The published Annual Report for the period ending 31.12.2021 and the Financial Statements which are a part of it below in this document presented were till date of publishing 01.07.2022 not approved by the sole shareholder Sberbank Europe AG.

This page is not part of Annual Report and Financial Statements. It was added in front of this document with Annual Report and Financial Statements reviewed by auditor.

ANNUAL REPORT 2021

Sberbank CZ

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This annual report provides a true and accurate picture of the financial position, business activities and profit and loss of the Bank for the previous fiscal period and of the outlook for the future financial situation, business activities and profit and loss. I**nformation on significant subsequent events that occurred after 31 December 2021 is described in particular in Chapter 1, Chapter 10.1.2. and Note 1 (a) to Chapter 18.** Unless otherwise stated, the data and information in this report are always reported as at 31. 12. 2021.

1. Current Bank development and preparation of 2021 Annual Report

On 28 February 2022, due to the deterioration of the bank's liquidity situation in connection with a significant outflow of deposits following Russian's invasion of Ukraine, the Czech National Bank ("CNB") initiated steps to revoke the banking licence of Sberbank CZ, a.s. In connection with this, the CNB issued a preliminary measure restricting the bank's handling of assets and liabilities, including the provision of new loans and the acceptance of deposits.

On 9 March 2022, i.e. 7 working days from this day, the payment of insured deposits up to EUR 100,000 equivalent of the bank's clients, organized by the Financial Market Guarantee System, was started.

The bank's management asked the CNB to extend the deadline for the administrative proceedings to prepare and complete negotiations with potential investors, as it considered the sale of the bank to be the best solution in the current situation. The sale of the bank to the new owner failed. CNB on 14 April 2022 decided in the first instance of administrative proceedings to revoke the banking license.

The vast majority of the texts of this annual report were compiled before the date of the events described above and correspond to the state in which the bank was as at 31 December 2021.

2. Bank Profile

Company name	**Sberbank CZ, a.s.**
Company identification number	25083325
Tax identification number	CZ25083325
Registered office	U Trezorky 921/2, Jinonice, 158 00 Prague 5, Czech Republic
Legal form	Joint-stock company
File No. in the Commercial Register	B 4353 maintained by the Municipal Court in Prague, Section B, Insert 4353
Date of incorporation	31. 10. 1996
Subject of enterprise	Banking transactions and financial services of all types in accordance with Sections 1(1)a), 1(1)b) and 1(3)a) - o) of Act No. 21/1992 Coll., on Banks, as amended, which are listed in the banking licence issued under the above Act.
Bank code	6800
BIC/SWIFT	VBOECZ2XXXX
Data box identifier	f94gyc6
LEI	31570010000000029583
Phone	+420 800 133 444
Fax	+420 221 969 951
E-mail	mail@sberbankcz.cz
Website	www.sberbank.cz
Banking supervisory authority	Czech National Bank
Law	Czech Republic

The Bank does not have a branch abroad.

3. Introduction by the Management Board

Ladies and gentlemen,
dear clients, partners and shareholders,

I am pleased to inform you that in 2021 our Bank improved its performance comparing to 2020, despite the continued negative impact of COVID-19 pandemic. The previous experience helped us to respond to the new challenges in a timely manner; create sufficient reserves early, adopt preventive measures quickly to protect the health of our clients and employees and keep our branch network fully operating during the whole year. Moreover, we were able to improve our products and services and help our clients to overcome the pandemic consequences. Based on the mystery shopping prepared by an independent research agency last year, our Service Quality Index (SQI) improved and reached the value of 70 points, which is above the market standard.

I took over the Bank leadership in the second half of 2021 and started to focus more on organic growth as well as on accelerated digitalization in both retail and corporate business segments as well as increasing its operational efficiency. COVID-19 pandemic changed our way of working internally and externally and set up a “new normal”. Our clients expect simple and seamless on-line financial solutions more than before and 24/7; we have upgraded our ATMs, added deposit functionality and extended our ATM network. We have launched iSign and mobile payments via Google Pay and further improved our internet and mobile banking, launched in 2020. In the same time, we implemented all regulatory requirements, entering 2022 healthy and stable.

In 2021, the Bank achieved a net profit after tax of CZK 285 million. In this annual report, you will find detail information on our business results, and I would like to highlight several facts. In line with strong market demand, we have recorded high volumes in our mortgages in the first half of year and achieved very strong balance sheet growth in consumer loans in the second half of 2021. In Corporate and SME segments, we have recorded good performance. As a result, the net income from financial operations before creation of reserves and loss provisions amounted to CZK 2.133 billion, i.e. 4.3 % higher year-on-year. The balance sheet amounted to almost CZK 85 billion, the total volume of client deposits reached CZK 71,5 billion, while the total volume of loans to clients reached CZK 60,4 billion. In line with our business results, our operating expenses slightly increased to CZK 1.480, 7,5 % higher year-on-year, which is on the pre-pandemic level. Despite the COVID-19-19 impact on payment behaviour, our prudent risk management helped to maintain a low level of non-performing loans (NPL) at 2,64 %. The capital adequacy ratio reached the level of 17.42 %, which is well above the threshold required by the regulator.[1]

I would like to take this opportunity and express special gratitude to our clients and employees for their efforts, commitment and hard work in 2021.

Marijana Vasilescu
CEO and Chairperson of the Management Board

1 For details on the alternative performance indicators, see Chapter 17.

4. Key Figures in Summary

The method of calculation of quantitative indicators is described and explained in Chapter 17 Alternative Performance Indicators.

In million CZK	**2021**	**2020**	**2019**	**2018**	**2017**
Total assets	84,975	89,404	83,710	79,755	81,464
Capital Adequacy Ratio	17.42 %	17.24 %	16.59 %	16.18 %	16.44 %
Liabilities to clients	71,514	78,131	69,568	66,088	64,129
Receivables from clients	60,413	61,360	63,059	62,902	60,483
Profit from financial operations before the creation of reserves and loss provisions	2,133	2,045	2,571	2,419	2,228
Administrative expenses	1,480	1,376	1,486	1,577	1,454
Profit on ordinary activities before tax	372	22	676	478	531
Profit for the year	285	19	539	377	424
Number of clients	108,756	110,706	110,846	117,056	112,559
Number of employees*	700	701	746	828	914
Number of points of sale	24	24	24	25	28
Share of non-performing loans (NPL)	2.64 %	2.14 %	1.54 %	2.63 %	5.43 %

** Recalculated average registered number of employees*

5. Most Important Events of the Year

In January…

Mr Edin Karabeg resigned as the Chairman and member of the Bank's Management Board as of 31 January 2021.

