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are financial institutions maintaining double-entry accounting records, as amended; and Czech Accounting Standards for financial institutions, as amended.

The financial statements have been prepared in compliance with the accruals principle whereby transactions and other facts are recognised when they arise and accounted for in the period to which they relate. The financial statements have been prepared on a historical cost valuation basis, with the exception of selected financial instruments, which are measured at fair value. Assets which are not remeasured to fair value are reported in net recoverable amount. The accounting records adhere to the prudence concept and the going concern assumption.

The presentation of financial statements requires management of the Company to make estimates and assumptions that affect the amounts of assets and liabilities and contingent assets and liabilities reported at the date of the financial statements and the amounts of revenues and expenses reported in the relevant reporting period. These estimates are based on the information available at the balance sheet date and may differ from actual results.

Impact of COVID-19:

The impacts of the COVID-19 pandemic on relevant estimates affecting the value of assets and liabilities are described in more detail in the following notes, wherever the Bank identified a significant impact of the pandemic.

These financial statements are presented in thousands of Czech crowns (CZK '000).

The financial statements have been prepared as of 31 December 2021.

These financial statements are unconsolidated.

These financial statements have been prepared under the assumption of going concern. Having assessed the current and future impacts of the COVID-19 pandemic, the Bank sees no reason that would prevent it from continuing as a going concern in the near future or from generating profit every year. The Bank will continue to monitor the possible impact of COVID-19 and will take all the necessary measures to limit the impacts on the Bank, its employees and clients.

The military conflict in Ukraine and the imposition of economic sanctions against Russia and Belarus resulted in events that cannot be fully reflected in the financial statements for accrual reasons but may have a negative impact on the Bank's activities. Given the increasing uncertainty on the markets, there is an increased volatility in proprietary positions in the trading portfolio which, however, does not involve a significant increase in the market risk due to its relatively small volume compared to the balance sheet total.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the financial statements are set out below.

3.1. Recognition Date

The date of the recognition of individual transactions is principally the date of payment or receipt of cash, the day of purchase or sale of foreign currencies/securities, the date on which a payment is made or an amount is collected from the client's account, the day of issuing an order to the correspondent to make a payment, the day of settlement of the Company's orders with the CNB Clearing Centre, the day on which funds are credited according to a report from the Company's correspondent ('a report' is taken to mean a report in SWIFT, a bank notice, medium take-over, account statement, or other documents as appropriate), the trade date and the settlement date relating to transactions with securities, foreign currencies, options or other derivatives, the date of issuance or acceptance of a guarantee or loan commitment, and the date of accepting assets into custody.

3.2. Financial Assets

In line with Czech accounting regulations, the Company measures financial instruments based on International Accounting Standards.

Upon initial recognition, financial assets are stated at fair value increased or decreased by transaction costs, with the exception of financial assets at fair value through profit or loss.

The Company derecognises a financial asset from its balance sheet when it loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Company loses such control if it realises the rights to benefits specified in the contract, the rights expire, or the Company surrenders those rights.

3.2.1. Loans and Receivables to Banks and Customers, Debt Securities

Loans and receivables to banks, to customers and debt securities (debt financial assets) are classified and after initial recognition subsequently measured at:

- Amortised cost;
- Fair value through valuation gains and losses;
- Fair value through profit or loss.

Classification is determined based on the characteristics on contractual cash flows of the debt financial asset and the business model in which the financial asset is included:

The Bank distinguishes the following business models:

- Business model whose objective is to retain the financial asset until maturity and collect contractual cash flows;
- Business model whose objective is achieved simultaneously by collecting contractual cash flows and the sale of assets; and
- Business model whose objective is to trade the financial asset.

The Bank assesses whether the contractual cash flows represent solely a repayment of principal and interest on the unpaid portion of principal. Principal is the fair value of the financial asset on initial recognition. Interest reflects the time value of money, interest rate risk related to the unpaid portion of the principal for the specific period of time and other basic risks and expenses related to the provision of a loan as well as the profit margin.

If the financial asset is held within a business model with the objective to hold the financial asset until maturity and to collect contractual cash flows and all these flows simultaneously represent payment of principal and interest on the unpaid part of principal, the financial asset is classified and valued at amortised cost.

Amortised cost is the amount at which the asset or liability was measured upon initial recognition, minus principal repayments, and increased or decreased using the effective interest rate by fees that are an integral part of a financial instrument, and amortisation of any premium or discount, i.e. the difference between the initial amount and the amount at maturity, and decreased by a provision for the amount of expected credit losses.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. In calculating the effective interest rate, the Company estimates future cash flows after considering all of the contractual terms of the financial instrument taking into account all fees and incremental costs directly attributable to the instrument, which are an integral part of the effective interest rate, but not taking into account expected credit losses.

Income from debt financial assets measured at amortised cost is reported in the profit and loss account under "Interest income from debt securities". If sold, the difference between the selling price and the price before the sale would be reported in the "Net profit or loss on financial operations" line.

If the financial asset is held within a business model whose objective is achieved simultaneously by collecting contractual cash flows and the sale of assets and all these flows simultaneously represent payment of principal and interest on the unpaid part of principal, the financial asset is classified and valued at fair value through valuation gains and losses. Unrealised gains/losses from this remeasurement are reported in valuation gains and losses as part of "Valuation gains and losses".

If the financial asset is held within a business model whose objective is to trade the financial asset or the related cash flows do not represent solely payment of principal and interest on the unpaid part of principal, irrespective of the business modal, the financial asset is classified and valued at fair value through profit or loss. Gains/losses from this remeasurement are reported in the profit and loss account as part of "Net profit or loss on financial operations".

The fair value used for the revaluation of securities is set as the arm's length price promulgated as of the date of determination of the fair value, provided that the Bank proves that the security can be sold for the arm's length price.

Levels of fair value determination:

- 1) Price of securities on active markets
- 2) Price on other markets or price derived from them
- 3) Price not derived from the market, rather for example by the Bank's model

In case of publicly tradable debt securities and equity securities, fair values are equal to prices achieved on a public market of OECD countries, provided that the requirements for the liquidity of the securities are met at the same time.

Repo transactions (i.e. the sales of securities with a concurrent commitment to repurchase these securities at an agreed-upon price) or reverse repo transactions (i.e. the purchase of securities with a concurrent commitment to resell these securities) are accounted for as collateralised loans received or provided. The ownership title to securities is passed to the entity providing the loan. Securities transferred within repo transactions continue to be presented as part of securities in the relevant lines of the Company's balance sheet and the amount obtained as a result of transferring securities within repo transactions is recognised under 'Due to banks' or 'Due to customers'. Securities received within reverse repo transactions are only presented in off-balance sheet accounts in the line 'Received pledges and collateral'. The loan granted within reverse repo transaction is presented in the line 'Loans and receivables to banks' or 'Loans and receivables to customers'. The interest on debt securities transferred within repo transactions is accrued, as opposed to the interest on debt securities obtained within reverse repo transactions.

Income or expense arising from repo transactions or reverse repo transactions as the difference between the selling and purchase price is accrued over the term of the transaction and recorded in 'Interest income and similar income' or 'Interest expense and similar expense' in the profit and loss account.

Debt financial assets held by the Bank as of the balance sheet date are included in the business model with the objective to hold the financial asset until maturity and to collect contractual cash flows and concurrently in the business model with the objective of financial asset trading.

Debt financial assets are recognised in amounts net of provisions. Provisions from impairment of debt securities are determined based on the model of expected losses based on the requirements of IFRS 9. In order to determine expected losses the Bank divides debt financial assets into three categories based on the level of risk:

- Stage 1 – this category includes debt securities whose credit risk had not significantly increased since initial recognition as of the balance sheet date. Impairment of financial assets is determined as expected credit loss over 12 months after the balance sheet date. Interest income is calculated on a straight-line basis using the current interest rate and it is determined from the gross carrying amount of the asset.
- Stage 2 – this category includes debt securities whose credit risk had significantly increased since initial recognition as of the balance sheet date, but default had not occurred. Impairment of financial assets is determined as expected credit loss until maturity. Interest income is calculated using the effective interest rate method and it is determined from the gross carrying amount of the asset.
- Stage 3 – this category includes debt securities in default. Impairment of financial assets is determined as expected credit loss until maturity of the asset. Interest income is calculated using the effective interest rate method and it is determined from the net carrying amount of the asset, taking into account the provision.

A separate category includes purchased or originated credit impaired (POCI) assets. POCI assets are financial assets that are credit impaired already on initial recognition and they are reported in net value throughout the lifetime of the asset without the option of transfer to the other risk categories. Impairment of these financial assets is determined as the expected credit loss until maturity. Income is determined using the effective interest rate adjusted for the credit risk.

A material increase in credit risk is considered to be an event where the debtor is in default by 30 or more days since the maturity of the contractual payment.

The Bank considers assets to be impaired if the debtor is in default by 90 or more days since the maturity of the contractual payment.

Provisions are charged to expenses, and they are reported under “Write-offs, charge for, and use of provisions and reserves for receivables and guarantees.”

Write-off of irrecoverable receivables is included in “Write-offs, charge for, and use of provisions and reserves for receivables and guarantees.” Income from previously written-off financial assets is included in the profit and loss account under “Release of provisions and reserves for receivables and guarantees, recoveries of receivables assigned, and recoveries of receivables previously written off.”

Default interest on receivables in default is presented in off-balance sheet accounts.

Operating and other receivables are immaterial from the Bank’s perspective; for this reason, the Company recognises full provisions for operating and other receivables when they are past their due dates by more than a year.

3.2.2. Shares, Share Certificates and Other Equity Investments

Equity financial assets are classified and measured at fair value in line with IAS 39 through profit or loss under

“Net profit or loss on financial operations”, unless the Bank decided on initial recognition of this asset to classify and measure it at fair value reported in valuation gains and losses under “Valuation gains and losses” without the option of reclassification of the accumulated change in fair value from valuation gains and losses to profit or loss. Dividends from equity securities are always reported in the profit and loss account under “Net profit or loss on financial operations”.

3.2.3. Financial Derivatives

Financial derivatives include the following financial instruments:

- with zero or low initial investment;
- with their fair value changing according to the changes in the interest rate, price of a security, price of a commodity, exchange rate, price index, or a similar variable;
- which are agreed and settled as of the future date.

Financial derivatives are reported at fair values and in their nominal values off balance sheet. The fair value is determined based on quoted market prices or valuation models that reflect the current market and contractual value of an underlying instrument as well as the time value and yield curve.

Derivatives are recognised in both off-balance sheet and balance sheet accounts from the moment they are agreed until they are settled, terminated, applied, sold or repurchased.

Derivatives are reported at their fair values in “Other assets” and “Other liabilities”. Realised and unrealised gains and losses are included in the profit and loss account under “Net gains and losses on financial operations”.

Fio banka uses financial derivatives to hedge against the currency risk to which it is exposed due to its financial market operations, it does not classify them as hedging from the accounting perspective and they are reported as derivatives held for trading when gains and losses from revaluation to fair value are reported in “Net gains and losses on financial operations”.

3.3. Financial Liabilities

Due to banks and cooperative credit unions and due to customers are measured at amortised cost. Financial liabilities are derecognised when they cease to exist.

A financial liability or its part ceases to exist if the obligation defined by a contract is fulfilled, cancelled or its validity ends, and the reporting entity will no longer report the financial liability or its part in the balance sheet. The difference between the value recorded in accounting of a liability or its part that ceased to exist or was transferred to another entity and the amount paid for this liability is recognised in profit or loss.

3.4. Issued Debt Securities

In 2021, the Bank issued bonds in compliance with MREL for the purposes of meeting regulatory requirements. These securities are measured at amortised cost and reported as liabilities from debt securities.

3.5. Transactions with Securities on behalf of Clients

Securities received by the Company into custody, administration or safe-keeping are recorded at market value and reported within the off balance sheet line ‘Assets received into custody, administration and safe-keeping’.

Securities received by the Company for management are recorded at market value and reported within the off balance sheet line ‘Assets received for management’. On the balance sheet, liabilities include the Company’s payables to clients arising principally from cash received to purchase securities, cash to be refunded to the client, etc.

