

Annual Report 2020

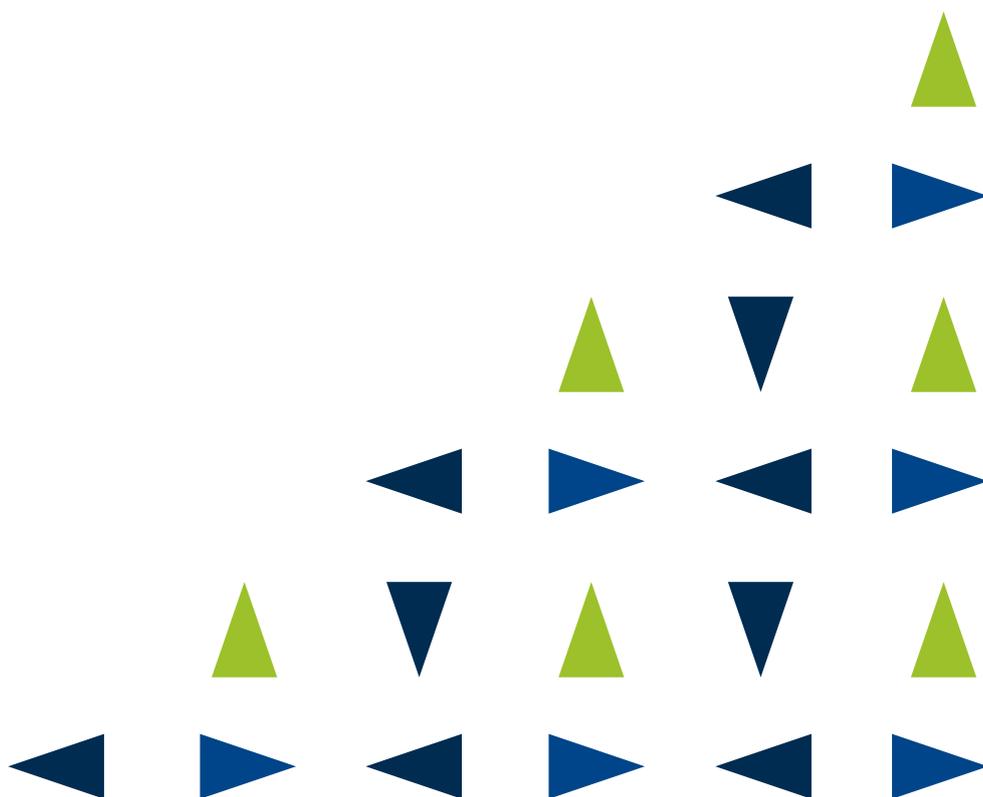


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General Part

Introduction



Dear Sirs and Madams,

2020 was a very demanding year for all of us for obvious reasons – the global coronavirus pandemic and related unprecedented measures have affected the society in all possible aspects.

Fio banka could not and did not want to stand aside; from the beginning, our goal was to provide the same quality of service while protecting our employees and clients and making their life as easy as possible. In addition to the usual measures at branches, we have extended our remote services as part of the “Let’s be online together” challenge and we also offered free withdrawals from all ATMs for three months to prevent unnecessary travel.

To minimise the need for a branch visit, we began installing new cash deposit machines at an accelerated pace, and by the end of the year, approximately 40 percent of Czech branches were equipped with them. Last but not least, beyond the scope of statutory requirements and in addition to the deferral of repayments, we also offered a waiver of interest to those who were in real financial distress as a result of the pandemic. This scheme was introduced for individuals and entrepreneurs, for whom last year was especially dramatic in some sectors.

We are glad to have proved that we can successfully face this situation. Fortunately, we are in an industry that was not directly affected by the pandemic – conversely, its services were sometimes more needed than before. We were therefore able to take the conditions as a challenge and an opportunity to move forward. And many of our clients did the same thing, whether they were individual investors on the capital markets who used the crisis as an opportunity to make an interesting profit, or clients who decided to take advantage of low interest rates to buy a new home.

In spite of everything, we can therefore describe last year as a successful one from a business point of view. Despite the understandable growth fluctuations at the peak of the pandemic, the influx of clients has continued, and we were able to announce a significant milestone of 1,000,000 clients in the spring, even before commemorating ten years of receiving our banking licence. *We are now one of the largest banks in the Czech Republic, and one with Czech owners and roots. We are proud of what we have built and how we have grown in recent years.*

In 2020, Fio banka gained almost 90,000 new clients, which I consider a very good result. The total assets grew by about a quarter year-on-year and reached CZK 182.5 billion. The volume of deposits and loans also significantly increased. Net profit remained above the one billion threshold and amounted to CZK 1.2 billion. We doubled the volume of mortgages granted and the volume of transactions carried out by our clients on the capital markets.

We are pleased by the positive attention that we receive from the public and experts, who have been awarding us in the Golden Crown competition for a long time – our products have regularly received the highest ratings since we obtained our banking licence. The Fio personal account, Fio business account and the e-Broker investment platform have been consistently at the top in their categories for ten years, and last year was no exception.

Looking ahead, we are trying to explore the ways to make our clients’ lives easier through digitalisation. We are currently working on a bank identity project that should simplify the process of communicating with public administration remotely. We are planning to further significantly extend money management through a mobile app; and we have recently introduced new euro-class Fio funds of a Fio banka subsidiary, in which our clients can easily invest via internet banking. The long-awaited instalment loans are in pilot operation at present. We would like to further expand our operation and product portfolio not only in the Czech Republic but also in Slovakia. Above all, we want to remain a high-quality partner to our clients and continue to help them in 2021.

In conclusion, more than ever, I would like to thank our clients, shareholders and business partners for their positive attention and trust, and our employees for their high level of commitment and loyalty, without which we would not be able to improve, grow and develop our unique business concept together.

Thank you... and let's move on!



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 2020, 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 2020, the Company had the following subsidiaries: Družstevní záložna PSD in liquidation, Corporate ID: 64946835, Prague 1, V Celnici 1028/10, Postal Code 117 21, Czech Republic, 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 and Fio investiční společnost, a.s., Corporate ID: 06704441, 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;
 - j) Foreign exchange services;
 - k) Provision of banking information;
 - l) Proprietary trading or trading on a client's account with foreign currencies and gold;
 - m) Rental of safe-deposit boxes; and
 - n) 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:

Despite the pandemic, 2020 was a successful year for Fio banka. Its net profit reached CZK 1.2 billion and the bank exceeded the significant threshold of 1 million clients. The total assets grew approximately by a quarter year-on-year and reached CZK 182.5 billion. The volume of deposits increased by about a quarter to CZK 175 billion and gross loans reached CZK 27.6 billion, which is an increase of more than 30%.

The number of clients increased by almost 90,000, of which almost 80,000 are attributable to our flagship product, the free-of-charge current account. Approximately a quarter of the total increase is attributable to legal entities, to whom we provide standard services on the same favourable terms as to individuals, which is why entrepreneurs and companies appreciate and use it to a large extent. The Fio business account has been winning in its category of the Golden Crown competition since 2011 and, according to the StartupJobs portal, Fio banka is the most popular bank of Czech startup businesses based on real data - more than a quarter of companies are using the Bank's services.

The main trends for 2020 were an increased emphasis on further digitalisation of banking services and a steep increase in the volume of granted mortgage loans. The trend towards expanding online financial management options has been going on for a long time, but now, due to circumstances, some projects have been given a higher priority. We have proved that the vast majority of routine matters can be handled remotely but there is still room for further improvement, particularly in the area of mobile banking, which is growing in popularity. At the end of the year, we also started a banking identity project, which is fully in line with the aforementioned trend.

We continued to modernise our branch and ATM network, to which we added 32 new recycling ATMs (cash deposit machines). The existing services have been maintained in full, i.e. all our branches still have cash desks as well. In total, we now have 106 branches, 85 of which are in the Czech Republic and 21 in Slovakia, where we opened a new sales point in Piešťany during the year.

The mortgage market performed extremely well last year despite the expectations and uncertainty caused by the pandemic. Fio banka reacted flexibly to the decline in the Czech National Bank's interest rates and the development of market rates and reduced the Fio mortgage interest rates five times in a row, which was reflected in high client interest. Thanks to our trained team of mortgage specialists, we increased the volume of granted mortgages to more than double compared to 2019.

Assessment of investment banking:

Fio banka is the largest online broker in the Czech Republic and Slovakia and trading on the stock markets is one of the pillars of its business. 2020 brought many opportunities for investors, which was reflected in an increase in the number and volume of funds invested; 50% more new investors started using online trading through the e-Broker platform than in 2019, and the volume of funds invested by them doubled to nearly CZK 200 billion. Trading on the US markets accounted for the largest part of the volume (64% of the volume), followed by the domestic, Czech market (31% of the volume) and the German Xetra (5% of the volume). In addition to individual trading, Fio banka's clients can also take advantage of collective investment through mutual funds of Fio banka's subsidiary Fio investiční společnost (investment company). In the two years of operation of Fio investiční společnost, clients have invested more than CZK 360 million in mutual funds from over 5,000 investors. Fio funds are managed by a team of professional portfolio managers who have extensive experience in investment strategies.

In 2020, Fio banka's investment services continued to focus on supporting clients in their investments. Our brokers and analysts continued to improve their news reporting service on the bank's website and on the dealing twitter account. In addition to regular trades, Fio banka arranged four initial public offerings for its clients, which were very popular with investors.

The annual Investment School, which we have been organising for many years, unfortunately could not take place in 2020 due to the pandemic. However, educating the public in this way remains one of our priorities and we plan to return to it as soon as the situation allows. On the other hand, the Studentbroker educational project, which helps students at colleges and universities in the Czech and Slovak Republics learn about trading on the financial markets, was as successful as in previous years. In 2020, over 500 students from 11 schools participated in the project and together concluded around 20,000 transactions.