Ms Vratislava Šestáková resigned from her post as a member of the Bank's Supervisory Board as of 31 January 2021.

Sberbank increased the number of automated internal processes YoY by 40 %. In January the Bank also launched client-oriented processes, namely processing applications from the new Sberbank e-shop. The Bank deployed a robot for automating processes and therefore, its efficiency in processing credit applications submitted by clients through the e-shop grew and the customer experience as well as the quality of services provided to clients improved.

In February…

Sberbank, with its long-term focus on environmental sustainability, expanded its fleet by 21 Škoda Octavia Combi Style iV vehicles with plug-in hybrid drive. Thus it continued with a trend which it had started in the previous year when it added the first fully electric Škoda Citigo vehicles to its fleet.

The Bank launched a new Business FAIR Loan with the lowest rate of 3.33 % p.a. designated for SMEs and entrepreneurs. The loan is processed in a quick and straightforward manner and without fees.

In February 2021, Sberbank launched a TV campaign on current accounts, specifically on the FAIR account with a bonus of CZK 1,234 for loyalty or mobility. The ad highlighted two key benefits: the unique bonuses and ATM withdrawals worldwide free of charge.

Sberbank simplified consumer credits. A rate of 2.77 % p.a. could be obtained for all bands.

In March…

Sberbank maintained the operation of its branches and corporate centres despite tightening of the Covid-19 related restrictions in the Czech Republic. However, it recommended that clients try to resolve most of their affairs by using remote access via internet banking, Sberbank.cz website and the newly expanded call centre at 800 133 444.

Sberbank upgraded its network of ATMs. All ATMs were replaced by deposit ATMs allowing clients to deposit cash in Czech crowns. Since then, clients have been able to withdraw and deposit money in their account, regardless of the opening hours of our branches. This new feature is entirely free of charge.

In April…

From 12 April 2021, Sberbank started to operate all its branches in the regular opening hours. Despite the stricter Covid-19 related measures in March, the Bank had maintained the operation of all its branches and corporate centres but adjusted their opening hours. In April clients could once again visit our branches in regular opening hours they were used to before the pandemic.

On 22 April 2021, a regular meeting of the Audit Committee and the Supervisory Board was held, where, among other things, the Bank's financial results for 2020 were discussed.

The Bank's Annual Report and Financial Statements for 2020 were prepared and subsequently approved by the sole shareholder of the Bank, published on the Bank's website and sent to the Czech National Bank.

In May …

Sberbank made a public commitment to strengthen environmentally and socially responsible business by signing the Czech Banking Association Memorandum for Sustainable Finance. The purpose of this commitment is that the banks will contribute to creating a business environment conducive to the country's sustainable and socially responsible development.

On 5 May 2021, the Supervisory Board re-elected Mr András Kaliszky as the member of the Bank's Management Board, effective from 13 June 2021.

In June …

On 7 June 2021, the Supervisory Board re-elected Mr Daniel Krumpolc as a member of the Bank's Management Board, effective from 13 June 2021.

A regular meeting of the Supervisory Board was held on 30 June 2021.

In July …

Sberbank expanded its ATM network to include stand-alone ATMs. The total number of ATMs thus increased by more than half, from 28 to 43 machines. These ATMs were distributed around frequently visited locations.

In August …

On 3 August 2021, Mr Martin Vakoč was effectively elected as an employee representative in the Bank's Supervisory Board.

On 31 August 2021, the Supervisory Board elected Ms Marijana Vasilescu as a member of the Bank's Management Board, and the Management Board subsequently elected Ms Vasilescu as the Chairwoman of the Management Board, effective from 1 September 2021.

The charity collection under Sberbank Endowment Fund collected over CZK 343 thousand for people affected by the tornado in South Moravia. The Bank's employees donated CZK 171,565 to the Sberbank Endowment Fund, and the bank added double the amount.

In August 2021, Sberbank launched a new TV campaign for FAIR loans with a bonus rate of 1.99 % p.a.

On 23 August 2021, the Bank reduced the consumer credit rates. The credits were provided at an interest rate of 1.99 % p.a., which was lower than the average mortgage rate in July 2021. (2.23 % according to Hypoindex).

In September …

The Bank introduced a new revitalising Business FAIR Overdraft for SMEs and entrepreneurs. It provides a financial reserve without a fixed monthly cost, so the clients pay no monthly management fee. In addition, they can obtain the overdraft facility without having to provide tax returns or financial statements.

On 15 September 2021, the sole shareholder re-elected Mr Dirk Hinze as a member of the Bank's Supervisory Board, effective from 1 October 2021.

A regular meeting of the Supervisory Board was held on 30 September 2021.

In October …

Sberbank added two new robots to its team to assist the client contact centre. It resulted in automation of two previously manually intensive processes and lessening of the pressure on the contact centre operators. A total of five robots now helps the Bank handle nearly 60 different processes and has saved people more than 2,200 business days since the beginning of the year.

In November …

Sberbank Europe AG signed an agreement with Agri Europe Cyprus Limited, AIK Banka a.d. Beograd and Gorenjska Banka d.d., Kranj on the sale of its subsidiaries in Bosnia and Herzegovina (Sberbank BH d.d. Sarajevo and Sberbank a.d. Banja Luka), Croatia (Sberbank d.d.), Hungary (Sberbank Magyarország Zrt.), Serbia (Sberbank Srbija a.d. Beograd) and Slovenia (Sberbank banka d.d.).

Sberbank celebrated its 180th anniversary on 12 November 2021. It was established by a decree of Tsar Nicholas I in St. Petersburg in 1841. It is now one of the largest and fastest-growing banking groups in the world. The Czech Republic is the key European market for the Sberbank Group.