3.6. Investments in Subsidiaries and Associates

Investments in subsidiaries refer to investments in an entity in which the Company is a majority shareholder. In such a case, the Company has controlling influence on the entity's management, exercising full control over its activity. The influence is based on the ownership percentage or an agreement or the Articles regardless of the participation interest value.

Investments in associates refer to investments in an entity in which the Company has ownership percentage (participation) of at least 20%. In such a case, the Company has substantial influence on the entity's management arising from ownership percentage or an agreement or the Articles regardless of the participation interest value.

Participation interests in subsidiaries and associates are recorded at acquisition cost which also includes direct costs related to the acquisition. At the balance sheet date, the Company measures participation interests using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity.

In 2021, Družstevní záložna PSD was liquidated. For this reason, the Bank no longer includes it in the list of investments in subsidiaries. At the moment of disposal, the difference between the value of the investment and the amount of the paid liquidation balance is reported in "Share of profits/(losses) of subsidiaries and associates".

3.7. Charge for Reserves

Reserves represent a probable performance which is uncertain as to the date on which it will arise and as to its amount. The Bank recognises a reserve when:

- It has a present performance obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation whereby "probable" refers to the probability of more than 50 percent; and
- A reliable estimate as to the amount of the obligation can be made.

3.8. Tangible and Intangible Assets

Tangible and intangible assets are recognised at historical cost and depreciated over the estimated useful life using the straight-line method.

| | Depreciation method | Number of months |
|-------------------------------------|---------------------|------------------|
| Development | Straight-line | 36 |
| Software | Straight-line | 36 |
| Technical improvements on buildings | Straight-line | 108 |
| Computer systems | Straight-line | 36 |
| Vehicles | Straight-line | 36 |
| Furniture and fixtures | Straight-line | 36 |
| Other | Straight-line | 36-120 |

Intangible assets with an acquisition cost lower than CZK 60 thousand and tangible assets with an acquisition cost greater than CZK 80 thousand and with useful life not exceeding one year are expensed in the period in which they were acquired.

Depreciation of leases under IFRS 16 is further discussed in note 3.15 Lease measurement under IFRS 16.

3.9. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency at the exchange rate prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies and foreign exchange spot transactions before their due dates are translated into the local currency at the exchange rate of the Czech National Bank prevailing on the balance sheet date.

The resulting gain or loss arising from the translation of assets and liabilities denominated in foreign currencies, except for participation interests in foreign currencies, is presented in the profit and loss account line 'Net profit or loss on financial operations'.

3.10. Taxation

The income tax base is calculated using the operating result of the current period increased by tax non-deductible expenses and net of income that is not subject to the income tax which is further adjusted by tax relief and tax credit, if any. Tax receivables and payables are calculated using the tax rate effective at the year-end and recognised in the amount of the estimated payment to be made to the relevant tax authority.

Deferred tax is based on all temporary differences between the carrying and tax values of assets and liabilities using the anticipated tax rate effective for the subsequent period. Deferred tax assets are only recognised and accounted for if no doubt exists as to their recovery in the following reporting periods.

3.11. Interest Income and Expense

Interest income and expense is presented in the profit and loss account when earned or incurred, on an accruals basis. Interest on loans and deposits is accrued on a daily basis. Interest income and expense also involve a discount or a bonus, or other differences between the acquisition cost of the interest-bearing instrument and its value at the maturity date which is determined using the effective interest rate method.

The accruals principle does not apply to default interest on distressed receivables. For this reason, such default interest is not included in the Bank's income for a particular period.

3.12. Fees and Commissions

The recognition of fee and commission income depends on the purpose for which they were imposed and accounting treatment of a related financial instrument.

Depending on the substance of a fee and type of provided services, the Bank classifies fees and commissions into the following groups:

- fees and commissions that are an integral part of the effective interest rate of a financial instrument and which are reported in Interest income using the effective interest rate;
- fees and commissions for provided services and execution of an act such as fees for deposit products, fees for services relating to loans, income fees from provided transactions, income fees from cross selling of third party products (such as insurance and investment products where the Bank is an intermediary given that it does not assume control over the provided products, i.e. involving net recognition of income), fees from specialised financial services. The income from these fees is recognised when the relevant services are provided or an act executed. If they relate to a longer time period, they are recognised evenly over this period. Fees and commissions are recognised in Net income from fees and commissions.

3.13. Use of Estimates

The presentation of financial statements in line with Czech Accounting Standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, the information disclosed on contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

These estimates, which predominantly involve determining the fair value of financial instruments, measurement of intangible assets, impairment of assets and reserves, are based on the information available at the balance sheet date. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it.

At the beginning of 2021, the Bank started to use the standard methodology of estimating the development in exposure categorisation and exposure stages in time without the use of sector stress tests in segments affected by the pandemic.

Unlike the methods used during the pandemic year 2020, the Bank abandoned the segment approach and returns to fully individualised assessment of individual cases. It decided to use the experience gained in the pandemic, and the tools created in those times, only for monitoring because of both the possibility of another wave of the pandemic and, for example, possible structural difficulties in the economy (war in Ukraine, real estate market, disrupted customer chains in commodities, etc.) that could affect, or have already partially affected, some segments more than other ones. The use of this method makes the Bank capable of responding faster to possible problems of clients and proposing individual solutions to them.

3.14. Uncertainty of Estimates and Parameters Used (PD, ECL and Applied Macroeconomic Scenarios)

Significant estimates in the application of the reporting entity's methodology and policies are affected by external uncertainty regarding the development in interest rates, exchange rates, commodity prices and inflation expectations relating to the pandemic fading away and the geopolitical conflict in Ukraine. They may thus differ from those made at the end of the preceding reporting period, especially in the area of expected credit losses (ECL). The most recent Financial Stability Report can be suitably approximated as a benchmark for macroeconomic analyses, but for the Bank's accounting practice and prudence, these estimates have to be additionally adjusted in response to the current development.

The Bank performs this adjustment as a combination of internal parameters and parameters disclosed in the Financial Stability Report. These adjustments of estimates then gradually enter into the calculation of internal PD for individual credit products, conceived as a combination of internal metrics (analyses of historical data, increased by the predicted market deterioration in line with the Financial Stability Report) and the values generally recommended by the supervisory authority. PD was generally selected based on the internal methodology multiplied by the year-on-year growth coefficient of the Financial Stability Report, unless this would lead to an unrealistic improvement or deterioration compared to the coefficients used in the past, which was the case for example for mortgages, whose risk level is already based on the Bank's historical data significantly below the market level (caused by the short history of providing the product).

3.15. Lease Measurement under IFRS 16

The Company assesses whether a contract is or contains a lease at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). Short-term leases are reported in the "Other administrative expenses" line. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

In applying IFRS 16, for all leases (except short-term leases and leases of low-value assets), the Company:

- (a) recognises right-of-use assets and lease liabilities in the statement of financial position, which are presented on the balance sheet lines Tangible fixed assets, Land and buildings for operating activities and Other liabilities;
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss on lines Write-offs, charge for and use of provisions and reserves for tangible and intangible fixed assets and Interest expense and similar expense.

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**4.1. Cash in Hand and Balances with Central Banks**

| | (CZK '000) | |
|--|-------------------|-------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Cash in hand | 187 376 | 182 567 |
| Accounts at central banks | 3 156 132 | 1 189 216 |
| Loans provided – reverse repo transactions | 50 000 000 | 78 343 000 |
| Cash in ATMs | 1 710 474 | 1 372 033 |
| Total | 55 053 982 | 81 086 816 |

As of 31 December 2021, loans arising from reverse repo transactions were secured by debt securities in the fair value of CZK 49,892 thousand (CZK 76,938,000 thousand as of 31 December 2020).

4.2. State Zero-coupon Bonds and Other Securities Eligible for Refinancing with the Central Bank

As of 31 December 2021, the Company held state treasury bills of CZK 0 thousand (2020: CZK 2,571,771 thousand).

4.3. Loans and Receivables to Banks and Cooperative Credit Unions

| | (CZK '000) | |
|---|------------------|------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Current accounts | 1 687 469 | 1 470 744 |
| Term deposits | 601 385 | 444 322 |
| Total loans and receivables to banks and cooperative credit unions | 2 288 854 | 1 915 066 |

All loans and receivables to banks and cooperative credit unions are categorised as Stage 1. No provision was recognised in respect of these assets due to immateriality.

4.4. Loans and Receivables to CustomersBy contractual maturity

| | (CZK '000) | |
|---|-------------------|-------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Short-term loans | 18 837 433 | 13 989 897 |
| Medium-term loans | 786 469 | 496 397 |
| Long-term loans | 17 829 715 | 11 658 699 |
| Total loans and receivables to customers | 37 453 617 | 26 144 993 |

By territory

| | (CZK '000) | |
|---|-------------------|-------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Czech Republic | 29 899 207 | 20 732 105 |
| Slovakia | 6 974 887 | 5 289 873 |
| Other countries | 579 523 | 123 015 |
| Total loans and receivables to customers | 37 453 617 | 26 144 993 |

By type of client

| | (CZK '000) | |
|---|-------------------|-------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Individuals | 15 979 980 | 9 765 921 |
| Legal entities | 21 473 637 | 16 379 072 |
| Total loans and receivables to customers | 37 453 617 | 26 144 993 |

By segment

| | (CZK '000) | |
|---|-------------------|-------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Households | 15 276 024 | 9 170 355 |
| Real estate | 7 170 554 | 4 262 728 |
| Finance | 679 871 | 740 039 |
| Services | 8 840 041 | 7 836 461 |
| Sundry | 5 487 127 | 4 135 409 |
| Total loans and receivables to customers | 37 453 617 | 26 144 993 |

By classification2021

| | 31 Dec 2021 | | | 31 Dec 2020 |
|---|----------------------|------------------|-------------------|-------------------|
| | Gross | Provision | Net | Net |
| Stage 1 | 32 381 718 | 148 271 | 32 242 428 | 20 251 832 |
| Stage 2 | 3 030 339 | 105 922 | 2 924 417 | 3 566 082 |
| Stage 3 | 3 262 829 | 1 069 763 | 2 184 085 | 2 327 079 |
| POCI | 124 621 ⁱ | 21 934 | 102 687 | 0 |
| Total loans and receivables to customers | 38 799 507 | 1 345 890 | 37 453 617 | 26 144 993 |

2020

| | 31 Dec 2020 | | | 31 Dec 2019 |
|---|-------------------------|------------------|-------------------|-------------------|
| | Gross | Provision | Net | Net |
| Stage 1 | 20 316 496 | 64 664 | 20 251 832 | 17 966 280 |
| Stage 2 | 3 770 399 | 204 317 | 3 566 082 | 793 381 |
| Stage 3 | 3 554 740 ⁱⁱ | 1 227 661 | 2 327 079 | 1 388 647 |
| Total loans and receivables to customers | 27 641 635 | 1 496 642 | 26 144 993 | 20 148 308 |