The most important events in 2020

Instant payments in full scope

In January, we added the instant payment "send" option to the "accept" option – all free of charge. Fio banka has thus become fully involved in a system that has significantly speeded up interbank payments in CZK and enables customers to make payments 24 hours a day, 7 days a week.

Smartbanking Innovations

We have released the first upgrade of the second generation of our mobile application and continued to innovate throughout the year. The main new features were the option to confirm card payments on the Internet and Internet banking orders in the mobile app and the application feature that allows users to receive notifications on account transactions or account balance via push notifications.

More ATM withdrawals free of charge and cheaper withdrawals abroad

We have increased the number of ATM withdrawals free of charge, from one to at least two withdrawals free of charge from ATMs of other banks per month, and now also anywhere in the world. Clients can increase the number of free withdrawals up to five by actively paying by card. We have reduced the fee for additional withdrawals abroad from CZK 80 to CZK 25.

One million clients and 10 years of Fio banka on the market

At the beginning of April, we were proud to announce reaching 1,000,000 clients, and we used this opportunity to thank our clients and employees. In May, we commemorated the milestone of 10 years since obtaining our banking license in May 2010, with the bank having approximately 50,000 clients in the early days.

Client support during the pandemic – free withdrawals and waiving of interest

Due to the difficult situation caused by the pandemic of COVID-19 and subsequent effort to limit traveling to the necessary minimum, we decided not to charge fees for withdrawals from ATMs of other banks in the Czech Republic and abroad from April to the end of June. Beyond the scope of law, we offered an option to waive interest on mortgage payments for the period of mortgage instalment deferral to clients who have been in real financial distress as a result of the current situation. For business loans, we offered individual solutions.

Mortgages keep getting cheaper

We reduced the price of the Fio mortgage in April in reaction to the reduction of interest rates by the CNB and the decrease of market rates. During the year, we reduced our mortgage rates four more times and, by the end of the year, we were able to offer rates from 1.28%, 1.38% and 1.48% for one, three and five-year fixed schemes. As a result, clients showed great interest in the product.

Cash deposit machines at branches

In May, we installed the first recycling ATMs at our branches, which can be used not only for cash withdrawals but also for cash deposits. In the first wave, Fio banka plans to install 19 deposit machines at branches, e.g. in Liberec, Vsetín or České Budějovice.

Paying with a watch – Garmin Pay and Fitbit Pay

In June, we once again offered a new option to all technology lovers by allowing them to pay with a smartwatch. The Garmin Pay and Fitbit Pay services can also be used to easily withdraw cash from ATMs.

Smartbanking also for children

At the beginning of the school year, we gave the children a gift in the form of a preview mode of the Smartbanking app for children under the age of 15. Even younger children can keep track of their finances on their mobile phones. From the age of 15, they can use the mobile app in the same way as adults, i.e. with active transaction authorisations.

Preparing for the introduction of a bank identity

In November, together with Air Bank and Moneta Money Bank, we announced the establishment of a joint platform for providing a bank identity in the Czech Republic. This platform is also available to all other domestic banks. The platform provides bank clients with a universal digital key, i.e. identity, to be able to access a wide range of services and accounts in both the public and private spheres.

Major awards

In 2020, Fio banka won two Golden and one Bronze Crown in the traditional Golden Crown 2020 financial product competition. The top positions in their respective categories were taken by the business account and the e-Broker investment application. The free-of-charge personal account came third.

Our Fio business account has been the winner of this category since 2011 without interruption, this year for the 10th time. The e-Broker investment application has been number one in the category of securities trading since 2015. The Fio free-of-charge personal account, which took bronze this year, is also a regular winner.



As part of an entirely independent KPMG Nunwood study called “Generation CX” focusing on the assessment of customer experience from businesses across the Czech Republic, we are among the TOP 3 companies with the best customer experience in the financial sector. This achievement is a proof that we are going the right way in approaching our clients.

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 2020) – 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

Bruntál, K.Čapka 80/1, 792 01, bruntal@fio.cz

Břeclav, J. Palacha 3152, 690 02, brecrav@fio.cz

Česká Lípa, Barvířská 737, 470 01, ceska.lipa@fio.cz

České Budějovice, Dr. Stejskala 110/11, 370 01, ceske.budejovice@fio.cz

Český Těšín, Náměstí ČSA 182/7, 737 01, cesky.tesin@fio.cz

Děčín, Lázeňská 58/1, 405 02, decin@fio.cz

Frydek-Místek, Zámecké nám. 42, 738 01, frydek.mistek@fio.cz

Haviřov, Hlavní třída 64, 736 01, havirov@fio.cz

Havlíčkův Brod, Dolní 1, 580 01, havlickuv.brod@fio.cz

Hodonín, Národní třída 79, 695 01, hodonin@fio.cz

Hradec Králové, Masarykovo náměstí 511, 500 02, hradec.kralove@fio.cz

Cheb, Svobody 31, 350 02, cheb@fio.cz

Chomutov, náměstí 1. máje 91, 430 01, chomutov@fio.cz

Chrudim, Resselovo náměstí 61, 537 01, chrudim@fio.cz

Jablonec nad Nisou, Dolní náměstí 716/3, 466 01, jablonec.nad.nisou@fio.cz

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Jihlava, Masarykovo náměstí 20, 586 01, jihlava@fio.cz

Jindřichův Hradec, Růžová 41, 377 01, jindrichuv.hradec@fio.cz

Karlovy Vary, T.G.Masaryka 38, 360 01, karlovy.vary@fio.cz

Karviná- Fryštát, Fryštátská 73/3, 733 01, karvina@fio.cz

Kladno, Suchardova 515, 272 01, kladno@fio.cz

Klatovy, Vídeňská 181, 339 01, klatovy@fio.cz

Kolín, Karlovo náměstí 7, 280 02, kolin@fio.cz

Kroměříž, Dobrovského 170/5, 767 01, kromeriz@fio.cz

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Litoměřice, Dlouhá 208/16, 412 01, litomerice@fio.cz

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Ostrava, Nádražní 39, 702 00, ostrava.nadrazni@fio.cz

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Pardubice, Masarykovo náměstí 1544, 530 02, pardubice@fio.cz

Pelhřimov, Dr. Tyrše 58, 393 01, pelhrimov@fio.cz

Písek, Jungmannova 186, 397 01, pisek@fio.cz

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Plzeň, Prešovská 13, 301 00, plzen.presovska@fio.cz

Praha 1, Hybernská 1033/7a, 110 00, paha.hybernska@fio.cz

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Praha 3, Táborská 1782/40, 130 00, praha.taboritska@fio.cz
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Praha 4, Nuselská 401/4, 140 00, praha.nuselska@fio.cz
Praha 5, Archeologická 2256/1, 155 00, praha.archeologicka@fio.cz
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Praha 6, Dejvická 574/33, 160 00, praha.dejvicka@fio.cz
Praha 6, Křenova 438/3, 162 00, praha.krenova@fio.cz
Praha 8, Klapkova 124/10, 182 00, praha.klapkova@fio.cz
Praha 9, Sokolovská 352/215, 190 00, praha.sokolovska@fio.cz
Praha 10, Moskevská 268/53, 101 00, praha.moskevaska@fio.cz
Praha 11, Opatovská 964/18, 149 00, praha.opatovska@fio.cz
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Přerov, Palackého 2820/27, 750 02, prerov@fio.cz
Příbram, OC Skalka 1. Patro, Milínská 134, 261 02, pribram@fio.cz
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Svitavy, Náměstí Míru 50/65, 568 02, svitavy@fio.cz
Šumperk, Bulharská 229/1, 787 01, sumperk@fio.cz
Tábor, Palackého 359/1, 390 01, tabor@fio.cz
Teplice, U Radnice 6/2, 415 01, teplice@fio.cz
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Třinec, Nám. Svobody 527, 739 61, trinec@fio.cz
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Vsetín, Smetanova 810, 755 01, vsetin@fio.cz
Vyškov, Jana Šoupala 17/2, 682 01, vyskov@fio.cz
Zlín, Dlouhá 489, 760 01, zlin@fio.cz
Znojmo, Pražská 1539/7, 669 02, znojmo@fio.cz
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, sídlo Nám. SNP 21, Bratislava 811 01
Offices:

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Martin, Divadelná 7, 036 01, martin@fio.sk
Michalovce, Sama Chalupku 2, 071 01, michalovce@fio.sk
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Trading on the markets in the Czech Republic

Like other stock markets, the Prague Stock Exchange experienced a volatile development in 2020. For the entire lockdown period, the exchange was open and trading volumes increased. After the sell-off in March, a substantial part of the declines on the domestic market were offset, especially in the second half of the year. In the end, the PXTR index, which reflects yield including dividends, lost -4.97%. The most traded stocks were CEZ (CZK 31.5 billion), Komerční banka (CZK 28.6 billion) and Erste (CZK 24.2 billion). The total volume of stock trades in Prague increased by 15% year-on-year with a total value of CZK 125.3 billion.

The domestic market suffered the consequences of the high representation of banking titles in the index. The banking sector was among the losers, or the most affected, in the coronavirus crisis. Out of fear that banks would experience huge losses from bad loans, their share prices dropped to a half. Then, thanks to the progress in vaccine development, their share prices partially recovered, at least in the autumn. Erste was the worst performer on the stock market (-22.99%), although the bank remained an interestingly profitable company (with a profit of CZK 343 million in three quarters). Komerční banka's shares lost -20.8%, as its investors were affected by the Czech National Bank's ban on dividend payments, which applied to the entire Czech banking sector. The company also decided to accelerate its restructuring and announced a 3.5% staff reduction. Moneta experienced a similar development (-20%). To the banking sector, we can add the insurance company VIG, whose shares dropped by -11.49%. Unlike the banks, VIG has paid the full amount of its dividend for 2019. Investors will look to 2021 with a realistic hope that the banks will be able to resume dividend payments. The last one in the group of loss-making titles on the exchange is Kofola (-10.45%). The producer of carbonated beverages and sodas had to deal with the impact of the pandemic on the closed food segment, which represents nearly half of the company's sales.