As of 15 November 2021, Sberbank increased interest rates on all deposit products denominated in Czech crowns. The Bank increased the rates on deposits of up to 1 million in savings accounts for clients with current accounts by 1.5 of a percentage point to 1.8 % p.a. Clients who invest will be able to earn interest on their deposits up to CZK 500 thousand at a rate of 2.75 % p.a. This is one of the best offers on the market.

In Decemeber …

On 7 December 2021, the sole shareholder elected Mr Timur Kozintsev as a member of the Bank's Supervisory Board, effective from 7 December 2021.

On 15 December 2021, the Supervisory Board elected Mr Timur Kozintsev as its Chairman, effective from 15 December 2021.

On 19 December 2021, a regular meeting of the Audit Committee and the Supervisory Board was held.

Mr Martin Vakoč resigned as a member of the Supervisory Board as of 31 December 2021.

As of 6 December 2021, Sberbank increased the interest rate on annual term deposits by 0.7 % to 2.7 % p.a.

Sberbank employees fulfilled the Christmas wishes of children and senior citizens. They bought 100 gifts for seniors in retirement homes and children in children's homes, thus fulfilling their Christmas wishes.

6. Sberbank Group

6.1. Sberbank Europe

About Sberbank Europe

Sberbank Europe AG, headquartered in Vienna, Austria, is a banking group that is 100 % owned by Sberbank of Russia, the largest bank in Russia, Central and Eastern Europe. Sberbank of Russia services more than 70 % of the Russian population. The European subsidiary Sberbank Europe is present in eight European markets: Austria, Germany, Bosnia and Herzegovina (Sarajevo and Banja Luka), Croatia, the Czech Republic, Hungary, Slovenia, and Serbia. As at 31 December 2021, Sberbank Europe Group had nearly 820 thousand customers, it operated 185 branches, and counted around 3.830 employees across Europe.

Sberbank Europe markets of presence

Strategy

All subsidiaries of Sberbank Europe AG are fully-fledged, self-funded universal banks with a strong focus on retail, small and medium-sized enterprises (SME) and corporate customers in CEE/SEE. The German branch of Sberbank Europe, Sberbank Direct, established in 2014 in Frankfurt, focuses on digital retail banking business and online sales channels and established itself as a successful retail bank with savings products in a very competitive although strategically important market. Sberbank Direct offers call money and fixed-term deposit products with attractive interest rates. Instant loans have been offered by Sberbank Direct since 2018 and the new credit protection insurance product was successfully introduced in 2020.

The vision of Sberbank Europe is to win customers for life, to be a bank of the first choice for the daily customers' transactions and to become a strong partner supporting the cross-border business between Europe and Russia/CIS – the markets of Sberbank Europe's presence.

For Sberbank Europe, a mix of universal and tailored product portfolios with attractive conditions for retail, SME, and corporate clients while adding value and ensuring a high level of satisfaction are the key factors in building and maintaining long-standing and robust relationships with our customers. Throughout the past years, the banking group has experienced a continuous growth of its customer base in the markets of its presence, demonstrating an ever-thriving customers' trust.

In 2021, Sberbank Europe AG, in close cooperation with the shareholder Sberbank of Russia, decided to reduce its geographic presence in Central and Eastern Europe and exit the Adriatic region and Hungary by selling the subsidiary banks in Serbia, Croatia, Slovenia, Bosnia and Herzegovina

(including Banja Luka), and Hungary – all subsidiaries representing around two thirds of Sberbank Europe's total assets. Due to the size and the advanced level of digitalization, Sberbank Europe AG sees strong potential for its business strategy in its remaining markets – Austria, Germany and the Czech Republic – where it aims to explore new business models.
The share purchase agreement was signed between Sberbank Europe AG and the buyers Agri Europe Cyprus Ltd ("AEC"), AIK Banka a.d., Beograd and Gorenjska Banka d.d., Kranj on 3 November 2021. The closing of the transaction is subject to approvals by the national and international regulators as well as by the national competition authorities and is expected to take place up to 12 months after the signing.
Sberbank Czech Republic remains under the ownership of Sberbank Europe AG and is not a part of the share purchase agreement. The Czech subsidiary will continue with its present business model, offering financial services to retail, corporate and SME clients. Strong emphasis will be on implementation of digitalization initiatives within client onboarding and loan process as well as the introduction of a new online banking platform.

Sberbank Europe AG will undergo an internal restructuring process to ensure a viable and sustainable stand-alone business model for the future. The key elements will be to focus on the remaining markets and to phase out group-steering functions, which will no longer be required in the future. Sberbank Europe wants to focus on accelerating of its digital retail business in Germany by extending its product offering by current accounts and credit cards to its successful savings and lending products.

In the corporate segment, Sberbank Europe will maintain its business, offering financial services to European clients and Russian-related businesses, building on its profound experience in investment financing, trade finance and real estate financing.

Accelerated digital transformation, continuous technological evolvement and recent demographic developments are the main drivers behind the ongoing changes in the customers' needs and expectations towards their financial providers. Sberbank Europe knows that the only way to best satisfy these demands is to undergo a deep transformation by becoming a banking group with a strong digital edge. Consequently, Sberbank Europe is digitalizing and simplifying all its processes in order to deliver high-quality, convenient, and competitive products at fair conditions that are available both online and offline, wherever our customers approach our bank.

6.2. Information on Relationships

Sberbank Europe AG is the entity directly controlling the Bank and is a part of the Group. Sberbank of Russia is the entity directly controlling Sberbank Europe AG and indirectly controlling the Bank, and is a part of the Group. The structure of the Group, including the organisational chart, is described in the Report on Relationships (see Chapter 22).

Control is exercised mainly through decisions of the sole shareholder in executing the powers of the General Meeting (e.g. through an amendment to the Bank's Articles of Association) and through members in the bodies of the Bank, i.e. the Supervisory Board and the Audit Committee (e.g. the Supervisory Board appoints and dismisses members of the Management Board of the Bank).

The Bank is not dependent on any other company in the Group.