ⁱ There were primarily the following reasons for the provision of new receivables, or an increase in receivables of clients in stage 3:

a) from the Bank's perspective, it was assessed to be more profitable to continue the project implementation (e.g. completion of a development plan or financing of other engagements of a client) and consequently increase the yield from the collateral or provide the client with further financing to increase the likelihood of receivable recovery (rather than making the loan payable and sell the collateral in the current less liquid state)

b) provision of operational financing to clients affected by COVID-19, or COVID-19 measures where the prerequisite for the proper continuation of the plan (repayment of the loan) after the measures are cancelled was assessed

c) restructuring of loans

ⁱⁱ There were primarily the following reasons for the provision of new receivables, or an increase in receivables of clients in stage 3:

a) from the Banks perspective, it was assessed to be more profitable to continue the project implementation (e.g. completion of a development plan or financing of other engagements of a client) and consequently increase the yield from the collateral or provide the client with further financing to increase the likelihood of receivable recovery (rather than making the loan payable and sell the collateral in the current less liquid state)

b) provision of operational financing to clients affected by COVID-19, or COVID-19 measures where the prerequisite for the proper continuation of the plan (repayment of the loan) after the measures are cancelled was assessed

c) restructuring of loans

The following table shows the reasons for changing the gross value by risk category:

| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|-------------------|------------------|------------------|----------------|-------------------|
| Gross value at 31 Dec 2020 | 20 316 496 | 3 770 399 | 3 554 740 | 0 | 27 641 635 |
| Change of provision due to | | | | | |
| - Transfer to Stage 1 | 831 253 | -802 000 | -29 253 | | 0 |
| - Transfer to Stage 2 | -482 521 | 1 244 878 | -762 357 | | 0 |
| - Transfer to Stage 3 | -452 915 | -632 936 | 1 085 851 | | 0 |
| - POCI | -10 090 | 33 979 | -66 255 | 96 664 | 54 298 |
| - Newly originated loans and receivables to customers | 12 475 114 | 10 131 | 44 615 | 27 957 | 12 557 817 |
| - Derecognised loans and receivables to customers | -2 521 493 | -446 094 | -538 823 | | -3 506 410 |
| - Increase of receivables without change of stage | 3 681 314 | 180 374 | 109 196 | | 3 970 884 |
| - Decrease of receivables without change of stage | -1 455 440 | -328 392 | -134 885 | | -1 918 717 |
| Gross value at 31 Dec 2021 | 32 381 718 | 3 030 339 | 3 262 829 | 124 621 | 38 799 507 |

The following table shows the reasons for changing provisions by risk category.

| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|----------------|----------------|------------------|---------------|------------------|
| Provision balance at 31 Dec 2020 | 64 664 | 204 317 | 1 227 661 | 0 | 1 496 642 |
| Change of provision due to | | | | | |
| - Transfer to Stage 1 | 29 545 | -29 002 | -543 | | 0 |
| - Transfer to Stage 2 | -8 678 | 111 462 | -102 784 | | 0 |
| - Transfer to Stage 3 | -41 332 | -20 777 | 62 109 | | 0 |
| - POCI | -21 783 | | 29 369 | | 7 586 |
| - Newly acquired financial assets | 93 775 | 7 841 | 37 696 | 21 934 | 161 246 |
| - Derecognised financial assets | 54 339 | -18 032 | -221 247 | | -184 940 |
| - Increase in credit risk | 22 570 | 47 649 | 169 375 | | 239 594 |
| - Decrease in credit risk | -44 829 | -197 536 | -131 873 | | -374 238 |
| Provision balance at 31 Dec 2021 | 148 271 | 105 922 | 1 069 763 | 21 934 | 1 345 890 |

Loans and receivables to customers are secured by real estate, movable property, securities, receivables from third parties, state guarantees, etc. in the aggregate amount of CZK 25,829,044 thousand as of 31 December 2021 (31 December 2020: CZK 19,549,498 thousand).

During 2021, the Company released provisions against receivables from clients in the amount of CZK 559,184 thousand and created provisions against receivables from clients in the amount of CZK 408,432 thousand.

Impacts of the COVID-19 pandemic:

In order to mitigate the impact of COVID-19, laws were approved in the Czech Republic and Slovakia allowing the deferment of loan payments. The bank provided payment deferment with respect to COVID-19 in line with the following legislation:

- Act No. 177/2020 Coll., on Certain Measures in the Area of Loan Repayment in Relation to the COVID-19 Pandemic, approved in the Czech Republic;
- Act No. 67/2020 Coll., as amended by Act No. 75/2020, on Certain Extraordinary Measures in the Financial Area in Relation to the Spread of the Dangerous Contagious Human Disease COVID-19, approved in Slovakia.

4.5. Debt Securities

| | (CZK '000) | |
|---|---------------------|---------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Debt securities at amortised cost | | |
| Government bonds | 117 689 478 | 68 581 708 |
| Total at amortised cost | 117 689 478 | 68 581 708 |
| Debt securities at fair value through profit or loss | | |
| Government bonds | 170 142 | 0 |
| Non-government bonds | 18 230 | 0 |
| Total at fair value through profit or loss | 188 372 | 0 |
| | 31. 12. 2021 | 31. 12. 2020 |
| Total debt securities | 117 877 850 | 68 581 708 |

Debt securities in the Company's portfolio were issued predominantly in the Czech Republic.

All debts securities are classified in Stage 1. The provision against debt securities at amortised cost was not reported as of the balance sheet date due to immateriality.

4.6. Shares, Share Certificates and Other Equity Investments

| Shares, Share Certificates and Other Equity Investments | 31 Dec 2021 | 31 Dec 2020 |
|---|----------------|----------------|
| Fair value through valuation gains or losses | 9 555 | 1 169 |
| Fair value through profit or loss | 194 193 | 179 876 |
| Total | 203 748 | 181 045 |

Securities at fair value through valuation gains and losses

The Bank used the option to classify these securities on initial recognition in the portfolio as financial assets at fair value through valuation gains and losses. The Bank did so since it plans to hold these equity securities in the long term and does not plan to trade them.

As of 31 December 2021, the Company received 100 shares of Burza cenných papírů Praha, a.s. with the carrying value of CZK 100 thousand (2020: CZK 100 thousand), 9 S.W.I.F.T. SCRL shares of CZK 1,355 thousand (2020: 1,069 thousand) and 150 pieces of Bankovní identita a.s. with the carrying value of CZK 8,100 thousand (2020: CZK 0 thousand).

4.7. Investments in Subsidiaries

2021

| | | | | | | (CZK '000) |
|--|--|------------------|----------------------|--------------------|--------------------------|------------|
| Name of the company | Registered office | Acquisition cost | Ownership percentage | Voting rights in % | Valuation at 31 Dec 2021 | |
| RM-SYSTÉM, česká burza cenných papírů a.s. | Praha 1, V Celnici 1028/10, Postal code 117 21 | 31 705 | 100 | 100 | 42 133 | |
| RM-S FINANCE, s.r.o. | Praha 1, V Celnici 1028/10, Postal code 117 21 | 991 | 100 | 100 | 4 493 | |
| Fio forexová, s.r.o. | Praha 1, V Celnici 1028/10, Postal code 117 21 | 210 | 100 | 100 | 3 200 | |
| Fio investiční společnost, a.s. | Praha 1, V Celnici 1028/10, Postal code 110 00 | 20 000 | 100 | 100 | 20 756 | |
| Fio Consulting, spol. s.r.o. | Praha 1, V Celnici 1028/10, Postal code 117 21 | 500 | 100 | 100 | 926 | |
| Fio realitní fond SICAV, a.s. | Praha 1, V Celnici 1028/10, Postal code 117 21 | 100 | 100 | 100 | 100 | |
| Total | | 53 506 | | | 71 608 | |

2020

| Name of the company | Registered office | Acquisition cost | Ownership percentage | Voting rights in % | (CZK '000) |
|--|---|------------------|----------------------|--------------------|--------------------------|
| | | | | | Valuation at 31 Dec 2020 |
| RM-SYSTÉM, česká burza cenných papírů a.s. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 31 705 | 100 | 100 | 38 730 |
| RM-S FINANCE, s.r.o. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 991 | 100 | 100 | 1 951 |
| Družstevní záložna PSD v likvidaci | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 58 744 | 73,4 | 73,4 | 102 362 |
| Fio forexová, s.r.o. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 210 | 100 | 100 | 3 576 |
| Fio investiční společnost, a.s. | Prague 1, V Celnici 1028/10, Postal Code 110 00 | 20 000 | 100 | 100 | 16 414 |
| Fio Consulting, spol. s.r.o. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 500 | 100 | 100 | 756 |
| Total | | 112 150 | | | 163 789 |

Upon acquisition, the Company recognises the acquired share or participation interest at cost. At the balance sheet date, the Company records participation interests at the value established using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity. The revaluation difference at the balance sheet date is presented in the line 'Share of profits/(losses) of subsidiaries and associates'.

In 2021, Družstevní záložna PSD was liquidated; for this reason, the Bank no longer includes it in the list of investments in subsidiaries.

As a collateral for receivables, shares and equity investments in some companies have been temporarily transferred to Fio banka, a.s. Although these companies are legally owned by Fio banka, a.s., they do not meet the conditions of the relevant legislation to be included in the balance sheet of Fio banka, a.s., since based on relevant concluded contracts Fio banka, a.s. does not control or manage the relevant activities of these companies and these companies therefore do not represent controlled entities or entities under joint control, and Fio banka, a.s. cannot be seen as an entity with substantial influence with respect to them.

Družstevní záložna PSD went into liquidation on 1 October 2020. It paid the liquidation balance before the end of 2021 and therefore is no longer included in investments in subsidiaries as of 31 December 2021.

In December 2021, the share capital of CZK 100 thousand of newly formed Fio realitní fond SICAV, a.s. was paid. It does not yet allow the receipt of deposits.

4.8. Fixed Assets

4.8.1. Intangible Fixed Assets (Intangible FA)

Cost

| | (CZK '000) | | | | | | |
|-------------------------------|---------------|------------|-----------|---------------|--------------|--------------|---------------|
| | 31 Dec 2019 | Additions | Disposals | 31 Dec 2020 | Additions | Disposals | 31 Dec 2021 |
| Software | 21 869 | 0 | 0 | 21 869 | 0 | 0 | 21 869 |
| Acquisitions of intangible FA | 2 240 | 329 | 0 | 2 569 | 900 | 1 229 | 2 240 |
| Other intangible FA | 11 701 | 0 | 0 | 11 701 | 1 229 | 0 | 12 930 |
| Goodwill | -1 143 | 0 | 0 | -1 143 | 0 | 0 | -1 143 |
| Total | 34 667 | 329 | 0 | 34 996 | 2 129 | 1 229 | 35 896 |

Accumulated Amortisation

| | (CZK '000) | | | | | | |
|---------------------|---------------|--------------|-----------|---------------|------------|-----------|---------------|
| | 31 Dec 2019 | Additions | Disposals | 31 Dec 2020 | Additions | Disposals | 31 Dec 2021 |
| Software | 19 907 | 1 812 | 0 | 21 719 | 148 | 0 | 21 867 |
| Other intangible FA | 11 701 | 0 | 0 | 11 701 | 246 | 0 | 11 947 |
| Goodwill | -1 143 | 0 | 0 | -1 143 | 0 | 0 | -1 143 |
| Total | 30 465 | 1 812 | 0 | 32 277 | 394 | 0 | 32 671 |

Net Book Value

| | (CZK '000) | |
|-------------------------------|--------------|--------------|
| | 31 Dec 2020 | 31 Dec 2021 |
| Software | 150 | 2 |
| Acquisitions of intangible FA | 2 569 | 2 240 |
| Other intangible FA | 0 | 983 |
| Goodwill | 0 | 0 |
| Total | 2 719 | 3 225 |

The Company's negative goodwill originated on the acquisition of enterprises. The Company purchased enterprises for a price determined based on an expert's opinion which was lower than the difference between the transferred assets and liabilities.