The newcomer to the main market, Česká zbrojovka, remained close to the subscription price of CZK 290 per share with a closing price of CZK 294. The company entered the Prime Market in June, which was a technical listing, the shares were not traded. The classic IPO took place in the autumn, shares of Česká zbrojovka started to be traded on the stock exchange on 2 October. Thanks to the dividend payment (CZK 34), the CEZ power company's stock score was at +8.22%. The company announced the sale of interests in foreign companies. Together with the favourable development of electricity prices, this is a prerequisite for the continuation of the strong dividend policy in future periods. Another dividend regular, Philip Morris ČR, achieved an appreciation of +9.49% including dividend. The only representative of the technology sector in Prague is the Avast software company. In the end, the coronavirus crisis was a positive boost for technology thanks to the acceleration and push for digitalisation. Shares of Avast provided its shareholders with an appreciation of +13.84% last year, including dividends. The stable performance of the telecommunications sector even in times of crisis was appreciated by investors in O2 shares (+18.16%). The shareholders of the liquor company Stock Spirit Group (+30.36%) also had a reason to be very pleased, as the company managed to compensate for the loss of sales in restaurants and hotels by increasing its retail turnover.

Two newcomers, Pilulka Lékárny (+37.97%) and eMan (+19.61%) became the leaders of the unregulated Start market. Since the end of November, a new functionality called "trade-at-close" has been introduced within the update of the XETRA T7 trading system. This stage follows the closing auction and lasts 10 minutes. The trading day duration has been maintained by shortening the continuous trading.

Foreign market trading

Stock markets around the world have had a very turbulent year. After the optimistic development in January, markets were surprised by the global spread of the coronavirus disease from China. Gradually, it was necessary to introduce distancing measures in most regions due to the pandemic and to close some business sectors, which led to a dramatic slowdown of economic activity. The markets panicked and stock indices experienced their fastest fall in history. Shares of companies in the tourism, restaurant, retail and oil extraction sectors were affected the most. The fall in bond yields and the prospect of increasing loss-making loans had a negative impact on shares of banking and other financial titles. Governments and central banks decided to react quickly and compensate for the dropped-out cash flow in the economies. These measures have averted a likely wave of bankruptcies, a collapse of the financial system and the associated certain form of economic depression and consumer price deflation. Along with the reduction in interest rates, central banks have introduced several support programmes to ease financial conditions, including massive quantitative easing. Thanks to these measures, markets calmed down, yields on government bonds remained low and shares, as well as other riskier assets, quickly began to return to higher levels.

However, the development of stock indices was very different. The largest growth was recorded mainly in the technology and healthcare sectors, which were not directly affected by the crisis or in some cases even managed to benefit from the situation. Due to the large representation of these sectors, especially US stock indices were successful. The S&P 500 index grew by 16% for the whole year. Asian indices also performed very well, as Asia was able to cope with the pandemic much better. In contrast, European indices with a large representation of traditional economic sectors performed much worse. A big boost for European shares and generally more for value titles was the announcement of the great efficacy of the vaccines developed against the coronavirus. However, the pan-European Stoxx Europe 600 index dropped by 4% over the year, the UK FTSE 100 lost 14%, the French CAC 7%, the Spanish IBEX 15% and the Italian FTSE MIB 5%. At least the German DAX ended in the green numbers with a gain of 3.5%. The global stock benchmark MSCI World grew by 14% despite the big spring drop in 2020.

Proprietary trading

In 2020, Fio banka further strengthened its positions on financial markets. On the stock market, the Bank continued to act as a market maker on the Prague Stock Exchange for all issues that are placed on the Prime regulated market and are also part of the PX index. According to the trading statistics of the Prague Stock Exchange members, the volume of trades executed by Fio banka in 2020 increased from CZK 26.02 billion in 2019 to CZK 48.11 billion, which is an increase of 85%. The Bank thus significantly increased its market share as the total volume of stock trades on the exchange increased by 15%. In the overall ranking of the Stock Exchange members based on the traded volume of shares, Fio banka moved from third to second place.

Compared to 2019, Fio banka has also significantly increased its activity on the bond markets. During the spring months, the Bank benefited from attractive yields, which was also supported by increased issuance activity of the Czech Republic and Slovakia and significantly increased its portfolio of debt securities. Specifically, the volume increased from CZK 4.36 billion at the end of 2019 to the recalculated amount of CZK 71.15 billion at the end of 2020, which is more than sixteen times the original level. The bank continued to follow a conservative investment strategy, with the entire portfolio consisting only of government debt securities, of which 92.8% are Czech issues and the rest are Slovak issues.

At the beginning of 2020, CNB reacted to the rising inflation pressure and increased the two-week repo rate by 25 basis points to 2.25%. However, in the first quarter, the two-week repo rate was reduced twice by 50 and 75 basis points to 1% in response to the global crisis caused by the spread of the coronavirus. Then, at its regular meeting in May, CNB reduced this rate by another 75 basis points to 0.25%, where it remained for the rest of the year. Money market conditions were thus very difficult and Fio banka also executed smaller volumes here, when preferring assets with a higher yield. Most placements of available funds were made with CNB within two-week repo operations.

Information on the Company's assets and financial situation

The Bank's total assets amounted to CZK 182,537,223 thousand as of 31 December 2020, principally comprising cash in hand and balances with central banks of CZK 1,086,816 thousand, government zero-coupon bonds of CZK 2,571,771 thousand, loans and receivables to banks and cooperative credit unions of CZK 1,915,066 thousand, loans and receivables to customers of CZK 26,144,993 thousand, from debt securities of CZK 68,581,708 thousand, from shares, share certificates and other equity investments of CZK 181,045 thousand, from investments in subsidiaries of CZK 163,789 thousand and from other assets of CZK 1,343,684 thousand.

In 2020, the Company recorded a net fee and commission income of CZK 432,856 thousand, a net interest income of CZK 2,006,789 thousand and income from financial transactions of CZK 689,039 thousand. The Bank's profit from ordinary activities before tax was CZK 1,463,891 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 2020, the Bank's capital ratio was 21.06% (of which 20.69% 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 Guarantee Fund of traders in securities, 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 2020 amounted to CZK 237,051,264. The amount of the Bank's contribution amounted to CZK 4,741,025.

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 has five members as of 31 December 2020.

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

Mr Franek graduated from the Faculty of Nuclear Sciences and Physical Engineering of the Czech Technical University in Prague. He has been working for the Fio Financial Group since 1995. Since 2001, he has been the head of the Development Division, being responsible for development projects aimed at expanding and improving the quality of client services.

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., Spořitelni a úvěrové družstvo Unibon, Záložna CREDITAS, spořitelni 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 2020 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 2020. The costs of labour relations incurred in 2020 are disclosed in the notes to the financial statements for the year ended 31 December 2020 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 that would have a material impact on the Bank's operation and financial performance.

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.

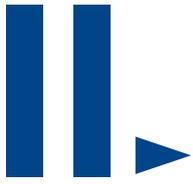
In Prague on 26 April 2021



Jan Sochor
Chairman of the Board of Directors



Marek Polka
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 2020, and the profit and loss account and statement of changes in equity 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 2020, 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 2020, gross amounts due from clients (hereinafter “loans”) were CZK 27,641,635 thousand against which provisions for loans (hereinafter “provisions”) of CZK 1,451,265 thousand were recorded.	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	Related audit procedures
<p>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).</p> <p>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 2020.</p> <p>Because of the significance of professional judgements and the size of loans, the audit of provisions is a key audit matter.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p><u>Testing of internal controls</u></p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p><u>Assumptions used in the expected credit loss models</u></p> <p>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.</p>
<p><i>The Company's management has disclosed additional information on the impacts of COVID-19 on the loan portfolio and impairment in Note 4.4 to the financial statements.</i></p>	<p>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.</p> <p><u>Identification of exposures with a significant increase in credit risk and credit impaired loans</u></p> <p>In cooperation with our specialists, we evaluated assumptions used for staging models and we recalculated the staging on a portfolio basis.</p> <p>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.</p> <p>We assessed the approach to staging and reporting of loss from modifications applied by the Bank to client loans with deferred payments in connection with the government and non-government measures to mitigate the negative impacts of the COVID-19 pandemic.</p> <p><u>Provisions for individually assessed credit impaired loans</u></p> <p>The Bank determines provisions individually for significant credit impaired exposures (stage 3 defaulted).</p>

Key audit matter	Related audit procedures
	<p>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 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

(Notes 3.10, 4.17 and 4.18 to the financial statements)

For the year ended 31 December 2020 the interest income and similar income amounted to CZK 2,353,286 thousand. Total fee and commission income for the same period amounted to CZK 656,082 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.

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.

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.

We tested the design and operating effectiveness of the key internal controls and focused on:

- 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.

We focused our testing on challenging the correct classification of interest income and fee income.

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.

We performed analytical procedures and benchmarking.

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 2020 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 2020 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 11 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 29 April 2021 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 29 April 2021

Audit firm:

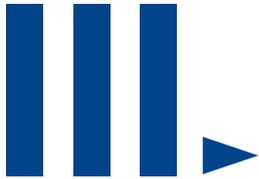
Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

David Batal
registration no. 2147





The Company's Financial Statements for the Year Ended 31 December 2020

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 29 April 2021.