The Bank complies with and is governed by Act No. 90/2012 Coll. on business corporations (the "Business Corporations Act"). The Business Corporations Act stipulates that anyone who, using their influence in a business corporation, significantly and decisively affects the actions of that business corporation to its detriment, is obliged to provide compensation for the damage, unless they prove that they could have reasonably assumed that they acted in an informed manner and in the defensible interest of the entity affected. The measures to ensure that the controlling entity does not abuse the control arise from the Business Corporations Act. They include in particular the duty of the Management Board to prepare a report on relationships between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity for the past fiscal period, and the duty of the controlling entity to compensate the controlled entity for any damage incurred. The Report on Relationships for 2021 is presented in the chapter entitled Report on Relationships (see Chapter 21).

6.3. Sberbank Europe AG business model

Sberbank Europe's business model is based on five strategic pillars:

- **Profitable & self-sustainable**: Sberbank Europe pursues self-sustainable growth, focuses on high-margin products and businesses, exercises prudent capital management while further boosting the business in the banks. Stable income streams, improved asset quality, and enhanced risk management are the main contributors to the sustainable business growth and profitability strengthening in the years to come.
- **Customer-oriented**: Customer centricity is at the heart of every successful business. That is why Sberbank Europe has made high customer satisfaction, strengthening the customer experience and excellence within its top priorities. To build an excellent relationship, to attract and retain the customers in the market, Sberbank Europe aims to exceed the expectations by continuously upgrading its product offerings, providing new channels, and entering new partnerships.
- **Modern bank**: The future vision for Sberbank Europe is to be a hybrid bank – a fully digital bank with physical presence. Sberbank's ambition is to service its ever-increasing tech-savvy customers to the highest quality standards by undergoing a complete digital transformation by introducing omnichannel banking tools and expanding its digital products portfolio.
- **Light bank**: Being an agile institution in a fast-moving and dynamic banking landscape is the feature which sets us apart from the rest. Sberbank Europe continues to improve its operations by implementing state-of-art efficiency measures characterized by strict cost management, robotization, process automation, branch network optimization, competency improvement, and effective steering among others.
- **People-focused**: One of the core strengths of Sberbank Europe is its diverse and competent human capital. We at Sberbank strongly believe that the way we treat our people will directly affect and reflect on the services we provide to our highly valued customers. For this reason, to retain and attract the best talent in the region, we aim at promoting open culture and at providing the best environment for our employees to grow, through implementing leadership and succession planning, talent management and acquisition, training and workshops, helping them to strengthen their core competencies.

Sberbank Europe recognizes that long-term sustainable business development depends on the achievement of global social, environmental and economic objectives and the transition to a new, more sustainable economic model that is possible through ESG transformation.

Sberbank Europe is implementing a systemic approach to the integration of ESG factors and sustainability aspects in all operating areas through a multi-tier architecture covering all the components required for an effective achievement of the goals and commitments in long-term sustainability and improvement in the ESG aspects. The environmental, social and governance considerations will become the core of the sustainable and responsible financing that the Group will continue promoting in the future while motivating its customers to follow ESG principles in their businesses as well.

7. Bank Bodies

7.1. Management Board

Marijana Vasilescu
Chairperson of the Management Board
Chief Executive Officer
Member of the Management Board since: 1 September 2021
Chairperson of the Management Board since: 1 September 2021
Banking experience: 18 years
Management experience: 24 years

Marijana Vasilescu was born on 11 May 1973 in Timisoara, Romania. She graduated from the Academy of Economic Studies in Bucharest, Romania, and she obtained Bachelor and Master Degree in the Business Trade Specialization Marketing. She holds an Executive MBA diploma from the London Business School (2018).

Between 1996 and 2004, she worked as the Marketing Manager for Unilever and Masterfoods (Mars) in Romania. Between 2004 and 2012, she worked for ABN AMRO Bank and RBS consequently where she served in different roles, as the Head of Product & Marketing and the Head of Affluent and Retail Banking in Romania (2004 to 2006 and 2008 to 2012) and the Head of Retail Banking in Russia (2006-2008).

Between 2012 and 2013, she worked for JSC Home Credit Bank in Kazakhstan, where she served as the Chief Marketing Officer and a Management Board member. From 2013 to August 2016, she worked for Sberbank Srbija a.s. Beograd as a Management Board member responsible for Retail Banking and from December 2016 as the Chairperson of the Management Board and Chief Executive Officer. Since 1 September 2021, she has been the Chairperson of the Management Board of Sberbank Czech Republic and the Chief Executive Officer.

She is a member of the Supervisory Board of the Sberbank Serbia; she is not a member of bodies of any other companies.

Members of the Management Board

Dušan Baran
Deputy Chairman of the Management Board
Member of the Management Board responsible for finance management
Member of the Management Board since: 1 September 2017
Deputy Chairman of the Management Board since: 22 May 2018
Banking experience: 26 years
Management experience: 20 years

Dušan Baran was born on 6 April 1965 in Sušice. He graduated from the Faculty of Mathematics and Physics of Charles University and the Graduate School of Banking in Colorado and holds an Executive MBA from the University of Pittsburgh. Between 1993 and 2013, he worked for Česká spořitelna, a.s., where he served, among others, as a member of the Management Board (1998–1999), the chairman of the Management Board (1999–2000) and the deputy chairman of the Management Board (2000–2013). From 2014 to August 2017, he provided professional advisory services in the field of strategies, financial management and risk management to financial institutions and corporations. Since 1 September 2017, he has been a member of the Management Board of the Bank responsible for finance management.

He is the chairman of the Supervisory Board of the Sberbank CZ Endowment Fund; he is not a member of bodies of any other companies.

Jindřich Horníček
Member of the Management Board responsible for risk management
Member of the Management Board since: 1 February 2016
Banking experience: 20 years
Management experience: 15 years

Jindřich Horníček was born in Brno on 18 August 1977 and studied economics at Masaryk University. From 2000 to 2001 he worked at Kasolvenzia Morava s.r.o., where he managed problematic receivables. In 2002, he joined Volksbank CZ, a.s., where he worked in various positions, including Relationship Manager for a business unit (2001–2002), a Risk Manager (2002–2007), the Head of SME Credit Risk (2007–2009), the Head of SME and Retail Credit Risk (2009–2010), the Head of the Credit Risk Division (2010–2012) and the Head of the Underwriting Division (2012–2016). In February 2016 he became a member of the Management Board of the Bank responsible for risk management.