4.8.2. Tangible Fixed Assets (Tangible FA)Cost

| | (CZK '000) | | | | | | |
|-----------------------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|
| | 31 Dec 2019 | Additions | Disposals | 31 Dec 2020 | Additions | Disposals | 31 Dec 2021 |
| Vehicles | 5 209 | 358 | 359 | 5 208 | 663 | 173 | 5 698 |
| Acquisitions of tangible FA | 8 746 | 13 159 | 8 746 | 13 159 | 1 446 | 0 | 14 605 |
| Lease under IFRS 16 | 256 348 | 271 186 | 0 | 567 586* | 38 884 | 118 141 | 488 329 |
| ATMs | 0 | 17 698 | 0 | 17 698 | 26 230 | 0 | 43 928 |
| Other tangible FA | 57 965 | 34 334 | 10 882 | 81 477 | 7 995 | 8 365 | 81 107 |
| Total | 328 268 | 336 735 | 19 927 | 685 128 | 75 218 | 126 679 | 633 667 |

Accumulated Depreciation

| | (CZK '000) | | | | | | |
|---------------------|---------------|---------------|-----------|----------------|---------------|--------------|----------------|
| | 31 Dec 2019 | Additions | Disposals | 31 Dec 2020 | Additions | Disposals | 31 Dec 2021 |
| Vehicles | 1 427 | 1 144 | 0 | 2 571 | 1 137 | 173 | 3 535 |
| Lease under IFRS 16 | 42 622 | 53 374 | 0 | 136 048* | 86 050 | 4 803 | 217 295 |
| ATMs | 0 | 1 432 | 0 | 1 432 | 5 472 | 27 | 6 877 |
| Other tangible FA | 40 341 | 5 231 | 72 | 45 500 | 5 435 | 0 | 50 935 |
| Total | 84 390 | 61 181 | 72 | 185 551 | 98 094 | 5 003 | 278 642 |

**The gross balance and accumulated depreciation at the end of 2020 was adjusted to correctly correspond to the actual status under IFRS 16 as of 31 December 2020.*

Net Book Value

| | (CZK '000) | |
|-----------------------------|----------------|----------------|
| | 31 Dec 2020 | 31 Dec 2021 |
| Vehicles | 2 637 | 2 163 |
| Acquisitions of tangible FA | 13 159 | 14 605 |
| Lease under IFRS 16 | 431 538 | 271 034 |
| ATMs | 16 266 | 37 051 |
| Other tangible FA | 35 977 | 30 172 |
| Total | 499 577 | 355 025 |

In the year ended 31 December 2021, the Company acquired tangible assets in the amount of CZK 12,853 thousand charged directly to expenses (31 December 2020: CZK 13,696 thousand). These assets principally include low-value tangible assets composed of other movable assets and their sets with useful life exceeding one year which are not recognised under fixed assets but are directly expensed.

4.9. Other Assets

| | (CZK '000) | |
|---|------------------|------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Provided deposits and prepayments | 609 362 | 618 544 |
| Receivables from securities markets | 242 339 | 195 618 |
| Estimated receivables | 10 171 | 26 263 |
| Guarantee funds | 1 577 | 1 452 |
| Margin contribution for derivatives trading | 8 510 | 52 802 |
| Positive fair value of open derivatives (FX swap) | 44 230 | 30 118 |
| Cash in transit | 75 629 | 47 078 |
| Corporate income tax | 282 565 | 319 210 |
| Other | 9 027 | 52 599 |
| Total other assets | 1 283 410 | 1 343 684 |

Provisions are created against receivables past their due dates by more than one year and presented in the line 'Other'.

The positive fair value of open derivatives is based on a receivable from fixed term transactions in the nominal value amounting to CZK 5,090,476 thousand (2020: CZK 17,167,578 thousand) and a payable from fixed term transactions in the nominal value amounting to CZK 5,059,457 thousand (2020: CZK 17,137,836 thousand).

Cash in transit is predominantly composed of resources for the funding of branches and ATMs.

Provided deposits and prepayments

| | (CZK '000) | |
|--|----------------|----------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Fio leasing, a.s., a deposit paid for the lease term | 16 364 | 14 294 |
| Deposits paid to card associations | 561 802 | 549 501 |
| Other | 31 196 | 56 524 |
| Total deposits and prepayments | 609 362 | 620 319 |

4.10. Prepayments and Accrued Income

As of 31 December 2021, prepayments and accrued income amount to CZK 93,648 thousand (31 December 2020: CZK 46,055 thousand) and predominantly include costs of a media campaign in the amount of CZK 29,961 thousand and interest on repo transactions of CZK 44,875 thousand.

4.11. Due to Banks and Cooperative Credit Unions

| | (CZK '000) | |
|---------------------|----------------|----------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Repayable on demand | 139 164 | 224 458 |
| Other | 45 | 0 |
| Total | 139 209 | 224 458 |

4.12. Due to Customers

| | (CZK '000) | |
|-------------------------------|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| Repayable on demand | 200 194 577 | 171 285 699 |
| Other | 3 202 093 | 3 574 493 |
| Total due to customers | 203 396 670 | 174 860 192 |

4.13. Other Liabilities

| | (CZK '000) | |
|---|--------------------|--------------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| A deficit on the fair value of open derivatives (FX swap) | 565 861 | 7 212 |
| Outgoing payments | 763 052 | 753 805 |
| Payables to securities markets | 168 | 2 852 |
| Payables to employees | 40 384 | 31 801 |
| Estimated payables | 46 495 | 50 892 |
| Payables to the state budget | 30 774 | 22 996 |
| Domestic suppliers | 20 788 | 45 692 |
| Foreign suppliers | 15 895 | 14 462 |
| Payables arising from accounting for leases under IFRS 16 | 282 267 | 445 583 |
| Unidentified contributions | 14 222 | 11 903 |
| Other | 245 706 | 83 448 |
| Total other liabilities | 2 025 612 | 1 470 646 |

The negative fair value of open derivatives is based on a receivable from fixed term transactions in the nominal value of CZK 26,670,294 thousand (2020: CZK 3,596,051 thousand) and a payable from fixed term transactions in the nominal value of CZK 27,286,006 thousand (2020: CZK 3,603,180 thousand).

The item 'Other' saw an increase due to the received part of consideration amounting to CZK 190 million arising from a loan assignment agreement that took effect with the payment of the total purchase price made in 2022.

Amounts due arising from social security and health insurance contributions

As of 31 December 2021, the amount due arising from the contribution to social security and state employment policy was CZK 2,933 thousand (31 December 2020: CZK 4,435 thousand). The Company records no payables past their due dates arising from the contribution to social security and state employment policy.

As of 31 December 2021, the amount due arising from health insurance contributions was CZK 7,454 thousand (31 December 2020: CZK 6,152 thousand). The Company records no payables past their due dates arising from health insurance contributions.

4.14. Reserves

As of 31 December 2021, reserves in the amount of CZK 504,686 thousand (31 December 2020: CZK 292,166 thousand) principally comprises a reserve for the corporate income tax of CZK 502,217 thousand, a reserve for outstanding vacation days of CZK 1,930 thousand and a reserve for court disputes of CZK 539 thousand.

| | 31 Dec 2020 | Release | Charge | 31 Dec 2021 |
|---------------------------------------|--------------------|----------------|----------------|--------------------|
| Income tax reserve | 286 764 | 286 764 | 502 217 | 502 217 |
| Reserve for court disputes | 539 | 0 | 0 | 539 |
| Reserve for outstanding vacation days | 2 847 | 2 847 | 1 930 | 1 930 |
| Total | 290 150 | 289 611 | 504 147 | 504 686 |

4.15. Subordinated Liabilities

As of 31 December 2021, the Company records a subordinated liability of CZK 90,000 thousand (2020: CZK 90,000 thousand). This liability bears interest at 15% p. a. with a notice period of 5 years.

4.16. Liabilities from Debt Securities

In December 2021, the Company issued its own bonds in order to meet the MREL requirements. As of 31 December 2021, it subscribed bonds in the amount of CZK 588,718 thousand.

4.17. Equity

The Company's share capital comprises 760 thousand ordinary shares with a nominal value of CZK 1 thousand.

As of 31 December 2021, CZK 760 thousand was paid.

The Company's share capital was fully paid as of 19 December 2014.

In the years ended 31 December 2021 and 31 December 2020, no increase was made in the Company's share capital by the subscription of shares.

As of 31 December 2021 and 31 December 2020, no treasury shares were held by the Company.

Based on the recommendation of the Czech National Bank, the Company did not pay out dividends in the year ended 31 December 2021.

Distribution of Profit

Based on a decision of the sole shareholder acting in the capacity of the General Meeting, the following distribution of the 2021 profit was approved:

| | (CZK '000) | |
|---|------------------|------------------|
| | 2021 | 2020 |
| Retained earnings brought forward at the beginning of the period | 3 665 275 | 1 862 155 |
| Operating result of prior years | 1 176 502 | 1 803 120 |
| Retained earnings brought forward at the end of the period | 4 841 777 | 3 665 275 |

At the balance sheet date, the Company did not make any decision as to the distribution of profit for the current period.

4.18. Interest Expense and Income

| | (CZK '000) | |
|--|------------------|------------------|
| | 2021 | 2020 |
| Interest on deposits provided to other banks* | 412 095 | 814 166 |
| Interest on loans provided to clients* | 1 002 852 | 836 649 |
| Interest on debt securities measured at amortised cost* | 1 364 518 | 702 471 |
| Interest on debt securities measured at fair value through profit or loss* | 33 983 | 0 |
| Interest income and similar income | 2 813 448 | 2 353 286 |
| Interest on deposits received from clients | 96 063 | 82 431 |
| Interest on debt securities measured at amortised cost* | 190 730 | 129 582 |
| Interest on the subordinated debt | 13 500 | 13 500 |
| Other interest and interest fee | 14 352 | 114 237 |
| Interest expenses arising from leases under IFRS 16 | 4 858 | 6 747 |
| Interest expense and similar expense | 319 503 | 346 497 |
| Net interest income | 2 493 945 | 2 006 789 |

* This interest is calculated using the effective interest rate

The increase in interest on deposits provided to clients was caused by the increase in interest rates during the latter half of 2021 and increasing volume of provided loans.

Other interest and interest fees include interest expenses to Fio Forexová, s.r.o. which concludes FX transactions via Fio banka. The year-on-year decrease in these expenses was due to the lower volume of these FX transactions.

In the years ended 31 December 2021 and 31 December 2020, uncollected default interest on distressed receivables amounted CZK 342,242 thousand and CZK 333,947 thousand, respectively.

4.19. Fees and Commissions

| | (CZK '000) | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Transactions with securities | 199 226 | 218 260 |
| Other investment services | 42 988 | 18 590 |
| Client accounts and loans | 197 290 | 182 372 |
| Other fees | 7 815 | 27 454 |
| ATM fees | 24 543 | 18 909 |
| Fees charged by card associations | 327 759 | 239 349 |
| Total fee and commission income | 799 621 | 704 934 |
| Payment system and card transactions | 208 524 | 209 787 |
| Transactions with securities | 67 257 | 62 291 |
| Total fee and commission expense | 275 781 | 272 078 |
| Net fee and commission income | 523 840 | 432 856 |

Other fees include fees from Fio Forexová which concludes FX transactions via Fio banka. The year-on-year decrease in this income was due to the lower volume of these FX transactions.

4.20. Net Profit or Loss on Financial Operations

| | (CZK '000) | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Profit/(loss) on securities | -15 097 | 23 002 |
| Profit on FX differences | 1 371 188 | 715 209 |
| Profit (loss) on proprietary trading | 63 743 | 7 674 |
| Profit/(loss) on currency derivatives | -578 069 | -57 665 |
| Profit/(loss) on other operations | 83 | 819 |
| Net profit or loss on financial operations | 841 848 | 689 039 |

4.21. Other Operating Expenses

Other operating expenses amounting to CZK 130,141 thousand (2020: CZK 104,433 thousand) predominantly include contributions to the Securities Dealers Guarantee Fund, a contribution to the Crisis Resolution Fund, contributions to the Deposit Insurance Fund. In 2021, the expense of the Securities Dealers Guarantee Fund amounted to CZK 7,374 thousand (2020: CZK 2,226 thousand). The expense of the Deposit Insurance Fund for 2021 amounted to CZK 86,141 thousand (2020: CZK 73,411 thousand). A contribution to the Crisis Resolution Fund amounted to CZK 36,589 thousand (2020: CZK 26,581 thousand).

4.22. Administrative Expenses

| | (CZK '000) | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Wages and bonuses | 126 529 | 103 316 |
| Social security and health insurance expenses | 31 318 | 26 515 |
| Other staff costs | 1 687 | 1 411 |
| Staff costs and bonuses | 159 534 | 131 242 |
| Audit | 5 552 | 4 109 |
| Overhead services relating to rental | 3 429 | 7 123 |
| Postage fees | 6 376 | 5 174 |
| Advertising | 80 814 | 89 306 |
| Information resources | 6 796 | 6 202 |
| Outsourced services | 387 307 | 352 654 |
| Other purchased consumables and services | 312 101 | 266 104 |
| Other administrative expenses | 802 375 | 730 672 |
| Total administrative expenses | 961 909 | 861 914 |

Bonuses to the Company's Board of Directors, Supervisory Board and other members of the top management amounted to CZK 81,953 thousand in 2021 (in 2020: CZK 59,771 thousand).