Statutory body of the reporting entity:	Signature
<p>Jan Sochor Chairman of the Board of Directors</p> <p>Marek Polka Member of the Board of Directors</p>	

Business name of the entity Fio banka, a.s.
Registered office of the entity Praha 1, V celnici 1028/10, PSČ 11721
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
	<i>State zero-coupon bonds and other securities eligible for refinancing with the CNB</i>					
2.		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 for 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
2.a)	Repayable on demand	32			171 285 699	136 106 204
2.b)	Other payables	33			3 574 493	4 335 933
3.	Payables from debt securities	34			0	0
3.a)	Issued debt securities	35			0	0
3.b)	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

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-keepii	54 871 056	40 153 929
15.	Assets received for management	0	92 227

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
	Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets	PL19	105 543	51 564
11.	Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off	PL20	0	0
	Write-offs, charge for and use of provisions and reserves for receivables and guarantees	PL21	636 245	306 207
12.	Release of provisions for participation interests	PL22	0	0
	Loss on the transfer of participation interests, charge for and use of provisions for participation interests	PL23	0	0
13.	Release of other reserves	PL24	0	0
14.	Charge for and use of other reserves	PL25	0	0
15.	Share of profits/(losses) of subsidiaries and associates	PL26	3 797	640
16.	Profit/(loss) for the period from ordinary activities before taxes	PL27	1 463 891	2 225 445
17.	Extraordinary income	PL28	0	0
18.	Extraordinary expenses	PL29	0	0
19.	Profit/(loss) for the period from extraordinary activities before taxes	PL30	0	0
20.	Income tax	PL31	287 389	422 325
21.	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 31 December 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			-28537				
Balance at 31 December 2020	760 000	0	0	3 665 275	0	1 176 502	5 601 777

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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;

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 2020
Financial statements prepared on:	26 April 2021
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 2020, 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):

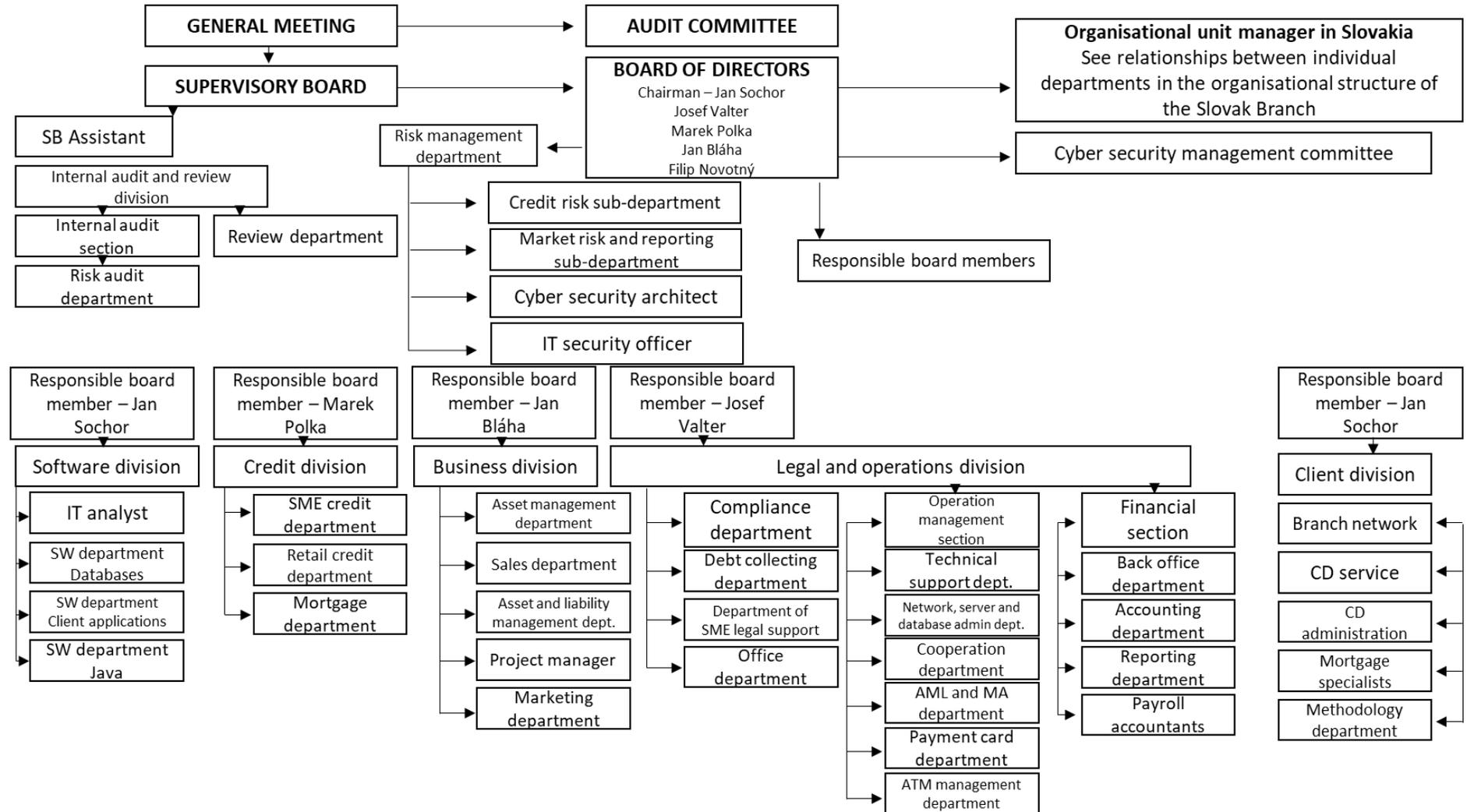
- On 18 April 2020, the following changes were made:
 - Jan Bláha was removed as member of the Board of Directors (position terminated: 18 March 2020);
 - Marek Polka was removed as member of the Board of Directors (position terminated: 18 March 2020);
 - Jan Bláha was recorded as member of the Board of Directors (position originated: 18 March 2020);
 - Marek Polka was recorded as member of the Board of Directors (position originated: 18 March 2020).

- On 1 July 2020, the following changes were made:
 - Jan Sochor was removed as member of the Board of Directors (position terminated: 30 April 2020);
 - Josef Valter was removed as member of the Board of Directors (position terminated: 30 April 2020);
 - Jan Sochor was recorded as member of the Board of Directors (position originated: 30 April 2020);
 - Josef Valter was recorded as member of the Board of Directors (position originated: 30 April 2020).

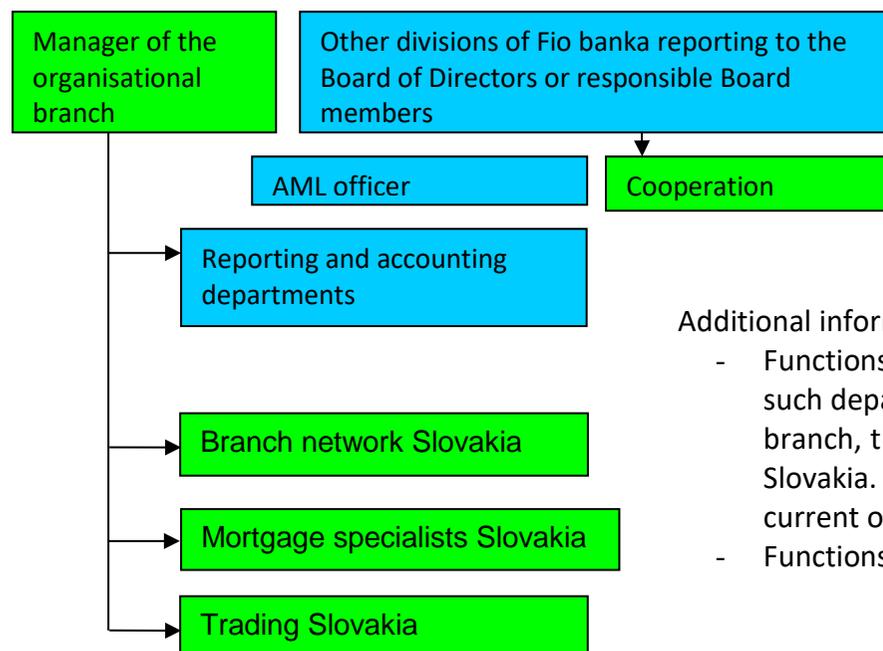
In the year ended 31 December 2020, no changes were made in the Register of Companies of Slovakia held by the District Court in Bratislava I in respect of the principal activity Fio banka, a.s pobočka zahraničnej banky.

1.3. Organisational Structure (as of 31 December 2020)

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

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 2020.

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 year-on-year decrease in profit was caused by the market developments (esp. interest rates) rather than by losses arising directly from governmental restrictions, and the Bank was able to adopt effective measures to limit the impact of the pandemic on its employees and clients. 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.

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 other comprehensive income;
- 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. Income from debt financial assets measured at amortised cost is reported in the profit and loss account under “Net gains or losses from financial operations”.

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 other comprehensive income. Unrealised gains/losses from this remeasurement are reported in other comprehensive income 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 from financial transactions”.

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.

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.

All 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 they meet the characteristics of cash flows representing solely repayment of principal and interest on the unpaid part of principal and they are classified and measured at amortised cost.

Debt financial securities are reported in the balance sheet under:

- Loans and receivables to banks and cooperative credit unions;
- Loans and receivables to customers; and
- Debt securities.

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.

As of the balance sheet date and during the reporting period, the Bank did not hold any purchased or originated credit impaired assets in its portfolio.

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. For overdraft credit products, the Bank considers assets to be impaired if the debtor is in default by 40 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.

3.2.2. Shares, Share Certificates and Other Equity Investments

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

3.2.3. Financial Derivatives

The Bank records all financial derivatives as derivatives held for trading.