He is a member of the Supervisory Board of the Sberbank CZ Endowment Fund; he is not a member of bodies of any other companies.

András Kaliszky
Member of the Management Board responsible for banking operations and IT
Member of the Management Board since: 13 June 2018
Banking experience: 17 years
Management experience: 21 years

András Kaliszky was born on 17 January 1968 in Budapest. He graduated from the Technical University in Budapest and has a master's degree in Business Administration and Management at the University of Wisconsin in Milwaukee. From 1998 to 2002 he worked for PricewaterhouseCoopers Ltd. - PWC Consulting as a Senior Consultant, Manager and a Senior Manager. From 2003 to 2004, he worked for IBM Business Consulting as a Senior Manager. From 2004 to 2014, he worked at UniCredit Bank Hungary, from 2008 to 2014 as a member of the Management Board holding the position of the Chief Operation Officer. From 2014 to 2018, he was working in the same position as the member of the Management Board of Raiffeisen Bank Hungary responsible for banking operations and Information Technology.

He is not a member of bodies of any other companies.

Daniel Krumpolc
Member of the Management Board
Member of the Management Board responsible for corporate banking
Member of the Management Board: 13 June 2018 – 31 January 2022
Banking experience: 21 years
Management experience: 21 years

Daniel Krumpolc was born in Prague on 11 July 1970. He graduated from the University of Economics. From 2000 to 2018 he worked for Citigroup Citi Commercial Bank (CCB) - Citibank Prague in various positions, including a Senior Relationship Manager (2000–2008), the Head of Middle Market Department (2008–2011), the Head of SME Sales (2011–2012) and the Head of CITI COMMERCIAL Bank Division for the Czech Republic and Slovak Republic.

He is not a member of bodies of any other companies.

Members of the Management Board whose membership ended in 2021

Edin Karabeg
Date of termination of membership: 31 January 2021

Edin Karabeg has been the Chairman of the Bank's Board of Directors since March 26, 2018. His term of office at the Bank's Board of Directors was terminated with effect from January 31, 2021.

7.1.1 Committees Established by the Management Board

Assets and Liabilities Management Committee

The Committee members with voting rights are:

Member of the Management Board responsible for Finance Management, Chief Executive Officer, Member of the Management Board responsible for Risk Management, Member of the Management Board responsible for Corporate Banking, the Head of OU 026 ALM/Treasury and the Head of OU 070 Integrated Risk Management.

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Pavel Süsser
Head of OU 026 ALM/Treasury

Tomáš Hanzlík
Head of OU 070 Integrated Risk Management

Credit Committee

The Committee members with voting rights are:

Member of the Management Board responsible for Finance Management, Chief Executive Officer, Member of the Management Board responsible for Risk Management, Member of the Management Board responsible for Corporate Banking and Head of OU 368 Corporate Underwriting

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Jan Pacák
Head of OU 368 Corporate Underwriting

Distressed Assets Committee

The Committee members with voting rights are:

Member of the Management Board responsible for Finance Management, Chief Executive Officer, Member of the Management Board responsible for Risk Management, Member of the Management Board responsible for Corporate Banking, the Head of OU 037 Workout & Restructuring and the Head of OU 073 Credit Risk.

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Jiřina Mevaldová
Head of OU 037 Workout & Restructuring

Martin Vakoč
Head of OU 073 Credit Risk

Risk Committee

The Committee members with voting rights are:

Member of the Management Board responsible for Finance Management, Chief Executive Officer, Member of the Management Board responsible for Risk Management, Member of the Management Board responsible for Corporate Banking, the Head of OU 070 Integrated Risk Management and the Head of OU 073 Credit Risk.

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Tomáš Hanzlík
Head of OU 070 Integrated Risk Management

Martin Vakoč
Head of OU 073 Credit Risk

Operating Committee

The Committee members with voting rights are all members of the Management Board of the Bank.

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

András Kaliszky
Member of the Management Board responsible for Banking Operations

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Social Committee

The Committee members with voting rights are:

The Head of OU 160 HR Management, the Head of OU 551 Operations, the Head of OU 175 Compliance & AML, the Head of OU 001 Retail Sales and the Head of OU 720 Operational Risk & Fraud Management.

Petr Čeřovský
Head of OU 160 HR Management

Oľga Pavlíková
Head of OU 551 Operations

Martin Vlček
Head of OU Compliance & AML

Milan Horák
Head of OU 001 Retail Sales

Vladimír Cupal
Head of OU 720 Operational Risk & Fraud Management

Executive Committee

The Committee members with voting rights are all members of the Management Board of the Bank.

Marijana Vasilescu
Chief Executive Officer and Chairperson of the Management Board

Dušan Baran
Deputy Chairperson of the Management Board responsible for Finance Management

Jindřich Horníček
Member of the Management Board responsible for Risk Management

András Kaliszky
Member of the Management Board responsible for Banking Operations

Daniel Krumpolc
Member of the Management Board responsible for Corporate Banking

Milan Horák
Head of OU 001 Retail

Jan Novák
Head of OU 030 SME

Branko Sušić
Head of OU 020 Corporate & Investment Banking

Martin Vakoč
Head of OU 073 Credit Risk Management

Oľga Pavlíková
Head of OU 551 Operations

Tomáš Říha
Head of OU 015 IT

Petr Čeřovský
Head of OU 160 HR Management

Martin Breyl
Head of OU 080 Accounting, Reporting & Controlling

Zdeněk Remr
Head of OU 155 Products & Campaigns

Michal Földeš
Head of OU 105 Legal

Claims Committee

The Committee members with voting rights are:

The Head of OU 160 HR Management, the Head of OU 080 Accounting, Reporting & Controlling, OU 190 Facility Management, OU 850 IT Service Management, OU 059 Business Booster, OU 720 Operational Risk & Fraud Management, OU 175 Compliance & AML.