4.23. Taxation

Income Tax Payable

The Company's operating result for the year ended 31 December 2021 consisted of the profit before tax amounting to CZK 2,840,771 thousand (2020: a profit of CZK 1,463,891 thousand).

In the year ended 31 December 2021, the Company's corporate income tax prepayments amounted to CZK 282,565 thousand (2020: CZK 319,210 thousand).

The table below sets out adjustments to the profit on ordinary activities before tax to arrive at the income tax base:

| | (CZK '000) | |
|--|----------------|----------------|
| | 2021 | 2020 |
| Profit/loss before tax | 2 840 771 | 1 463 891 |
| Expenses not deductible for tax purposes | 122 346 | 151 139 |
| Income not taxable | 317 795 | 105 669 |
| Gifts | 2 075 | 75 |
| Tax base | 2 643 246 | 1 509 286 |
| Tax relief | 0 | 0 |
| Total tax payable | 502 217 | 286 764 |
| Adjustment to the tax payable of prior years | -643 | 102 |
| Change in deferred tax | 1 188 | 523 |
| Total | 502 762 | 287 389 |

Deferred Tax

As disclosed in Note 3.10, as of 31 December 2021 the Company records a temporary difference between the tax and net book values of tangible fixed assets and reserves for outstanding vacation days. As of 31 December 2021, the Company records a deferred tax liability of CZK 1,120 thousand (2020: a deferred tax asset of CZK 68 thousand).

Off-Balance Sheet Transactions

Items recorded on the Company's off-balance sheet accounts include:

- Securities received for management;
- Securities received for custody, administration and safe-keeping; this constitutes the fair value of securities deposited on the accounts of the Company's clients as of the balance sheet date;
- Collateralisation of provided loans;
- Collateralisation of loans from reverse repo transactions;
- Nominal value of open derivatives – receivables and payables arising from currency swaps;
- Unused credit lines; and
- Default interest on loans in Stage 3 under IFRS 9.

4.24. Average Number of Employees and Supervisory Board Members

| | (number of persons) | |
|---|---------------------|------|
| | 2021 | 2020 |
| Employees | 98 | 86 |
| Of which: members of the Board of Directors | 5 | 5 |
| Members of the Supervisory Board | 3 | 3 |

5. Related Party Transactions

Relations with related parties in the Fio Group.

31 December 2021

| | (CZK '000) | | | | |
|--|---|---------------------|----------------------|-------------------------|------------------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Fio consulting s.r.o | RM-S FINANCE, s.r.o. | Fio investiční společnost, a.s. |
| Loans and receivables to banks and cooperative credit unions | 0 | 0 | 0 | 0 | 0 |
| Other assets | 194 | 0 | 1 890 | 2 282 | 7 500 |
| TOTAL ASSETS | 194 | 0 | 1 890 | 2 282 | 7 500 |
| Due to banks and cooperative credit unions | 0 | 0 | 0 | 0 | 0 |
| Other payables | 57 440 | 3 231 | 659 | 42 504 | 24 310 |
| TOTAL LIABILITIES | 57 440 | 3 231 | 659 | 42 504 | 24 310 |

31 December 2020

| | (CZK '000) | | | | | |
|--|---|---------------------|----------------------|-------------------------|-----------------------------------|------------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Fio consulting s.r.o | RM-S FINANCE, s.r.o. | Fio investiční společnost a.s. | Družstevní záložna PSD |
| Loans and receivables to banks and cooperative credit unions | 0 | 0 | 0 | 0 | 0 | 0 |
| Other assets | 0 | 18 942 | 0 | 0 | 3 486 | 0 |
| TOTAL ASSETS | 0 | 18 942 | 0 | 0 | 3 486 | 0 |
| Due to banks and cooperative credit unions | 0 | 0 | 0 | 0 | 0 | 139 550 |
| Other payables | 55 725 | 23 080 | 721 | 30 838 | 318 | 0 |
| TOTAL LIABILITIES | 55 725 | 23 080 | 721 | 30 838 | 318 | 139 550 |

1 January – 31 December 2021

| | (CZK '000) | | | | |
|---|---|---------------------|----------------------|-------------------------|------------------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Fio consulting s.r.o | RM-S FINANCE, s.r.o. | Fio investiční společnost, a.s. |
| Interest income | 0 | 0 | 0 | 0 | 0 |
| Interest expense | -60 | 0 | 0 | 0 | 0 |
| Fee and commission income | 0 | 0 | 0 | 0 | 7 500 |
| Fee and commission expense | -11 233 | -14 352 | 0 | 0 | 0 |
| Profit or loss on financial operations | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Administrative expenses | 0 | 0 | -1 340 | -288 571 | 0 |
| TOTAL | -11 293 | -14 352 | -1 340 | -288 571 | 7 500 |

1 January – 31 December 2020

| | (CZK '000) | | | | | |
|---|---|---------------------|----------------------------|----------------------------|---------------------------------------|------------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Fio consulting s.r.o | RM-S FINANCE, s.r.o. | Fio investiční společnost, a.s. | Družstevní záložna PSD |
| Interest income | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Fee and commission income | 0 | 29 514 | 0 | 0 | 3 486 | 0 |
| Fee and commission expense | -12 705 | -116 268 | 0 | 0 | 0 | 0 |
| Profit or loss from financial operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 0 | 0 | 0 | 0 | 0 |
| Administrative expenses | -1 970 | 0 | -648 | -305 828 | 0 | 0 |
| TOTAL | -14 675 | -86 754 | -648 | -305 828 | 3 486 | 0 |

As of 31 December 2021, the aggregate amount of the loans provided by the Company to members of the Supervisory Board and the Board of Directors was CZK 26,724 thousand (31 December 2020: CZK 20,510 thousand).

6. Risk Management

6.1. Bank Risks

The Company manages the risks to which it is exposed in its activity, predominantly using the methods as follows:

- Identification of the risks taken;
- Analysis, quantification and regular monitoring of the risks taken;
- Assessment of the degree of risk in executed transactions including the manner of approval;
- Setting the limits in relation to the Company's exposures towards counterparties;
- Minimisation of the degree of risk in transactions, e.g. by utilising collateral;
- Manners of approving new products; and
- Rigorous separation of risk management from the Company's business activity.

6.2. Market Risks

These are the risks which the Company is exposed to predominantly as a result of fluctuations of prices, interest rates and foreign exchange rates of financial instruments on individual markets.

The primary tool for monitoring and managing market risks includes VaR (Value at Risk) and stress testing. As of 31 December 2021, the highest daily potential loss at the 95% probability level is below 3% of the market value of the Bank's trading book which confirms a conservative business strategy. VaR is subject to regular regressive testing using actual results in order to verify the model validity. Hypothetical as well as historical situations are used for developing stress scenarios. Set out below are individual risks, including specification of their management.

6.2.1. Currency Risk

Positions in currency instruments result from the structure of the Company's assets and liabilities. The Company has foreign currencies in its own positions as it provides its clients with services in foreign currencies and operates in Slovakia through its foreign branch.

Risk Management determines volume limits for open positions in individual currencies and the VaR limit for the currency portfolio.

Hedging currency operations are used to meet the set limits.

A confidence level as equal to 99% and the 1D and 1Y intervals of holding are used in calculating risk, while the maximum anticipated annual loss from foreign exchange rate changes at the 99% probability level should not exceed CZK 5 million using the VaR methodology. The estimated similarity of the statistical distribution of changes in market variables with a regular distribution is assumed. The time independence principle is utilised in recalculations between individual intervals. VaR is calculated by means of the historical method, using historical periods of the last 100 or 1,000 business days, whichever is higher.

6.2.2. Interest Rate Risk

Interest rate risk is the risk of changes in the value of financial instruments due to changes in market interest rates. The period for which the interest rate is fixed indicates to what extent the instrument in question is exposed to the risk of interest rate changes.

The Company maintains a stable structure of interest rate sensitive and insensitive assets and liabilities. Discrepancies (if any) are managed by way of changes in the manner of applying interest rates to the Company's assets and liabilities.

The gap analysis is used to observe the degree of using interest rates which are not determined by the Company and the degree of the interest rate risk taken whereby interest rate sensitive assets and liabilities are classified into

several time baskets. Stress scenarios of the impacts of the parallel shift of the yield curve on the present value of equity and profit/loss within one year are also used. These analyses take place on a quarterly basis.

6.2.3. Proprietary Trading

The Company purchases debt securities of highly creditworthy counterparties for its portfolio. These are usually government bonds. The degree of risk in those transactions is limited by the set limits and is regularly observed by Risk Management.

The Bank also trades with shares on markets in the Czech Republic and abroad. The risk level of these positions is restricted by the volume limits set by Risk Management as well as by the limits and the permissible VaR of these positions. The limits are set to make sure that any potential losses from these positions cannot significantly affect the Bank's profitability. The positions are monitored on a periodic basis and their performance is regularly assessed.

6.3. Liquidity Risk

The Company classifies individual items of assets and liabilities into time-based groups by their residual maturity. The selected structure of the groups is in line with generally binding legislation and the regulator's requirements.

The Company seeks to reduce the liquidity risk, particularly by maintaining a sufficient reserve of high liquid assets.

Risk Management regularly analyses the structure of assets and liabilities structure as well as cash flows to identify any increase in the liquidity risk.

The principal sources of quick liquidity are deposits with the Czech National Bank and government bonds of the Czech Republic.

6.4. Credit Risk

Credit risk means the risk arising from the counterparty's failure to meet its contractual obligations under the terms of a contract.

The Company generally monitors the credit risk for all balance sheet and off-balance sheet positions.

Basic procedures for mitigating risk exposures:

A loan applicant and a debtor are evaluated by assessing several criteria, such as their property situation, income generated in prior periods, the ability to repay the loan in the future, business plan, purpose of the loan and the value of the proposed collateral. As regards business loans, financial statements, or, more precisely, tax returns, for a number of prior years are required. Furthermore, the previous activity in Fio banka, or in other entities of the Fio Group, is also assessed,

The most liquid global shares traded on global stock exchanges are used to collateralise loans. In other situations, loans are principally secured by immovable property, guarantees, acceptance of the debtor's obligation, or the pledge of the debtor's receivables from solvent business partners and other types of collateral. The collateral is usually not required for low-value overdraft loans.

The classification of receivables is based upon an internal policy and applicable legislation defining the rules for the classification of receivables and provisioning by banks. Reserves and provisions for receivables are created based on an internal policy which reflects the requirements of IFRS 9.

The Company seeks to use all legal instruments for the collection of receivables such that the costs of collection were not inadequate to the anticipated outcome.

The limits of the Company's exposure are governed by generally binding regulations stipulating the rules for credit exposure of banks. The Company applies the definition of a group of connected clients under Regulation (EU) No 575/2013 which also sets the limits of large exposures to a debtor or a group of connected clients at 25% of eligible capital.

The Company does not use credit derivatives to reduce the credit risk.

The Company enters into relations with counterparties, which include other banks or securities traders, only if they have been provided with a non-zero credit line by Risk Management. In determining the credit line, Risk Management observes the rules specified in an internal policy. In particular, Risk Management utilises information on the share capital and equity of those financial institutions as well as the structure of assets, credit portfolio quality and collateralisation of receivables. Additionally, the risk management methods, requirements of the counterparty's supervisory bodies and rating (if available) are also considered. Limits for deposits are subsequently determined as part of the counterparty's equity.

The update of parameters (PD) ECL under IFRS 9 is based on actual historical data and management adjustments. As of 31 December 2021, the coefficients were updated to reflect the current and prospective risks of individual loan products.