Financial derivatives held for trading are stated at fair value under “Other assets” or “Other liabilities” based on the resulting positive/negative fair value. Gains (losses) from changes in fair value are reported in the profit and loss account under “Gains and losses from financial transactions”.

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.

The Bank records no liabilities arising from debt securities.

3.4. 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.

3.5. Investments in Associates and Subsidiaries

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 with controlling and substantial influence 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.

3.6. 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.

3.7. 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
Intangible outcomes of 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 40 thousand and with useful life not exceeding one year are expensed in the period in which they were acquired.

3.8. 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'.

3.9. 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.

3.10. 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.

3.11. 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.

Exposure categorisation

The COVID-19 pandemic represents a specific shock to the economy as it combines negative effects stemming from the market, reacting to deteriorated economic conditions and uncertainty, and effects of government anti-pandemic measures, reacting to the need to protect public health. In terms of the portfolio analysis, it was essential to determine not just the groups that are highly sensitive to market development and decrease in foreign demand (e.g. businesses in the field of tourism, transportation, investment groups, etc.) but also entities that are highly sensitive to changes in operation due to the state's economic policies, such as restaurants and leisure venues, or entities with another significant dependence on daily operations (especially smaller businesses and sole traders, who had to limit or suspend their activities as a result of the government measures).

Exposure stages over time

Given initial uncertainties, receivables where clients asked for relief were initially approached individually, and after the regulators (the Czech National Bank and EBA) issued recommendations, loans with relief were not transferred to stage 2 in line with legal conditions, or they were returned to stage 1.

As for COVID relief, the aforementioned recommendations were followed, e.g. for example payment deferment due to a Moratorium is not recorded as relief, as it is an area regulated by Act No. 177/2020 Coll., and as for other types of relief (especially relief not required by law), the deciding factor is whether the client was previously in stage 1 or a worse one. Only for loans not qualifying for the Moratorium and loans that were not originally in stage 1 relief not required by law was recorded. These individual cases had their credit classification lowered by the Risk Management Department, usually by one stage.

This approach was maintained for all clients, regardless of their legal status. The deciding factor in the individual approach to receivables was in particular the historical quality of the client, amount and form of securing the exposure, purpose of providing the loan and the amount of the exposure itself. What had an essential impact on a different exposure classification method for retail and non-retail clients was the adjustment of internally used default coefficients (PD) for individual products and entities. This took place based on a combination of internally determined probability of default (historical approach using probability matrices) and PD estimates construed by the Czech National Bank in the Financial Stability Report.

Exposure monitoring

COVID monitoring took place individually for each client and it was affected by back-testing of the COVID factor, which later turned out to be relatively in line with the general statistics of the Czech National Bank on the provision of relief and analysis of affected industries.

Out of fear of a significant increase in credit risk (SICR), two types of monitoring were introduced – on a portfolio basis and on an individual basis.

The individual approach monitors significant or problematic exposures to individual clients, or economically related groups, via relevant employees of the Credit Division. If it was necessary due to the financial situation of the client and it did not threaten the future maturity and recovery of the credit service, amendments and adjustments to loan conditions were discussed and agreed with the client, including the repayment system and the financial amount of the facility, or the provision of another product was agreed to bridge the current situation (usually operating overdrafts or distribution of payment instalments over a longer period of time). In these cases, the stage and potential provision were determined based on whether the changes led to a significant increase in credit risk.

The portfolio approach consisted in the identification of receivable parameters (field of business, type and history of the client, sensitivity to operation restrictions, etc.) of exposure that could show an impaired credit score as a result of the pandemic (so-called COVID factor). For these receivables, a stress test was created to determine the Bank's potential losses in the event of default or significant delay with the relevant client's payments. In general, the stress tests for all receivables showing a high-risk COVID factor involved a collective lowering of the categorisation by one stage.

Additional provisions were recognised based on the stress scenario to cover potential losses arising from the credit risk of the exposure group. For development projects, a decrease in the prices of real estate was simulated, as well as its impact on provisions.

Stress scenarios	Stress simulation
Tourism and cross-border transport - PD growth increases X times:	10
developers – PD growth in absolute terms	10%
developers – security decrease of X% in absolute terms	15 %
developers – security decrease of X%, if they are significant:	15 %
hospitality – PD growth X times, if intended primarily for foreigners	10
relief applicant's PD increases X times:	2

3.12. 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 the COVID-19 pandemic and they may therefore 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).

3.13. Lease Measurement under IFRS 16

The Company assesses whether a contract is or contains a lease, at 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). 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 2020	31 Dec 2019
Cash in hand	182 567	219 015
Accounts at central banks	1 189 216	1 104 085
Loans provided – reverse repo transactions	78 343 000	115 987 636
Cash in ATMs	1 372 033	836 958
Total	81 086 816	118 147 694

As of 31 December 2020, loans arising from reverse repo transactions were secured by debt securities in the fair value of CZK 76,938,000 thousand (CZK 115,163,000 thousand as of 31 December 2019).

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

As of 31 December 2020, the Company held state treasury bills of CZK 2,571,771 thousand (2019: CZK 0 thousand).

4.3. Loans and Receivables to Banks and Cooperative Credit Unions

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Current accounts	1 470 744	1 700 756
Term deposits	444 322	396 509
Total Loans and receivables to banks and cooperative credit unions	1 915 066	2 097 265

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 2020	31 Dec 2019
Short-term loans	13 989 897	9 850 705
Medium-term loans	496 397	1 728 280
Long-term loans	11 658 699	8 569 323
Total loans and receivables to customers	26 144 993	20 148 308

By territory

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Czech Republic	20 732 105	16 792 414
Slovakia	5 289 873	3 246 985
Other countries	123 015	108 909
Total loans and receivables to customers	26 144 993	20 148 308

By type of client

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Individuals	9 765 921	7 160 721
Legal entities	16 379 072	12 987 587
Total loans and receivables to customers	26 144 993	20 148 308

By segment

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Households	9 170 355	7 118 344
Real estate	4 262 728	3 780 520
Finance	740 039	354 241
Services	7 836 461	2 627 721
Sundry	4 135 409	6 267 482
Total loans and receivables to customers	26 144 993	20 148 308

By classification2020

	(CZK '000)			
	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 ⁱ	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

2019

	(CZK '000)			
	31 Dec 2019			31 Dec 2018
	Gross	Provision	Net	Net
Stage 1	18 017 449	51 169	17 966 280	12 675 088
Stage 2	815 131	21 750	793 381	1 581 110
Stage 3	2 176 350	787 703	1 388 647	877 594
Total loans and receivables to customers	21 008 930	860 622	20 148 308	15 133 792

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

	Stage 1	Stage 2	Stage 3	Total
Gross value at 31 Dec 2019	18 017 449	815 131	2 176 350	21 008 930
Change of provision due to				
- Transfer to Stage 1	93 159	-68 323	-24 836	0
- Transfer to Stage 2	-2 489 016	2 501 986	-12 970	0
- Transfer to Stage 3	-1 134 049	-126 956	1 261 005	0
- Newly originated loans and receivables to customers	7 839 711	0	0	7 839 711
- Derecognised loans and receivables to customers	-2 616 392	-36 072	-60 356	-2 712 820
- Increase of receivables without change of stage	1 673 828	751 764	288 524	2 714 116
- Decrease of receivables without change of stage	-1 068 194	-67 131	-72 977	-1 208 302
Gross value at 31 Dec 2020	20 316 496	3 770 399	3 554 740	27 641 635

ⁱ There were in particular the following reasons for the provision of new receivables or increasing client receivables in stage 3:

a) from the Bank's perspective, it was assessed as more advantageous to continue implementing the project (e.g. completion of a development plan or financing of a client's additional contracts) and thus increase the yield rate of the collateral or provide the client with further financing to increase the probability of recovering the receivable (rather than e.g. making the loan fall due and sell the collateral in the current state of worse liquidity);

b) providing operating financing to clients affected by COVID or COVID measures, where the Bank has evaluated a probability of due continuation in the plan (and repayment of the loan) after the measures subside;

c) loan restructuring.

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

	Stage 1	Stage 2	Stage 3	Total
Provision balance at 31 Dec 2019	51 169	21 750	787 703	860 622
Change of provision due to				
- Transfer to Stage 1	968	-308	-660	0
- Transfer to Stage 2	-61 903	61 916	-13	0
- Transfer to Stage 3	-134 392	-8 843	143 235	0
- Newly acquired financial assets	217 542	0	0	217 542
- Derecognised financial assets	-8 365	-448	-8 763	-17 576
- Increase in credit risk	14 405	132 189	394 550	541 144
- Decrease in credit risk	-14 760	-1 939	-88 391	-105 090
Provision balance at 31 Dec 2020	64 664	204 317	1 227 661	1 496 642

All receivables/provisions presented as newly originated in Stage 2 and Stage 3 were initially recognised as unimpaired in Stage 1 and the classification deteriorated during the current reporting period. They are not POCI.

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 19,549,498 thousand as of 31 December 2020 (31 December 2019: CZK 19,819,321 thousand).

During 2020, the Company released provisions against receivables from clients in the amount of CZK 122,666 thousand and created provisions against receivables from clients in the amount of CZK 758,685 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.

The following table shows the number and value of receivables where the Bank provided loan payment deferment with respect to one of the above acts.

(CZK million)											
Balance at 31 Dec 2020	Number	Gross value – no default	Gross value – default	Total gross value	Impairment losses – no default	Impairment losses – default	Total impairment losses	Net value – no default	Net value – default	Total net value	
Retail clients	178	443	119	562	10	6	16	432	113	546	
Non-financial businesses	65	2 376	334	2 710	33	79	113	2 343	254	2 597	
Total	243	2 819	453	3 272	43	85	129	2 775	367	3 143	

At the same time, several public guarantee programmes were launched in the Czech Republic in relation to COVID-19. These were used by the Bank's clients only to a limited extent.