Petr Čeřovský
Head of OU 160 HR Management

Martin Breyl
Head of OU 080 Accounting, Reporting & Controlling

Andrea Marhounová
Head of OU 190 Facility Management

Jan Lintner
Head of OU 850 IT Service Management

Ondřej Polák
Head of OU 059 Business Booster

Vladimír Cupal
Head of OU 720 Operational Risk & Fraud Management

Martin Vlček
Head of OU 175 Compliance & AML

7.2. Supervisory Board

Chairman of the Supervisory Board

Arndt Nikolai Röchling

Member of the Supervisory Board since: 2 November 2016

Chairman of the Supervisory Board since: 2 November 2020 until 8 December 2021

Banking experience: more than 26 years

Management experience: 15 years

Arndt Röchling was born in the Federal Republic of Germany on 20 October 1967. He graduated from the University of Passau, majoring in Business Management with a focus on banking, finance, organisation and human resources. He wrote and defended his doctoral thesis at the University of Frankfurt an der Oder. In 2001–2007, he worked in various positions at Raiffeisen Zentralbank Austria AG. In 2007–2009, he headed the Financial Controlling Department at Raiffeisenbank Russia. In 2009–2015, he was a member of the Management Board of Raiffeisenbank Russia responsible for Finance. In 2015–2016, he was a member of the Management Board of Deutsche Bank in the Russian Federation and, from 2016 until end of May 2021, he was a member of the Management Board of Sberbank Europe AG responsible for Finance, now he is the Senior Advisor of the Management Board of Sberbank Europe AG.

Membership in bodies of other companies:

He is a member of the Management Board of Sberbank Europe AG in Vienna, Chairman of the Audit Committee of Sberbank Srbija a.d. Beograd, Chairman of the Supervisory Board of Sberbank Srbija a.d. Beograd, Chairman of the Supervisory Board, Chairman of the Nomination Committee, Chairman of the Risk Committee and Chairman of the Remuneration Committee of Sberbank BH d.d. Sarajevo and Chairman of the Audit Committee of Sberbank CZ, a.s.

Timur Kozintsev

Member of the Supervisory Board: since 7 December 2021

Chairman of the Supervisory Board: since 15 December 2021

Banking experience: 28 years

Management experience: 18 years

Timur Kozintsev was born in the Russian Federation on 19 September 1972. He graduated from the Moscow State University, majoring in Economy, and holds a doctorate in Finance and Credit. In 1996-2008, he worked in various positions at AO UniCredit Bank, in 2008-2010 – Kapital Investment Company. In 2010, he held the position of the Director of the Department, Vice President for Investment Projects in IFD Kapital, Moscow, and in 2010-2012 was a member of the PanAtlantic Board of Directors, Houston, USA (a geological company affiliated to IFD Kapital).

In 2013-2015, Timur held various positions at Sberbank of Russia in the International Operations Block. From 2015 to 2020, he was a member of the Board of Directors and CRO of Denizbank. Since 2020, he has been heading Sberbank International, Senior Vice-President at Sberbank of Russia.

Membership in bodies of other companies:

He is Deputy Chairman of the Supervisory Board of Sberbank Europe AG in Vienna and also active in its committees, Chairman of the Supervisory Board of Sber Bank in the Republic of Belarus,

Chairman of the Board of Directors of SB “Sberbank” JSC and a member of the Supervisory Board of “Sber Vostok” in the Republic of Kazakhstan, a member of the Supervisory Board of “IR BANK” JSC in Ukraine.

Members of the Supervisory Board

Sonja Sarközi

Member of the Supervisory Board since: 14 January 2019

Banking experience: 35 years

Management experience: 21 years

Sonja Sarközi was born in the Republic of Austria on 13 July 1967. She graduated from the High School for Business Studies in Vienna.

In 1987–2001, she held various Senior and Executive Management positions in BAWAG P.S.K. and easybank AG. In 2001–2009, she was a member of the Management Board at easybank AG. From 2003 to 2016, she was a member of the Supervisory Board in the Austrian banking sector and, from 2004 to 2007, she was a member of the Supervisory Board of BAWAG Bank CZ. In 2009–2016, she was the Chairwoman of the Management Board (CEO) of easybank AG and, in 2016, she held the position of Chief Innovation Officer (CIO) at BAWAG P.S.K. Group. Since 2017, she has been a member of the Management Board of Sberbank Europe AG and she has been the CEO since 1 August 2018.

Membership in bodies of other companies:

She is a member of the Management Board and the CEO of Sberbank Europe AG, Chairwoman of the Supervisory Board of Sberbank banka d.d, Deputy Chairwoman of the Risk Committee at Sberbank d.d. Slovenia, Deputy Chairwoman of the Supervisory Board at Sberbank Magyarország Zrt. and a member of the Audit and Compliance Committee at Sberbank Magyarország Zrt.

Aleksei Mikhailov

Member of the Supervisory Board since 1 July 2019

Banking experience: 15 years

Management experience: 18 years

Aleksei Michailov was born in the Russian Federation on 24 February 1975. In 1997, he graduated from the Faculty of Mathematics and Informatics at the Novgorod State University in Velikij Novgorod, Russian Federation.

In 1999–2006, he held various positions in IT companies within the Russian Federation. From 2006 to 2008, he was the CIO of Alliance Bank in Kazakhstan. In 2009–2013, he was the Head of Retail Technologies Office at Sberbank of Russia in Moscow. From 2013 to 2018, he worked in managerial positions in the following companies – ATF Bank & KNG Finance Holding (Kazakhstan), Probiznesbank (Russian Federation), Sberbank Technologies (Sberbank Group) and then Sberbank of Russia. Since 2018, he has held the position of the Chief Technical Officer and a member of the Management Board at Sberbank Europe AG in Vienna.

Membership in bodies of other companies:

He is a member of the Management Board at Sberbank Europe AG in Vienna, member of the Supervisory Board, Deputy Chairman on the Audit Committee, Deputy Chairman of the Remuneration Committee, Chairman of the Risk Committee and Chairman of the Nomination

Committee at Sberbank d.d. in Croatia, Deputy Chairman of the Supervisory Board, Deputy Chairman of the Nomination Committee and Deputy Chairman of the Risk Committee at Sberbank BH d.d. in Sarajevo, Bosnia and Herzegovina.