6.4.1. Concentration Risk

In the loan portfolio, the Company additionally monitors possible concentration risks, while monitoring whether individual NACE sectors do not exceed the allowed limit per sector which was CZK 8.5 billion at the end of the year. Except for the exposure to entities in the T group which includes primarily households (which are exempt from the limit on concentrations), no limit for any sector was breached.

| TOP 5 sectors with the highest sector concentration | Exposure of the sector (CZK billion) |
|--|---|
| T – Activities of households | 16.1 |
| L – Real estate activities | 7.3 |
| S – Other services activities | 5.5 |
| G – Wholesale and retail trade; repair of motor vehicles and motorcycles | 1.7 |
| C – Manufacturing | 1.5 |

6.5. Operational Risks

The Company defines operational risk as the risk of loss resulting from the inadequacy or the failure of internal processes, persons, systems or external factors.

Basic procedures for reducing risk

The risk of human factor failure is reduced particularly by the appropriate training of the relevant persons as well as by consistent controls.

The risk of loss or theft of cash on hand is managed by appropriate storage facilities (safe, bank safe, safety box, etc.), insurance, by setting the limits for the amount of cash as well as by inspecting compliance of the actual amount of cash with the recorded figures.

Record-keeping and the notification obligation as regards operational risk events are provided for in the specific internal policy of the Company.

There is a special internal regulation for specifying risks, procedures and measures for the reduction of risks resulting from the use of information systems.

A specific internal policy of the Company regulates the procedures and processes for the minimisation of risks arising from the launch of new products and services.

The Company currently determines the degree of capital requirements for operational risks by applying the basic indicator in accordance with applicable legal regulations and, concurrently, monitors operational risk events, creating a database of these events to be able to evaluate them by own statistic models.

The Company has developed plans for business continuity in the event of an unexpected suspension or limitation of its activities, such as due to a failure of external infrastructure. These plans are tested and updated on a regular basis.

7. RESIDUAL MATURITY OF ASSETS AND LIABILITIES

31 December 2021

| | | | | | | | (CZK '000) |
|--|-----------------------------------|------------------|-------------------------|------------------------|-------------------|------------------|--------------------|
| | Repayable on demand within 7 days | Within 3 months | From 3 months to 1 year | From 1 year to 5 years | More than 5 years | Not defined | Total |
| Cash in hand and balances with central banks | 50 253 982 | 4 800 000 | 0 | 0 | 0 | 0 | 55 053 982 |
| State zero-coupon bonds | 0 | 0 | | 0 | 0 | 0 | 0 |
| Loans and receivables to banks and cooperative credit unions | 1 687 469 | 0 | 127 635 | 0 | 0 | 473 750 | 2 288 854 |
| Loans and receivables to customers | 1 094 789 | 3 453 593 | 14 289 051 | 786 469 | 17 829 715 | 0 | 37 453 617 |
| Debt securities | 0 | 460 335 | 8 811 906 | 60 150 951 | 48 436 427 | 18 230 | 117 877 849 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 0 | 203 748 | 203 748 |
| Investments in subsidiaries | 0 | 0 | 0 | 0 | 0 | 71 608 | 71 608 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 0 | 358 250 | 358 250 |
| Other assets | 957 006 | 6 198 | 309 100 | 11 104 | 0 | 2 | 1 283 410 |
| Prepayments and accrued income | 42 375 | 29 671 | 14 179 | 7 423 | 0 | 0 | 93 648 |
| TOTAL ASSETS | 54 035 621 | 8 749 797 | 23 551 871 | 60 955 947 | 66 266 142 | 1 125 588 | 214 684 966 |
| Due to banks and cooperative credit unions | 139 164 | 45 | 0 | 0 | 0 | 0 | 139 209 |
| Due to customers | 201 108 875 | 1 180 767 | 755 038 | 351 990 | | | 203 396 670 |
| Liabilities from debt securities | 0 | 0 | 1 388 | 0 | 587 330 | 0 | 588 718 |
| Other liabilities | 1 011 563 | 108 029 | 46 452 | 0 | 0 | 293 706 | 1 459 750 |
| Reserves | 0 | 0 | 502 217 | 0 | 0 | 2 469 | 504 686 |
| Subordinated liabilities | 0 | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 0 | 7 940 071 | 7 940 071 |
| Non-derivative liabilities | 202 259 602 | 1 288 841 | 1 305 095 | 351 990 | 677 330 | 8 236 246 | 212 659 354 |
| Derivative liabilities | 565 862 | 0 | 0 | 0 | 0 | 0 | 565 862 |
| TOTAL LIABILITIES | 202 825 464 | 1 288 841 | 1 305 095 | 351 990 | 677 330 | 8 236 246 | 214 684 966 |
| Net liquidity risk | -148 789 843 | 7 460 956 | 22 246 776 | 60 603 957 | 65 588 812 | - 7 110 658 | 0 |
| Cumulative liquidity risk | -148 789 843 | -141 328 887 | -119 082 111 | - 58 478 154 | 7 110 658 | - | 0 |

31 December 2020

| | | | | | | | (CZK '000) |
|--|-----------------------------------|------------------|-------------------------|------------------------|-------------------|------------------|--------------------|
| | Repayable on demand within 7 days | Within 3 months | From 3 months to 1 year | From 1 year to 5 years | More than 5 years | Not defined | Total |
| Cash in hand and balances with central banks | 81 086 816 | 0 | 0 | 0 | 0 | 0 | 81 086 816 |
| State zero-coupon bonds | 0 | 2 571 771 | 0 | 0 | 0 | 0 | 2 571 771 |
| Loans and receivables to banks and cooperative credit unions | 1 470 744 | 0 | 140 502 | 0 | 0 | 303 820 | 1 915 066 |
| Loans and receivables to customers | 769 733 | 1 547 204 | 11 672 960 | 496 397 | 11 658 699 | 0 | 26 144 993 |
| Debt securities | 0 | 0 | 2 620 532 | 52 118 503 | 13 842 673 | 0 | 68 581 708 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 0 | 181 045 | 181 045 |
| Investments in subsidiaries | 0 | 0 | 102 362 | 0 | 0 | 61 427 | 163 789 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 0 | 502 296 | 502 296 |
| Other assets | 973 443 | 41 191 | 319 211 | 9 768 | 0 | 71 | 1 343 684 |
| Receivables from subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 0 | 46 055 | 0 | 0 | 0 | 0 | 46 055 |
| TOTAL ASSETS | 84 300 736 | 4 206 221 | 14 855 567 | 52 624 668 | 25 501 372 | 1 048 659 | 182 537 223 |
| Due to banks and cooperative credit unions | 224 458 | 0 | 0 | 0 | 0 | 0 | 224 458 |
| Due to customers | 172 321 458 | 1 298 001 | 894 084 | 346 649 | 0 | | 174 860 192 |
| Other liabilities | 909 936 | 115 127 | 100 357 | 345 226 | 0 | 0 | 1 470 646 |
| Reserves | 0 | 0 | 286 764 | 0 | 0 | 3 386 | 290 150 |
| Subordinated liabilities | 0 | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 0 | 5 601 777 | 5 601 777 |
| TOTAL LIABILITIES | 173 455 852 | 1 413 128 | 1 281 205 | 691 875 | 90 000 | 5 605 163 | 182 537 223 |
| Net liquidity risk | -89 155 116 | 2 793 093 | 13 574 362 | 51 932 793 | 25 411 372 | -4 556 504 | 0 |
| Cumulative liquidity risk | -89 155 116 | -86 362 023 | -72 787 661 | -20 854 868 | 4 556 504 | 0 | 0 |

8. ASSETS AND LIABILITIES BY CURRENCY

31 December 2021

| | (CZK '000) | | | | |
|--|--------------------|-------------------|------------------|----------------|--------------------|
| | CZK | EUR | USD | Other | Total |
| Cash in hand and balances with central banks | 53 758 620 | 1 251 350 | 43 983 | 29 | 55 053 982 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables to banks and cooperative credit unions | 828 879 | 329 834 | 463 310 | 666 831 | 2 288 854 |
| Loans and receivables to customers | 29 162 969 | 7 869 134 | 332 999 | 88 515 | 37 453 617 |
| Debt securities | 114 499 350 | 3 360 269 | 18 230 | 0 | 117 877 849 |
| Shares, share certificates and other equity investments | 159 577 | 7 182 | 36 989 | 0 | 203 748 |
| Investments in subsidiaries | 71 608 | 0 | 0 | 0 | 71 608 |
| Tangible and intangible fixed assets | 358 250 | 0 | 0 | 0 | 358 250 |
| Other assets | 449 260 | 48 161 | 783 354 | 2 635 | 1 283 410 |
| Prepayments and accrued income | 60 144 | 32 981 | 523 | 0 | 93 648 |
| TOTAL ASSETS | 199 348 657 | 12 898 911 | 1 679 388 | 758 010 | 214 684 966 |
| Due to banks and cooperative credit unions | 103 333 | 25 578 | 10 298 | 0 | 139 209 |
| Due to customers | 161 311 043 | 36 433 236 | 4 709 539 | 942 852 | 203 396 670 |
| Liabilities from debt securities | 588 718 | 0 | 0 | 0 | 588 718 |
| Other liabilities | 1 705 745 | 310 267 | 6 227 | 3 373 | 2 025 612 |
| Reserves | 504 686 | 0 | 0 | 0 | 504 686 |
| Subordinated liabilities | 90 000 | 0 | 0 | 0 | 90 000 |
| Equity | 7 940 071 | 0 | 0 | 0 | 7 940 071 |
| TOTAL LIABILITIES | 172 243 596 | 36 769 081 | 4 726 064 | 946 225 | 214 684 966 |
| Net currency risk | 27 105 061 | -23 870 170 | -3 046 676 | -188 215 | 0 |
| Cumulative currency risk | 27 105 061 | 3 234 891 | 188 215 | 0 | 0 |

31 December 2020

| | (CZK '000) | | | | |
|--|--------------------|-------------------|------------------|----------------|--------------------|
| | CZK | EUR | USD | Other | Total |
| Cash in hand and balances with central banks | 80 896 842 | 153 169 | 36 776 | 29 | 81 086 816 |
| State zero-coupon bonds | 997 071 | 1 574 700 | 0 | 0 | 2 571 771 |
| Loans and receivables to banks and cooperative credit unions | 554 323 | 528 408 | 261 467 | 570 868 | 1 915 066 |
| Loans and receivables to customers | 20 129 295 | 5 710 200 | 218 304 | 87 194 | 26 144 993 |
| Debt securities | 65 022 448 | 3 559 260 | 0 | 0 | 68 581 708 |
| Shares, share certificates and other equity investments | 131 839 | 5 068 | 44 138 | 0 | 181 045 |
| Investments in subsidiaries | 163 789 | 0 | 0 | 0 | 163 789 |
| Tangible and intangible fixed assets | 502 296 | 0 | 0 | 0 | 502 296 |
| Other assets | 487 686 | 75 366 | 773 590 | 7 042 | 1 343 684 |
| Receivables from subscribed capital | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 15 157 | 30 663 | 235 | 0 | 46 055 |
| TOTAL ASSETS | 168 900 746 | 11 636 834 | 1 334 510 | 665 133 | 182 537 223 |
| Due to banks and cooperative credit unions | 186 334 | 25 318 | 12 806 | 0 | 224 458 |
| Due to customers | 140 819 290 | 28 425 330 | 4 858 606 | 756 966 | 174 860 192 |
| Other liabilities | 1 182 329 | 276 582 | 9 299 | 2 436 | 1 470 646 |
| Reserves | 290 150 | 0 | 0 | 0 | 290 150 |
| Subordinated liabilities | 90 000 | 0 | 0 | 0 | 90 000 |
| Equity | 5 601 777 | 0 | 0 | 0 | 5 601 777 |
| TOTAL LIABILITIES | 148 169 880 | 28 727 230 | 4 880 711 | 759 402 | 182 537 223 |
| Net currency risk | 20 730 866 | -17 090 396 | -3 546 201 | -94 269 | 0 |
| Cumulative currency risk | 20 730 866 | 3 640 470 | 94 269 | 0 | 0 |