The following table shows the number and gross value of receivables subject to the COVID-19 guarantee programmes.

(CZK million)		
Balance at 31 Dec 2020	Number	Gross value
COVID II	39	23.2
COVID III	3	2.1
Total	42	25.3

4.5. Debt Securities

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Debt securities at amortised cost		
Government bonds	68 581 708	4 358 351
Non-government bonds	0	0
Total at amortised cost	68 581 708	4 358 351
Debt securities at fair value through profit or loss		
Non-government bonds	0	0
Total at fair value through profit or loss	0	0
	31 Dec 2020	31 Dec 2019
Total debt securities	68 581 708	4 358 351

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 2020	31 Dec 2019
Fair value through other comprehensive income	1 169	36 402
Fair value through profit or loss	179 876	136 092
Total	181 045	172 494

Securities at fair value through other comprehensive income

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

As of 31 December 2019, the Company held 100 shares of Burza cenných papírů Praha, a.s. with the carrying value of CZK 100 thousand and 9 S.W.I.F.T. shares of CZK 1,069 thousand

In 2020, 597 shares of VISA were transferred from fair value through other comprehensive income to fair value through profit or loss. Due to the immaterial impact on financial statements, the change in classification was not applied retrospectively to previous periods. The shares of VISA Inc. were obtained by the Bank as part of a transformation of VISA Europe in 2016.

4.7. Investments in Subsidiaries

2020

					(CZK '000)
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	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

2019

					(CZK '000)
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	Valuation at 31 Dec 2019
RM-SYSTÉM, česká burza cenných papírů a.s.	Prague 1, V Celnici 1028/10, Postal Code 117 21	31 705	100	100	34 582
RM-S FINANCE, s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	991	100	100	1 463
Družstevní záložna PSD	Prague 1, V Celnici 1028/10, Postal Code 117 21	58 744	73.4	73.4	102 468
Fio forexová, s.r.o.	Prague 1, V Celnici 1028/10 Postal Code 117 21	210	100	100	3 464
Fio investiční společnost, a.s.	Prague 1, V Celnici 1028/10, Postal Code 110 00	20 000	100	100	17 104
Fio Consulting, spol. s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	500	100	100	911
Total		112 150			159 992

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'.

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.

In the year ended 31 December 2016, the share capital in the amount of CZK 20,000 thousand was paid for the newly established Fio investiční společnost a.s. This entity was registered in the Register of Companies in 2018.

Družstevní záložna PSD went into liquidation on 1 October 2020; as of the date of issuing the financial statements, it has not been liquidated and it is therefore reported as part of investments in subsidiaries.

4.8. Fixed Assets**4.8.1. Intangible Fixed Assets (Intangible FA)**Cost

	(CZK '000)						
	31 Dec 2018	Additions	Disposals	31 Dec 2019	Additions	Disposals	31 Dec 2020
Software	18 768	7 767	4 663	21 869	0	0	21 869
Acquisitions of intangible FA	1 045	2 240	1 045	2 240	329	0	2 569
Other intangible FA	11 567	134	0	11 701	0	0	11 701
Goodwill	-1 143	0	0	-1 143	0	0	-1 143
Total	30 234	10 141	5 708	34 667	329	0	34 996

Accumulated Amortisation

	(CZK '000)						
	31 Dec 2018	Additions	Disposals	31 Dec 2019	Additions	Disposals	31 Dec 2020
Software	19 810	97	0	19 907	1 812	0	21 719
Other intangible FA	9 120	2 581	0	11 701	0	0	11 701
Goodwill	-995	0	148	-1 143	0	0	-1 143
Total	27 935	2 678	148	30 465	1 812	0	32 277

Net Book Value

	(CZK '000)	
	31 Dec 2019	31 Dec 2020
Software	1 962	150
Acquisitions of intangible FA	2 240	2 569
Other intangible FA	0	0
Goodwill	0	0
Total	4 202	2 719

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 2018	Additions	Disposals	31 Dec 2019	Additions	Disposals	31 Dec 2020
Vehicles	3 157	9 559	7 507	5 209	358	359	5 208
Acquisitions of tangible FA	797	8 746	797	8 746	13 159	8 746	13 159
Lease under IFRS 16	0	256 348	0	256 348	271 186	0	527 534
ATMs	0	0	0	0	17 698	0	17 698
Other tangible FA	45 781	21 833	9 649	57 965	34 334	10 882	81 477
Total	49 735	296 486	17 953	328 268	336 735	19 927	645 076

Accumulated Depreciation

(CZK '000)

	31 Dec 2018	Additions	Disposals	31 Dec 2019	Additions	Disposals	31 Dec 2020
Vehicles	2 760	857	2 190	1 427	1 144	0	2 571
Lease under IFRS 16	0	42 622		42 622	53 374	0	95 996
ATMs	0	0	0	0	1 432	0	1 432
Other tangible FA	34 760	5 749	168	40 341	5 231	72	45 500
Total	37 520	49 228	2 358	84 390	61 181	72	145 499

Net Book Value

(CZK '000)

	31 Dec 2019	31 Dec 2020
Vehicles	3 782	2 637
Acquisitions of tangible FA	8 746	13 159
Lease under IFRS 16	213 727	431 538
ATMs	0	16 266
Other tangible FA	17 623	35 977
Total	243 878	499 577

In the year ended 31 December 2020, the Company acquired tangible assets in the amount of CZK 13,696 thousand charged directly to expenses (31 December 2019: CZK 7,490 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 2020	31 Dec 2019
Provided deposits and prepayments	620 319	616 101
Receivables from securities markets	195 618	455 978
Estimated receivables	26 263	2 516
Guarantee funds	1 452	1 003
Margin contribution for derivatives trading	52 802	41 196
Positive fair value of open derivatives (FX swap)	30 118	35
Cash in transit	47 078	67 675
Other	371 809	192 883
Provisions	-1 775	-1 201
Total other assets	1 343 684	1 376 186

Other assets in the amount of CZK 371,809 thousand principally include prepayments made for corporate income tax in the amount of CZK 319,210 thousand (2019: CZK 191,883 thousand).

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 the receivable from fixed term transactions amounting to CZK 17,167,578 thousand (2019: CZK 5,203 thousand) and a payable amounting to CZK 17,137,836 thousand (2019: CZK 5,168 thousand).

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

Provided deposits and prepayments

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Fio leasing, a.s., a deposit paid for the lease term	14 294	14 617
Deposits paid to card associations	549 501	577 603
Other	56 524	23 881
Total deposits and prepayments	620 319	616 101

4.10. Prepayments and Accrued Income

As of 31 December 2020, prepayments and accrued income amount to CZK 46,055 thousand (31 December 2019: CZK 62,017 thousand) and include costs of a media campaign in 2021 in the amount of CZK 40,010 thousand.

4.11. Due to Banks and Cooperative Credit Unions

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Repayable on demand	224 458	233 134
Other	0	0
Total	224 458	233 134

4.12. Due to Customers

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
Repayable on demand	171 285 699	136 106 204
Other	3 574 493	4 335 933
Total due to customers	174 860 192	140 442 137

4.13. Other Liabilities

	(CZK '000)	
	31 Dec 2020	31 Dec 2019
A deficit on the fair value of open derivatives (FX swap)	7 212	52 647
Outgoing payments	753 805	554 418
Payables to securities markets	2 852	1 023
Payables to employees	31 801	30 684
Estimated payables	50 892	101 975
Payables to the state budget	22 996	44 300
Domestic suppliers	45 692	25 029
Foreign suppliers	14 462	3 708
Payables arising from accounting for leases under IFRS 16	445 583	213 376
Unidentified contributions	11 903	15 762
Other	83 448	82 577
Total other liabilities	1 470 646	1 125 499

The negative fair value of open derivatives is based on a receivable from fixed term transactions in the amount of CZK 3,596,051 thousand (2019: CZK 19,541,720 thousand) and a payable in the amount of CZK 3,603,180 thousand (2019: CZK 19,595,473 thousand).

The item 'Other' principally involves accounts used for the settlement with card associations in the amount of CZK 70,996 thousand.

Amounts due arising from social security and health insurance contributions

As of 31 December 2020, the amount due arising from the contribution to social security and state employment policy was CZK 4,435 thousand (31 December 2019: CZK 4,599 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 2020, the amount due arising from health insurance contributions was CZK 6,152 thousand (31 December 2019: CZK 5,982 thousand). The Company records no payables past their due dates arising from health insurance contributions.

4.14. Reserves

As of 31 December 2020, reserves in the amount of CZK 292,166 thousand (31 December 2019: CZK 425,804 thousand) principally comprises a reserve for the corporate income tax of CZK 286,764 thousand, a reserve for outstanding vacation days of CZK 2,847 thousand and a reserve for court expenses of CZK 539 thousand.

	31 Dec 2019	Release	Charge	31 Dec 2020
Income tax reserve	423 721	423 721	286 764	286 764
Reserve for court disputes	539	0	0	539
Reserve for outstanding vacation days	1 544	1 544	2 847	2 847
Total	425 804	425 265	289 611	290 150

4.15. Subordinated Liabilities

As of 31 December 2020, the Company records a subordinated liability of CZK 90,000 thousand (2019: CZK 90,000 thousand). This liability bears interest at 15% p. a. with a notice period of 5 years.

4.16. Equity

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

As of 31 December 2020, CZK 760 thousand was paid.

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

In the years ended 31 December 2020 and 31 December 2019, no increase was made in the Company's share capital by the subscription of shares.