Alexander Witte

Member of the Supervisory Board since 1 November 2020

Banking experience: 33 years

Management experience: 25 years

Alexander Witte was born on 29. 1. 1961 in Moscow. He is fluent in five languages (Russian, German, English, Bulgarian and Serbian) and in 1987 he obtained a Doctor title in Law from the University of Vienna.

Throughout his career of more than 30 years he has gathered valuable experience within the financial industry in CEE, Russia, CIS, China and Singapore. In 2001-2002, he served as EBRD's Country Representative in Armenia. Alexander Witte spent more than 20 years with the Raiffeisen Group, serving, among others, as their CRO in Serbia, the Ukraine and the Asia-Pacific region. He also headed Raiffeisen's underwriting unit for the Central and Eastern Europe. From 12/2013 to June 2017 he was the CRO at Russia's second largest bank – VTB – in the Ukraine. He took over his duties as the Chief Risk Officer (CRO) at Sberbank Europe AG in Vienna at the end of 2017.

Membership in bodies of other companies:

He is a member of the Management Board of Sberbank Europe AG in Vienna, the Chairman of the Supervisory Board at SBERBANK a.d. Banja Luka, the president of the Supervisory Board at Sberbank Magyarország Zrt. in Hungary, the president of the Audit and Compliance Committee at Sberbank Magyarország Zrt. in Hungary, a member of the Board of Directors at Sberbank Srbija a.d. Beograd, and a member of the Supervisory Board at Sberbank CZ, a.s. in Prague.

Dirk Hinze

Member of the Supervisory Board since: 1 November 2018

Banking experience: 25 years

Management experience: 30 years

Dirk Hinze was born on 11 July 1951 in Wuppertal, the Federal Republic of Germany. He graduated from the University of Wuppertal. In 1982–1997, he worked at Citibank in the Federal Republic of Germany and in New York as Management and Sales Trainer, the Head of Training Centre Department, the Head of Management Training Department, the Training Director, the Sales Director and the Area Director. From 1998 to 2002, he held the position of the Chief Director responsible for Retail Clients and Small and Medium-Sized Enterprises in Československá obchodní banka, a.s. In 2002–2004, he was a member of the Executive Committee of Československá obchodní banka, a.s. in Bratislava. In the period of 2004–2007, he worked in the German branch of GE Money Bank as the director of retail banking and a member of the Management Board. In 2007–2011, he was a member of the Management Board of Raiffeisenbank Russia. He has been an independent consultant since 2012.

He is not a member of bodies of any other companies.

Martin Vakoč
Member of the Supervisory Board since 3 August 2021 until 31 December 2021
Banking experience: 17 years

Management experience: 13 years

Martin Vakoč was born on 6 November 1979 in Brno. He graduated from the Faculty of Economics and Administration of Masaryk University in Brno. He has more than 17 years of experience in the banking sector in product and segment development and credit risk management. He has held various positions at ČSOB, GE Money Bank and Raiffeisenbank where he represented the bank on the Administrative Board of the Financial Distress Counselling Centre. From 2014 to 2021, he was the Head of Credit Risk Management at Sberbank CZ, a.s.

He is not a member of bodies of any other companies.

Vratislava Šestáková

Member of the Supervisory Board since: 9 June 2020
Banking experience: 11 years
Management experience: 14 years
Membership in the Supervisory Board was terminated on 31 January 2021.

Vratislava Šestáková was born in Havířov on 4 August 1970. She graduated from the Faculty of Agriculture at Mendel University in Brno.

From 1994 to 2006 she worked in the pharmaceutical industry. In 2006 she started working in the banking industry at GE Money Bank in various managerial positions, mainly in the area of Operations. Subsequently, she continued in managerial roles in the area of customer service and project management at company innogy. From 2018 to December 2021 she headed the Back Office departments at Sberbank CZ, a.s.

Membership in bodies of other companies:

Member of the Supervisory Board of Nadační fond Sberbank CZ until 31 January 2021.

Petr Podaný

Member of the Supervisory Board since 14 January 2019

Banking experience: 12 years

Management experience: 12 years

Petr Podaný was born on 14 November 1981 in the town of Příbram. He graduated from the Faculty of Applied Sciences in Pilsen, majoring in Cybernetics with a focus on information and control systems. In 2012, he graduated as the Master of Business Administration, focusing on human resources management. In 2006–2008, he worked as an IT consultant. From 2008 to 2012, he held various positions at Komerční banka. In the period of 2012–2014, he held the position of the Senior Manager at a technology and consulting company. Since 2014, he has been responsible for Data & Analytics at Sberbank CZ, a.s.

He is not a member of bodies of any other companies.

Branko Sušić

Member of the Supervisory Board since 14 January 2019

Banking experience: 26 years

Management experience: 19 years

Branko Sušić was born on 13 May 1971 in the town of Pilsner. He graduated from the University of Economics in Prague, majoring in Foreign Trade Economics. From 1996 to 1998, he worked in the Treasury Department of Raiffeisenbank Prague. In 1998–2006, he worked at Deutsche Bank Prague in the Global Markets Division which he later led as the Head of Sales for the Czech Republic and Slovakia. From 2006 to 2012, he worked in the Czech and Slovakian branch of Credit Agricole CIB as the Head of Fixed Income Markets Department. In 2012–2014, he worked at the Prague branch of Commerzbank AG as the Head of Corporates & Markets responsible for the Czech and Slovak Republic. Since August 2014, he has been working for Sberbank CZ, a.s., currently as the Head of Corporate & Investment Banking.

He is not a member of bodies of any other companies.

Members of the Supervisory Board whose membership ended in 2021

Vratislava Šestáková

Date of membership termination: 31 January 2021

Vratislava Šestáková was a member of the Supervisory Board from 9 June 2020. Her position on the Bank's Supervisory Board was terminated with effect from 31 January 2021.