9. INTEREST RATE ANALYSIS31 December 2021

| | (CZK '000) | | | | | |
|--|--------------------|-------------------------------|----------------------|----------------------|------------------|--------------------|
| | Within 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | Not defined | Total |
| Cash in hand and balances with central banks | 50 253 982 | 4 800 000 | 0 | 0 | 0 | 55 053 982 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and receivables to banks and cooperative credit unions | 1 687 469 | 127 635 | 0 | 0 | 473 750 | 2 288 854 |
| Loans and receivables to customers | 3 732 787 | 16 867 831 | 16 261 221 | 591 778 | 0 | 37 453 617 |
| Debt securities | 0 | 41 599 301 | 53 433 537 | 22 826 781 | 18 230 | 117 877 849 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 203 748 | 203 748 |
| Investments in subsidiaries | 0 | 0 | 0 | 0 | 71 608 | 71 608 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 358 250 | 358 250 |
| Other assets | 963 204 | 309 100 | 11 104 | 0 | 2 | 1 283 410 |
| Prepayments and accrued income | 72 046 | 14 179 | 7 423 | 0 | 0 | 93 648 |
| TOTAL ASSETS | 56 709 488 | 63 718 046 | 69 713 285 | 23 418 559 | 1 125 588 | 214 684 966 |
| Due to banks and cooperative credit unions | 139 209 | 0 | 0 | 0 | 0 | 139 209 |
| Due to customers | 202 289 642 | 755 038 | 351 990 | 0 | 0 | 203 396 670 |
| Liabilities from debt securities | 0 | 0 | 0 | 588 718 | 0 | 588 718 |
| Other assets | 1 685 454 | 46 452 | 0 | 0 | 293 706 | 2 025 612 |
| Reserves | 0 | 502 217 | 0 | 0 | 2 469 | 504 686 |
| Subordinated liabilities | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 7 940 071 | 7 940 071 |
| TOTAL LIABILITIES | 204 114 305 | 1 303 707 | 351 990 | 678 718 | 8 236 246 | 214 684 966 |
| Net interest rate risk | -147 404 817 | 62 414 339 | 69 361 295 | 22 739 841 | -7 110 658 | 0 |
| Cumulative interest rate risk | -147 404 817 | -84 990 478 | -15 629 183 | 7 110 658 | 0 | 0 |

31 December 2020

| | (CZK '000) | | | | | |
|--|--------------------|-------------------------------|----------------------|----------------------|------------------|--------------------|
| | Within 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | Not defined | Total |
| Cash in hand and balances with central banks | 81 086 816 | 0 | 0 | 0 | 0 | 81 086 816 |
| State zero-coupon bonds | 2 571 771 | 0 | 0 | 0 | 0 | 2 571 771 |
| Loans and receivables to banks and cooperative credit unions | 1 470 744 | 140 502 | 0 | 0 | 303 820 | 1 915 066 |
| Loans and receivables to customers | 4 465 315 | 10 634 446 | 10 134 971 | 910 261 | 0 | 26 144 993 |
| Debt securities | 0 | 14 850 306 | 44 895 166 | 8 836 236 | 0 | 68 581 708 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 181 045 | 181 045 |
| Investments in subsidiaries | 0 | 0 | 0 | 0 | 163 789 | 163 789 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 502 296 | 502 296 |
| Other assets | 1 014 634 | 319 211 | 9 768 | 0 | 71 | 1 343 684 |
| Receivables from subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 46 055 | 0 | 0 | 0 | 0 | 46 055 |
| TOTAL ASSETS | 90 655 335 | 25 944 465 | 55 039 905 | 9 746 497 | 1 151 021 | 182 537 223 |
| Due to banks and cooperative credit unions | 224 458 | 0 | 0 | 0 | 0 | 224 458 |
| Due to customers | 173 619 459 | 894 084 | 346 649 | 0 | 0 | 174 860 192 |
| Other liabilities | 1 025 063 | 100 357 | 345 226 | 0 | 0 | 1 470 646 |
| Reserves | 0 | 286 764 | 0 | 0 | 3 386 | 290 150 |
| Subordinated liabilities | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 5 601 777 | 5 601 777 |
| TOTAL LIABILITIES | 174 868 980 | 1 281 205 | 691 875 | 90 000 | 5 605 163 | 182 537 223 |
| Net interest rate risk | -84 213 645 | 24 663 260 | 54 348 030 | 9 656 497 | -4 454 142 | 0 |
| Cumulative interest rate risk | -84 213 645 | -59 550 385 | -5 202 355 | 4 454 142 | 0 | 0 |

10. POST BALANCE SHEET EVENTS

The ongoing military conflict in Ukraine and relating sanctions against the Russian Federation may have an impact on the European and global economy. The Company does not have any significant direct exposure to Ukraine, Russia and Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage, management is not able to reliably estimate the impact as events are unfolding day by day. A long-term impact may also affect trading volumes, cash flows and profitability.

In terms of credit risks, the Company analysed the credit portfolio and identified entities whose ability to pay their liabilities may be significantly reduced due to the geopolitical situation, increasing prices of commodities and fuels and lack of manpower. For such loans, the Company recognised additional provisions on an individual basis and also monitors these entities on a continuous basis.

Given the run on Sberbank CZ and the uncertainty of depositors, the Czech National Bank introduced a daily reporting on liquidity situation. Given its focus on the local retail clientele, the Company has not seen any negative trends in its liquidity that would not relate to the natural fluctuation, e.g. as a result of the interest rate policy of the central bank.

In terms of the operational risk, the Company focused primarily on cyber security and functioning of supplier chains. The Company regularly monitors warnings of external agencies, the National Cyber and Information Security Agency and the Czech National Bank regarding potential security risks relating to the geopolitical situation and improves its internal processes and security on a continuous basis.

The Company additionally recorded an increase in foreign exchange transactions and cross-border payments. Following the disconnection of Russia from the SWIFT system and limitations imposed on foreign trade and RUB convertibility, the Company had to adopt some operational restrictions and informed its clients about them in a timely manner. The funds in RUB were reduced to a necessary operational level already at the beginning of the conflict and the allowable limit on the foreign exchange position in RUB currency was significantly reduced.

As to its standard operations, the Company operates in the normal mode despite the situation, it only puts more emphasis on the flow of information and communication with clients, primarily regarding changes in payment transaction services (payments in RUB, cross-border payments, etc.), changes in price lists (remission of fees for payments to Ukraine) and increasing security risks (phishing).

Except for the above events no other events occurred subsequent to the balance sheet date.

IV.

Information on Capital

Information on Capital, Capital Requirements and Ratio Indicators

(Information published under Section 102 (1) of Decree No. 163/2014 Coll.)

In 2014, new legal regulations came into force providing for capital adequacy by launching the Basel III requirements, namely Capital Requirements Regulation (EU) No 575/2013 (CRR) and Decree No. 163/2014 Coll. of the Czech National Bank. Nevertheless, the changes arising for the Company due to the new regulations are rather insignificant.

Information on capital requirements on an individual basis as of 31 December 2021 (CZK '000)

| Common Equity Tier 1 capital: instruments and reserves | | |
|---|---|---------------------|
| 1 | Capital instruments and related share premium = Paid share capital | 760 000.00 |
| 2 | Retained earnings | 6 645 699.37 |
| 6 | Common Equity Tier 1 capital before normative adjustments | 7 405 699.37 |
| Common Equity Tier 1 capital: normative adjustments | | |
| 8 | Intangible assets (net of related tax liabilities) (negative value) | -3 419.13 |
| 28 | Total normative adjustments to Common Equity Tier 1 capital | -4 421.34 |
| 29 | Common Equity Tier 1 | 7 401 278.04 |
| 44 | Additional Tier 1 capital | 0.000 |
| 45 | Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital | 7 401 278.04 |
| Tier 2 capital: instruments and items | | |
| 46 | Capital instruments and related share premium | 0.000 |
| 57 | Total normative adjustments to Tier 2 capital | 0.000 |
| 58 | Tier 2 capital | 90 000.000 |
| 59 | Total capital = Tier 1 capital + Tier 2 capital | 7 491 278.04 |

**Information on capital requirements on an individual basis as of 31 December 2021
(CZK '000)**

The Company applies the standardised approach to calculating the capital requirements for credit risk.

| | | |
|---|---|-----------------------------|
| Credit risk – 8% of the volume of risk-weighted exposures for each category of exposures listed in Article 112 | Exposures to central governments or central banks | 0.000 |
| | Exposures to regional governments or local authorities | 0.000 |
| | Exposures to public sector entities | 0.000 |
| | Exposures to international development banks | 0.000 |
| | Exposures to international organisations | 0.000 |
| | Exposures to institutions | 55 527.763 |
| | Exposures to companies | 1 040 416.04 |
| | Retail exposures | 283 453.805 |
| | Exposures secured by property | 294 227.784 |
| | Exposures in default | 170 732.288 |
| | Exposures related with extremely high risk | 285 103.690 |
| | Exposures in secured bonds | 0.000 |
| | Items representing securitised positions | 0.000 |
| | Exposures to institutions and businesses with short-term credit rating | 0.000 |
| | Exposure in the form of share units or shares in collective investment entities | 0.000 |
| | Share exposure | 7 951.430 |
| | Other items | 29 655.403 |
| | Capital requirement calculated under Section 92 (3) b) and c) | Regarding the position risk |
| These limits may be exceeded for large exposures listed in Articles 395 through 401 if institutions are permitted to do so. | | 0.000 |
| Regarding currency risk | | 0.000 |
| Regarding settlement risk | | 0.000 |
| | Regarding commodity risk | 0.000 |
| Under Title III Chapter 2 – regarding operating risk, by way of the basic indicators | | 440 920.000 |
| TOTAL | | 2 650 927.794 |

Capital ratios as of 31 December 2021 (as a percentage share of the risk exposure)

| | | |
|----|------------------------------|--------|
| 61 | Common Equity Tier 1 capital | 22.34% |
| 62 | Tier 1 capital | 22.34% |
| 63 | Total capital | 22.61% |

Ratio indicators

| | As of 31 December 2021 |
|--|-------------------------------|
| Return on average assets (ROAA) | 1.13% |
| Return on assets (ROA) | 1.09% |
| Return on average equity (ROAE) | 31.59% |
| Assets per employee (CZK '000) | 2 190 663 |
| Administrative costs per employee (CZK '000) | 9 815 |
| Profit or loss after tax per employee (CZK '000) | 23 857 |

The information on the Company that has to be published is available at: <http://www.fio.cz/o-nas/fio-banka>



Report on Relations



Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity (hereinafter the "Report on Relations") prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, of Fio banka, a.s., Corporate ID: 61858374, with its registered office at Prague 1, V Celnici 1028/10, postal code 11721, recorded in the Register of Companies held by the Municipal Court in Prague, File No. B 2704, for the **reporting period from 1 January 2021 to 31 December 2021**.

I. Structure of Relations

1. Controlled Entity

Fio banka, a.s.

Corporate ID: 61858374

Praha 1, V Celnici 1028/10, postal code 11721

recorded in the Register of Companies held by the Municipal Court in Prague, File No. B 2704, represented by the Chairman of the Board of Directors, Jan Sochor, and a member of the Board of Directors, Josef Valter,

(hereinafter the "Bank" or the "Controlled Entity")

2. Controlling Entity

Fio holding, a.s.

Corporate ID: 60192763

with its registered office at: 117 21 Prague 1, V Celnici 1028/10

recorded in the Register of Companies held by the Municipal Court in Prague, File No. B 2270

The company's shareholders are Petr Marsa and Romuald Kopún, acting in concert, who represent the Controlling Entity, thus indirectly controlling the Controlled Entity.