As of 31 December 2020 and 31 December 2019, no treasury shares were held by the Company.

Upon initial classification in the portfolio of securities available for sale, securities are revalued against equity accounts, gains or losses from revaluation. Based on the recommendation of the Czech National Bank, the Company did not pay out dividends in the year ended 31 December 2020.

Distribution of Profit

Based on a decision of the sole shareholder acting in the capacity of the General Meeting, the following distribution of the 2020 profit was approved:

	(CZK '000)	
	2020	2019
Retained earnings brought forward at the beginning of the period	1 862 155	833 842
Operating result of prior years	1 803 120	1 028 313
Retained earnings brought forward at the end of the period	3 665 275	1 862 155

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

4.17. Interest Expense and Income

	(CZK '000)	
	2020	2019
Interest on deposits provided to other banks	814 166	2 102 571
Interest on loans provided to clients	836 649	707 771
Interest on debt securities	702 471	109 325
Interest income and similar income	2 353 286	2 919 667
Interest on deposits received from clients	82 431	161 011
Interest on debt securities	129 582	858
Interest on the subordinated liability	13 500	13 500
Other interest and interest fee	114 237	343 759
Interest expenses arising from IFRS 16	6 747	2 577
Interest expense and similar expense	346 497	521 705
Net interest income	2 006 789	2 397 962

The decrease in interest on deposits provided to clients was caused by the decrease in interest rates in the year ended 31 December 2020.

Other interest and interest fees include interest expenses to Fio Forexová, 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 and the lower interest rate announced by the Czech National Bank.

In the years ended 31 December 2020 and 31 December 2019, uncollected default interest on distressed receivables amounted CZK 333,947 thousand and CZK 173,318 thousand, respectively.

To provide a more accurate presentation, interest income in the amount of CZK 42,375 thousand relating to loans provided for purchasing securities is presented as part of interest on loans provided to clients.

4.18. Fees and Commissions

	(CZK '000)	
	2020	2019
Transactions with securities	218 260	92 193
Other investment services	18 590	19 582
Client accounts and loans	182 372	227 941
Other fees	27 454	36 941
ATM fees	18 909	0
Fees charged by card associations	239 349	226 182
Total fee and commission income	704 934	602 839
Payment system and card transactions	209 787	193 491
Transactions with securities	62 291	33 774
Total fee and commission expense	272 078	227 265
Net fee and commission income	432 856	375 574

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 and the lower interest rate announced by the Czech National Bank.

4.19. Net Profit or Loss on Financial Operations

	(CZK '000)	
	2020	2019
Profit/(loss) on securities	23 002	3 345
Profit on FX differences	715 209	643 970
Profit (loss) on proprietary trading	7 674	12 126
Profit/(loss) on currency derivatives	-57 665	-25 822
Profit/(loss) on other operations	819	817
Net profit or loss on financial operations	689 039	634 436

4.20. Other Operating Expenses

Other operating expenses amounting to CZK 104,433 thousand (2019: CZK 93,754 thousand) predominantly include contributions to the Securities Dealers Guarantee Fund, a contribution to the Crisis Resolution Fund, contributions to the Deposit Insurance Fund. In 2020, the expense of the Securities Dealers Guarantee Fund amounted to CZK 2,226 thousand (2019: CZK 2,224 thousand). The expense of the Deposit Insurance Fund for 2020 amounted to CZK 73,411 thousand (2019: CZK 60,774 thousand). A contribution to the Crisis Resolution Fund amounted to CZK 26,581 thousand (2019: CZK 27,668 thousand).

4.21. Administrative Expenses

	(CZK '000)	
	2020	2019
Wages and bonuses	103 316	85 518
Social security and health insurance expenses	26 515	21 429
Other staff costs	1 411	1 166
Staff costs and bonuses	131 242	108 113
Audit	4 109	3 004
Rental	7 123	3 360
Postage fees	5 174	4 408
Advertising	89 306	66 648
Information resources	6 202	4 820
Outsourced services	352 654	300 801
Other purchased consumables and services	266 104	254 526
Other administrative expenses	730 672	637 567
Total administrative expenses	861 914	745 680

Bonuses to the Company's top management amounted to CZK 59,771 thousand in 2020 (in 2019: CZK 56,432 thousand).

4.22. Taxation

Income Tax Payable

The Company's operating result for the year ended 31 December 2020 consisted of the profit before tax amounting to CZK 1,463,891 thousand (2019: a profit of CZK 2,225,445 thousand).

In the year ended 31 December 2020, the Company's corporate income tax prepayments amounted to CZK 319,210 thousand (2019: CZK 150,468 thousand).

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

	(CZK '000)	
	2020	2019
Profit/loss before tax	1 463 891	2 225 445
Expenses not deductible for tax purposes	151 139	19 271
Income not taxable	105 669	14 196
Gifts	75	60
Tax base	1 509 286	2 230 460
Tax relief	0	0
Adjustment to the tax payable of prior years	0	0
Total tax payable	286 764	423 721
Difference of prior years	102	
Change in deferred tax	523	-1 396
Total	287 389	422 325

Deferred Tax

As disclosed in Note 3.10, as of 31 December 2020 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 2020, the Company records a deferred tax asset of CZK 68 thousand (2019: a deferred tax liability of CZK 6,693 thousand). The year-on-year change is due to the fact that in the year ended 31 December 2020, deferred tax is no longer calculated from revaluation differences of VISA shares.

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; and
- Unused credit lines.

4.23. Average Number of Employees and Supervisory Board Members

	(number of persons)	
	2020	2019
Employees	86	72
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 2020

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

31 December 2019

	(CZK '000)					
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Fio consulting s.r.o.	Družstevní záložna PSD	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	0
Other assets	0	95 362	0	0	119	17
TOTAL ASSETS	0	95 362	0	0	119	17
Due to banks and cooperative credit unions	0	0	0	138 464	0	0
Other payables	53 036	214 976	963	0	24 963	15 849
TOTAL LIABILITIES	53 036	214 976	963	138 464	24 963	15 849

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.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.	Fio investiční společnost, a.s.
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	0	3 486
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	0	-305 828	0
TOTAL	-14 675	-86 754	-648	0	-305 828	3 486

1 January – 31 December 2019

	(CZK '000)					
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Fio consulting s.r.o.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.	Fio investiční společnost, a.s.
Interest income	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0
Fee and commission income	0	0	0	0	0	0
Fee and commission expense	-6 156	-83 778	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	-2 064	0	-494	0	-265 662	0
TOTAL	-8 220	-83 778	-494	0	-265 662	0

As of 31 December 2020, the aggregate amount of the loans provided by the Company to members of the Supervisory Board and the Board of Directors was CZK 20,510 thousand (31 December 2019: CZK 529,243 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. 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.

Impact of the COVID-19 pandemic:

With the exception of interest-rate risk, the impact of the pandemic did not require any change in risk management; the existing procedures and limits proved to be sufficient.

6.2.1. 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, as well as bank deposits with other commercial banks.

6.2.2. 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 also provides its clients with services in foreign currencies.

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 risks by means of VaR. 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.

6.2.3. 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 interest rate risk.

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 seven 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.

Impact of the COVID-19 pandemic:

The sudden decrease in interest rates, especially in the Czech Republic, led to a change in the long-term structure of interest-sensitive assets and liabilities of the Bank, specifically higher investment in long-term state bonds and lower investments in short-term repo transactions with the Czech National Bank. As part of this transition, the development of interest income in a timeframe exceeding one year was taken into account in the aforementioned risk management methods.

6.2.4. Proprietary Trading

The Company purchases debt securities of highly creditworthy counterparties for its portfolio. These are predominantly government bonds and bonds of companies with investment rating. 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 VaR limits 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 online and their performance is regularly assessed.

6.3. 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 Czech shares traded on Burza cenných papírů Praha, a.s. are used to collateralise loans. The monitoring of the value of the collateral by means of these shares is governed by an internal policy (the value of the collateral is monitored on a daily basis). 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, to a reasonable extent, follows the law, especially 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.

Impact of the COVID-19 pandemic:

The pandemic had an essential impact on the Bank's credit risk.

As of mid-2020, when the impacts of the pandemic on the credit portfolio were not yet unambiguously visible, the Bank recognised a non-specific increase in the provision for credit risk based on an internal stress scenario in the amount of CZK 163 million. The stress scenario identified clients where the Bank anticipated a growth in credit risk (field of business, type and history of the client, sensitivity to operation restrictions, etc.).

In the second half of 2020, clients with an increased risk were gradually subjected to an individual assessment and the Bank also updated the PD parameters of its IFRS 9 ECL model. Based on the adjustments to the ECL model and an individual assessment, non-specific provisions against credit losses arising from the COVID-19 pandemic were gradually released and the expected losses were allocated to specific receivables based on their credit risk.

The individual client assessment during the pandemic included, in addition to the standard criteria, increased attention to the client's economic activity and the client's reaction to pandemic measures, including all applications for statutory moratoria and relief beyond the level required by law. The individual assessment of clients was unequivocally the largest source of reallocation of reserves for credit risk to specific loans.

The update of parameters (PD) of the IFRS 9 ECL model based on historical data performed in the second half of 2020 has so far shown no significant increase in the number of defaults and the transfers of receivables between stages saw no significant deterioration.

6.4. 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 operational risk 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 on a regular basis.

Impact of the COVID-19 pandemic:

In the year ended 31 December 2020, the Company recorded no major operational event that would cause an extraordinary loss arising from activities. The internal limits were always fully complied with. However, even though no increase in the occurrence of operational risk as such was recorded, the processes introduced to protect employees and clients from the pandemic required investments in the Bank's operation.

7. RESIDUAL MATURITY OF ASSETS AND LIABILITIES

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			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 for 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	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

December 2019

(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	118 147 694	0	0	0	0	0	118 147 694
State zero-coupon bonds	0	0	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	1 700 756	0	396 509	0	0	0	2 097 265
Loans and receivables to customers	608 390	1 380 671	9 843 270	590 114	7 725 863	0	20 148 308
Debt securities	0	0	1 001 258	1 310 328	2 046 765	0	4 358 351
Shares, share certificates and other equity investments	0	0	0	0	0	172 494	172 494
Investments in subsidiaries	0	0	0	0	0	159 992	159 992
Tangible and intangible fixed assets	0	0	0	0	0	248 080	248 080
Other assets	1 202 027	14 446	150 468	9 242	0	3	1 376 186
Receivables for subscribed capital	0	0	0	0	0	0	0
Prepayments and accrued income	0	62 017	0	0	0	0	62 017
TOTAL ASSETS	121 658 867	1 457 134	11 391 505	1 909 684	9 772 628	580 569	146 770 387
Due to banks and cooperative credit unions	233 134	0	0	0	0	0	233 134
Due to customers	137 192 676	1 382 057	1 367 889	499 515	0	0	140 442 137
Other liabilities	808 226	97 795	6 102	213 376	0	0	1 125 499
Reserves	0	0	423 721	0	0	2 083	425 804
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	4 453 813	4 453 813
TOTAL LIABILITIES	138 234 036	1 479 852	1 797 712	712 891	90 000	4 455 896	146 770 387
Net liquidity risk	-16 575 169	-22 718	9 593 793	1 196 793	9 682 628	-3 875 327	0
Cumulative liquidity risk	-16 575 169	-16 597 887	-7 004 094	-5 807 301	3 875 327	0	0

8. ASSETS AND LIABILITIES BY CURRENCY

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 for 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

31 December 2019

	(CZK '000)				
	CZK	EUR	USD	Other	Total
Cash in hand and balances with central banks	117 916 380	188 507	42 777	30	118 147 694
State zero-coupon bonds	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	912 822	438 585	501 039	244 819	2 097 265
Loans and receivables to customers	16 061 666	3 804 777	202 621	79 244	20 148 308
Debt securities	4 283 094	75 257	0	0	4 358 351
Shares, share certificates and other equity investments	153 317	6 061	13 116	0	172 494
Investments in subsidiaries	159 992	0	0	0	159 992
Tangible and intangible fixed assets	248 080	0	0	0	248 080
Other assets	253 362	69 134	1 050 457	3 233	1 376 186
Receivables for subscribed capital	0	0	0	0	0
Prepayments and accrued income	44 401	17 612	4	0	62 017
TOTAL ASSETS	140 033 114	4 599 933	1 810 014	327 326	146 770 387
Due to banks and cooperative credit unions	201 241	19 212	12 681	0	233 134
Due to customers	114 412 016	21 533 523	4 041 452	455 146	140 442 137
Other liabilities	871 830	247 130	5 740	799	1 125 499
Reserves	425 804	0	0	0	425 804
Subordinated liabilities	90 000	0	0	0	90 000
Equity	4 453 813	0	0	0	4 453 813
TOTAL LIABILITIES	120 454 704	21 799 865	4 059 873	455 945	146 770 387
Net currency risk	19 578 410	-17 199 932	-2 249 859	-128 619	0
Cumulative currency risk	19 578 410	2 378 478	128 619	0	0

9. INTEREST RATE ANALYSIS

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 (net)	0	0	0	0	502 296	502 296
Other assets	1 014 634	319 211	9 768	0	71	1 343 684
Receivables for 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

31 December 2019

(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	118 147 694	0	0	0	0	118 147 694
State zero-coupon bonds	0	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	2 044 906	52 359	0	0	0	2 097 265
Loans and receivables to customers	3 050 154	10 637 232	6 269 257	191 665	0	20 148 308
Debt securities	0	4 283 094	0	75 257	0	4 358 351
Shares, share certificates and other equity investments	0	0	0	0	172 494	172 494
Investments in subsidiaries	0	0	0	0	159 992	159 992
Tangible and intangible fixed assets (net)	0	0	0	0	248 080	248 080
Other assets	1 216 473	150 468	9 242	0	3	1 376 186
Receivables for subscribed capital	0	0	0	0	0	0
Prepayments and accrued income	62 017	0	0	0	0	62 017
TOTAL ASSETS	124 521 244	15 123 153	6 278 499	266 922	580 569	146 770 387
Due to banks and cooperative credit unions	233 134	0	0	0	0	233 134
Due to customers	138 574 733	1 367 889	499 515	0	0	140 442 137
Other liabilities	906 021	6 102	213 376	0	0	1 125 499
Reserves	0	423 721	0	0	2 083	425 804
Subordinated liabilities	0	0	0	90 000	0	90 000
Equity	0	0	0	0	4 453 813	4 453 813
TOTAL LIABILITIES	139 713 888	1 797 712	712 891	90 000	4 455 896	146 770 387
Net interest rate risk	-15 192 644	13 325 441	5 565 608	176 922	-3 875 327	0
Cumulative interest rate risk	-15 192 644	-1 867 203	3 698 405	3 875 327	0	0

10. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

The Bank continues to monitor the development of the COVID-19 pandemic and its impact on the economy and regulations.

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 2020 (CZK '000)

Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and related share premium = Paid share capital	760 000,000
2	Retained earnings	4 303 123,181
6	Common Equity Tier 1 capital before normative adjustments	5 063 123,181
Common Equity Tier 1 capital: normative adjustments		
8	Intangible assets (net of related tax liabilities) (negative value)	-3 690,634
28	Total normative adjustments to Common Equity Tier 1 capital	-3 911,647
29	Common Equity Tier 1	5 059 211,534
44	Additional Tier 1 capital	0,000
45	Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital	5 059 211,534
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	5 149 211,534

**Information on capital requirements on an individual basis as of 31 December 2020
(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	44 180,369
	Exposures to companies	784 759,120
	Retail exposures	124 561,441
	Exposures secured by property	188 456,137
	Exposures in default	194 858,896
	Exposures related with extremely high risk	191 572,874
	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	13 196,759
	Other items	20 722,675
	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		360 007,600
TOTAL		1 955 910,471

Capital ratios as of 31 December 2020 (as a percentage share of the risk exposure)

61	Common Equity Tier 1 capital	20.69%
62	Tier 1 capital	20.69%
63	Total capital	21.06%

Ratio indicators

	As of 31 December 2020
Return on average assets (ROAA)	0.68%
Return on assets (ROA)	0.64%
Return on average equity (ROAE)	23.25%
Assets per employee (CZK '000)	1 941 885
Administrative costs per employee (CZK '000)	9 169
Profit or loss after tax per employee (CZK '000)	12 516

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 2020 to 31 December 2020**.

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;
- Družstevní záložna PSD, v likvidaci, Corporate ID: 64946835, 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 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 (the name of the company changed as of 30 June 2020, its original name was VVISS Plzeň, s.r.o.),
- 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 Družstevní záložna PSD v likvidaci, 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 2020 and Contracts and Agreements Still Effective in the Year Ended 31 December 2020

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

a) Contracts concluded prior to 1 January 2020 still effective as of 31 December 2020

Romuald Kopún

Bank account agreements
Agency contract and other arrangements

Petr Marsa

Bank account agreements
Agency contract and other arrangements
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 2020

Romuald Kopún

No new agreements were concluded in 2020.

Petr Marsa

No new agreements were concluded in 2020.

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

a) Contracts concluded prior to 1 January 2020 still effective as of 31 December 2020

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

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

Družstevní záložna PSD v likvidaci
Cooperation agreement
Account maintenance agreements
Framework service level agreement
Agreement on ensuring the activity of the Internal Audit division in line with the organisational rules of Družstevní záložna PSD

DZ KREDIT a.s.
Account maintenance agreement
Agency contract and other arrangements
Framework agreement on financial market trading

EASRK, a.s.
Account maintenance agreement

ELLIAD a.s.
Account maintenance agreement
Agency contract and other arrangements
Framework agreement on financial market trading

EPMAS, a.s.
Account maintenance agreement

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

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

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
Loan agreement no. 111000039
Loan agreement no. 161000051

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 regulating the conditions for the activities of a market maker

Contract on a special validation method

Hedging agreement

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

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

Pledge agreements dated 24 September 2019

Agreement to pledge a plant as collateral dated 20 November 2019

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

b) Contracts concluded in the year ended 31 December 2020**EPMAS, a.s.**

Loan agreement No. 2010-1-4503819

Fio investiční společnost, a.s.
Account maintenance agreement

VVISS a.s.
Framework agreement on financial market trading

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.

Shares and interests in certain companies were temporarily transferred to Fio banka, a.s. to secure receivables. Even though these companies are legally owned by Fio banka, a.s., they do not meet the requirements of the relevant accounting regulations to be included in the balance sheet of Fio banka, a.s. because, based on the concluded agreements, Fio banka, a.s. does not control or manage the relevant activities of these companies and these companies thus do not represent controlled or jointly controlled companies and Fio banka, a.s. cannot be referred to as a company with significant influence in relation to them.

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 2020

- 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.

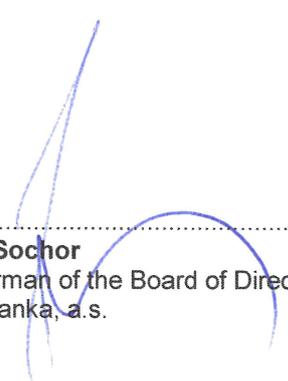
The Bank as the Controlled Entity did not incur any detriment. All transactions made between the Controlling Entity and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity were made pursuant to the applicable legal regulations.

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 2020, 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 2021



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



.....
Marek Polka
Member of the Board of Directors
Fio banka, a.s.