(hereinafter also the "Controlling Persons")

3. Entities Controlled by the Same Controlling Persons, Petr Marsa and Romuald Kopún

- AASRK, a.s., Corporate ID: 28205367, Praha 1, V Celnici 1028/10, postal code 110 00;
- AGROPRODUKT-odbytové družstvo, Corporate ID: 43903797, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- APMAS, a.s., Corporate ID: 28206436, Praha 1, V Celnici 1028/10, postal code 117 21;
- BASRK, a.s., Corporate ID: 28204107, Praha 1, V Celnici 1028/10, postal code 117 21;
- BPMAS, a.s., Corporate ID: 28212703, Praha 1, V Celnici 1028/10, postal code 117 21;
- CASRK, a.s., Corporate ID: 28207483, Praha 1, V Celnici 1028/10, postal code 117 21;
- CFT, a.s., Corporate ID: 61859079, Praha 1, V Celnici 1028/10, postal code 117 21;
- CPMAS, a.s., Corporate ID: 28211138, Praha 1, V Celnici 1028/10, postal code 110 00;
- DASRK, a.s., Corporate ID: 282 12 711, Praha 1, V Celnici 1028/10, postal code 117 21;
- Družstevní záložna Kredit, Corporate ID: 64946649, Praha 1, V Celnici 1028/10, postal code 117 21;
- DZ KREDIT a.s., Corporate ID: 25623184, Praha 1, V Celnici 1028/10, postal code 117 21;
- EASRK, a.s., Corporate ID: 28206576, Praha 1, V Celnici 1028/10, postal code 117 21;
- ELLIAD a.s., Corporate ID: 25623192, Praha 1, V Celnici 1028/10, postal code 117 21;
- EPMAS, a.s., Corporate ID: 28206517, Praha 1, V Celnici 1028/10, postal code 117 21;
- Finanční skupina Fio, a.s., Corporate ID: 26761858, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio Consulting, spol. s.r.o., Corporate ID: 25740334, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio holding, a.s., Corporate ID: 60192763, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio investiční společnost, a.s., Corporate ID: 06704441, Praha 1, V Celnici 1028/10, postal code 110 00;
- Fio leasing, a.s., Corporate ID: 61860841, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio Polska spółka z o.o, Corporate ID: 140192608, Szpitalna 1/17, 00-020 Warszawa, Poland;

- Fio realitní fond SICAV, a.s., Corporate ID: 14052628, Praha 1, V Celnici 1028/10, postal code 117 21,
- Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01;
- FPMAS, a.s., Corporate ID: 282 11 502, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROG, spol. s r.o., Corporate ID: 25718843, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROH, spol. s r.o., Corporate ID: 25738755, Praha 1, V Celnici 1028/10, postal code 117 21;
- GENT CZ spol. s r.o., Corporate ID: 48593753, Praha 1, V Celnici 1028/10, postal code 117 21;
- KOFIMA, s. r.o., Corporate ID: 25269241, Praha 9, Kolmá 5/597, postal code 190 00;
- Middleton a.s., Corporate ID: 35942177, Nám. SNP 21, Bratislava 811 01, Slovak Republic;
- Fio forexová, s.r.o., Corporate ID: 27589587, Praha 1, V Celnici 1028/10, postal code 117 21;
- NOBLIGE a.s., Corporate ID: 26145090, Praha 1, V Celnici 1028/10, postal code 117 21;
- NYDELS s.r.o., Corporate ID: 64581331, Praha 9, Kolmá 5/597, postal code 190 00;
- OVOAGRI s.r.o., Corporate ID: 36463388, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- OVOFARM s.r.o., Corporate ID: 36015067, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- RM-S FINANCE, s.r.o., Corporate ID: 62915240, Praha 1, V Celnici 1028/10, postal code 117 21;
- RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 471 16 404, Praha 1 - Nové Město, V Celnici 1028/10, postal code 117 21;
- T.O.R.S. s.r.o., Corporate ID: 49682024, Praha 1, V Celnici 1028/10, postal code 110 00;
- VARIEL, a.s., Corporate ID: 45148287, Zruč nad Sázavou, Průmyslová 1034, postal code 285 22;
- VVISS a.s., Corporate ID: 48585131, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS delta, s.r.o., Corporate ID: 36015105, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- VVISS Lipence, s.r.o., v likvidaci, Corporate ID: 64581314, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS Terezín, s.r.o., v likvidaci, Corporate ID: 25125931, Praha 9, Kolmá 5/597, postal code 190 00.

II. Role of the Controlled Entity

The Controlled Entity, as a provider of payment and banking services, enters into business relationships with entities within the group of controlled entities, predominantly with RM-S Finance, s.r.o., which is a tied agent of the Bank (similarly, in Slovakia, the Controlled Entity enters into business relationships with Fio Slovakia a.s., by means of its organisational branch Fio banka, a.s., pobočka zahraničnej banky) and further with RM-SYSTÉM, česká burza cenných papírů a.s. and Fio investiční společnost, a.s. with which the Bank cooperates in the field of provision of banking services and trading with securities. Other entities within the group of controlled entities are principally provided with standard banking services as well as services the Bank is authorised to provide as a securities trader.

III. Manner and Means of Control

1. The Bank is directly controlled by Fio holding, a.s., which holds 100% of the Bank's shares.
2. The Bank is indirectly controlled by the sole shareholders of Fio holding, a.s., Messrs Petr Marsa and Romuald Kopún, acting in concert, who thus indirectly control the Controlled Entity and represent the Controlling Persons.

IV. Contracts and Agreements Concluded in the Year Ended 31 December 2021 and Contracts and Agreements Still Effective in the Year Ended 31 December 2021

1. Contracts and agreements concluded between the Controlling Persons and the Controlled Entity

a) Contracts concluded prior to 1 January 2021 still effective as of 31 December 2021

Romuald Kopún

Bank account agreements
Agency contract and other arrangements

Petr Marsa

Bank account agreements
Framework agreement on the provision of payment services
Framework agreement on financial market trading

Fio holding, a.s.

Shares subscription agreement
Account maintenance agreements
Agency contract and other arrangements

b) Contracts concluded in the year ended 31 December 2021

Romuald Kopún

No new agreements were concluded in 2021.

Petr Marsa

Framework agreement on investment

2. Contracts and agreements concluded between the Controlled Entity and entities controlled by the same Controlling Persons

a) Contracts concluded prior to 1 January 2021 still effective as of 31 December 2021

AASRK, a.s.

Account maintenance agreement

AGROPRODUKT - odbytové družstvo

Account maintenance agreement

APMAS, a.s.

Account maintenance agreement

BASRK, a.s.

Account maintenance agreement

BPMAS, a.s.

Account maintenance agreement

CASRK, a.s.,

Account maintenance agreement

Master agreement on investment

CFT a.s.

Account maintenance agreement

Framework agreement on financial market trading

Framework agreement on the provision of payment services*

CPMAS, a.s.

Account maintenance agreement

DASRK, a.s.

Account maintenance agreement

Družstevní záložna Kredit

Account maintenance agreement

Agency contract

Outsourcing contract

Framework agreement on financial market trading

Personal data processing agreement

Framework agreement on the provision of payment services*

DZ KREDIT a.s.

Account maintenance agreement

Agency contract and other arrangements

Framework agreement on financial market trading

Framework agreement on the provision of payment services*

EASRK, a.s.

Account maintenance agreement

ELLIAD a.s.

Account maintenance agreement

Agency contract and other arrangements

Framework agreement on financial market trading

Framework agreement on the provision of payment services*

EPMAS, a.s.

Account maintenance agreement

Agreement on loan no. 2010-1-4503819

Finanční skupina Fio, a.s.

Account maintenance agreement

Contract on the transfer of a business interest

Fio Consulting, spol. s.r.o.

Account maintenance agreements

Bookkeeping agreement

Personal data processing agreement

Fio forexová, s.r.o.

Account maintenance agreement
Loan agreement No. 151000061

Fio investiční společnost, a.s.

Account maintenance agreements
Master agreement on investment
Framework agreement on financial market trading
Outsourcing contract
Contract on offering investments to the fund
Personal data processing agreement
Framework agreement on the provision of payment services*

Fio leasing, a.s.

Sub-lease agreement

FIO POLSKA SP Z O O

Account maintenance agreements

Fio Slovakia, a.s.

Account maintenance agreements
Contract on the definition of rights and obligations following from the membership in a VAT group registration
Contract of mandate
Framework agreement on the provision of payment services*

FPMAS, a.s.

Account maintenance agreement

FPSROH spol. s r.o.

Account maintenance agreement

FPSROG spol. s r.o.

Account maintenance agreement

GENT CZ spol. s r.o.

Agency contract and other arrangements

KOFIMA, s.r.o.

Account maintenance agreement

Midleton a.s.

Account maintenance agreements

NOBLIGE a.s.

Account maintenance agreements
Framework agreement on financial market trading

NYDELS, s.r.o.

Account maintenance agreements

Odbytové družstvo ovoce Český ráj

Account maintenance agreements

OVOAGRI s.r.o.

Account maintenance agreements

OVOFARM s.r.o.

Account maintenance agreement

RMS-Finance s.r.o.

Agency agreement
Contract on the definition of rights and obligations following from membership in a VAT group registration
Contract on the administration and development of an IT system and other ICT equipment
Account maintenance agreements
Outsourcing contract
Personal data processing agreement

RM-SYSTÉM, česká burza cenných papírů a.s. (hereinafter also "Česká burza")

Contract on a special validation method
Mutual cooperation agreement on the validation of the technical and programme service solution
Sublease agreement
Contract on the definition of rights and obligations following from the membership in a VAT group registration
Account maintenance agreements
Internal audit services agreement
Compliance services agreement
Contract on the representation of Česká burza with the registration of clients
Contract on the internalisation of settlement
Contract on access to the market of Česká burza
Contract on the report of transactions

T.O.R.S. s.r.o.

Account maintenance agreement
Framework agreement on financial market trading
Framework agreement on the provision of payment services*

VARIEL, a.s.

Account maintenance agreement
Loan agreement No. 141000078
Loan agreement No. 151000002
Loan agreement No. 171000065
Loan agreement No. 171000066
Loan agreement No. 181000083
Master agreement on investment

VVISS, a.s.:

Account maintenance agreements
Master agreement on investment
Contract on the definition of rights and obligations following from membership in a VAT group registration
Loan agreement No. 151000039
Contract on the provision of a borrowing
Contract on the provision of a guarantee No. 163000008
Contract on the provision of a guarantee No. 173000029
Loan agreement No. 191000027
Contract on the provision of a guarantee No. 193000015
Framework agreement on financial market trading

* originally included in account maintenance agreements

b) Contracts concluded in the year ended 31 December 2021**CPMAS, a.s.**

Loan agreement No. 2010-1-4603890

Fio realitní fond SICAV, a.s.

Agreement on an account for the share capital deposit

GENT CZ spol. s r.o.

Framework agreement on the provision of payment services

RM-SYSTÉM, česká burza cenných papírů a.s.

Agreement on the performance of market maker activities

VVISS, a.s.

Loan agreement No. 210404886035

Loan agreement No. 2012-1-4592317

In some cases, other contracts on the provision of standard banking services were concluded in relation to the account maintenance agreements (eg agreements on the issuance of bank cards, activation of internet banking etc). Also, amendments to some of the aforementioned contracts and agreements were concluded.

V. List of the Acts Made in the Latest Reporting Period at the Instigation or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity with Respect to Assets Exceeding 10% of Equity identified in the Financial Statements for the Year Ended 31 December 2021

- In 2020, Fio forexová, s.r.o. drew a loan provided by Fio banka, a.s. (based on the aforementioned Loan Agreement No. 151000061) of up to CZK 21 billion.

VI. Assessment of Detriment Incurred by the Controlled Entity and the Settlement thereof pursuant to Sections 71 and 72 of Act No. 90/2012 Coll.

The Bank as the Controlled Entity did not incur any detriment. All transactions made between the Controlling Entity and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity were made pursuant to the applicable legal regulations.

VII. Assessment of Advantages and Disadvantages Arising from Control

Within the group of controlled entities, as far as the Bank is concerned, advantages of being a controlled entity prevail, the main reason being the fact that, the Bank is ultimately controlled by two natural persons acting in concert, which provides the Bank with stability in decision-making processes.

In 2021, controlled entities cooperated predominantly in foreign currency trading and in mediation of bank services, both the payment and investment ones. The controlled entities are not in competition in terms of the services provided and, therefore, such a situation has no negative impact on their market position and the Bank, and its management have sufficient space to maximally exploit the market potential in the respective area of business.

In Prague on 31 March 2022



.....
Jan Sochor
Chairman of the Board of Directors
Fio banka, a.s.

.....
Josef Valter
Member of the Board of Directors
Fio banka, a.s.