Martin Vakoč

Date of membership termination: 31 December 2021

Martin Vakoč was a member of the Supervisory Board from 3 August 2021. His position on the Bank's Supervisory Board was terminated with effect from 31 December 2021.

The Bank's Supervisory Board has not established any committees.

7.3. Audit Committee

Chairman of the Audit Committee

Arndt Röchling
Member of the Audit Committee since: 1 July 2016
Chairman of the Audit Committee since: 4 July 2016
Banking experience: more than 26 years
Management experience: 15 years

For a detailed curriculum please see chapter 7.2 Supervisory Board

Member of the Audit Committee

Dirk Hinze
Member of the Audit Committee since: 30 November 2018
Banking experience: 25 years
Management experience: 30 years

For a detailed curriculum please see chapter 7.2 Supervisory Board

Member of the Audit Committee

Béla Czigony
Member of the Audit Committee since: 1 July 2019
Banking experience: 16 years
Management experience: 11 years

Béla Czigony was born on 25 September 1977 in Budapest. He studied economics and European Studies at the University of Budapest. He worked as a Controller and EU Expert at the Ministry of the Interior in Hungary from 2002 to 2005. From 2005 to 2015, he worked in various positions at MKB Bank. He worked as a Reporting Specialist at the Accounting and Financial Reporting Unit from 2005 to 2010. From 2010 to 2012, he was the Head of the IFRS Reporting Unit. From 2012 to 2015, he was the Head of the IFRS and Supervisory Reporting Department. From 2015 to April 2017 he worked as a Senior Manager at the Audit Advisory at Deloitte. Since April 2017, he has been working as the Head of Accounting at Sberbank Europe AG in Vienna.

Membership in bodies of other companies:
He is a chairman of the Audit Committee of Sberbank BH d.d. Sarajevo.

7.4. Sole Shareholder

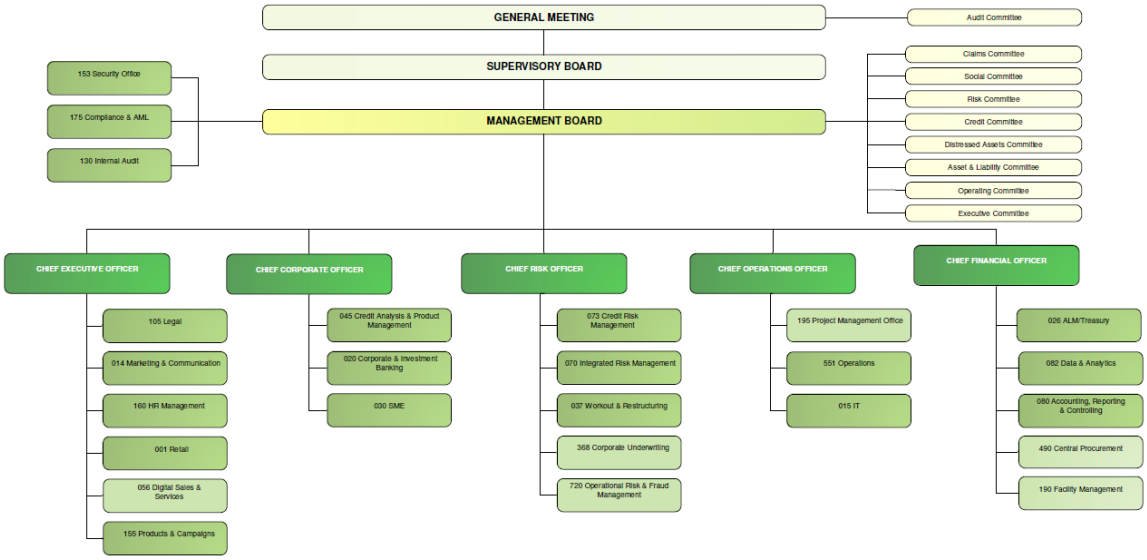
Sberbank Europe AG

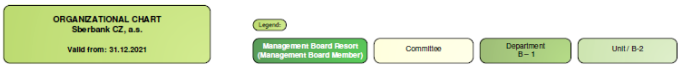
Registration number: FN 161285i

Sberbank Europe AG is the sole shareholder of the Bank.

It is based in Vienna at: Schwarzenbergplatz 3, 1010 Vienna, Republic of Austria

8. Organisational chart





9. Economic Conditions

In Q3 2021, there were no longer any anti-pandemic measures restricting the economy, which contributed to further economic recovery. The Gross Domestic Product (GDP) rose by 1.5% compared with Q2 and by 3.1% year-on-year. Both Y/Y and Q/Q growth was driven solely by domestic demand – the consumption was rising, and the substantial rise in reserve supported spending on gross capital formation. However, the problems with supply of industrial components persisted and deepened, seriously disrupting domestic exports, especially motor vehicles. Foreign demand was thus a great obstacle in GDP growth. Among other European countries, the Czech Republic had a below-average year-on-year GDP growth. Overall, GDP in the EU grew by 2.1% quarter-on-quarter and by 3.9% year-on-year. For most EU countries, GDP even surpassed the pre-crisis Q3 2019 level.

Gross value added (GVA) increased Q/Q by 1.4% in Q3. On a year-to-year basis, GVA was higher by 2.9%. Both Y/Y and Q/Q growth was driven by services, especially the trade, transport, accommodation and hospitality cluster, which benefited most from the final loosening of the restrictions. Growth was also recorded in public administration and defence, education, health and social care, finance and insurance, information and communication, as well as in professional, scientific, technical and administrative activities. In contrast, GVA in the manufacturing industry was plagued by disruptions in international supply chains and fell compared to Q2 and stagnated Y/Y.

Exports of goods and services fell by 5.9% Q/Q in Q3, and they were down by 2.3% compared to the previous year. Imports fell by 3.3% Q/Q but were up by 8.3% compared to the previous year. This resulted in a record fall in the foreign trade surplus. It amounted to CZK 15.8 billion but was lower by CZK 102.1 billion compared to the previous year. The main contributor to the decline in the goods trade was the fall in surplus in the motor vehicles trade. In particular, higher prices of material intensified the deficit in oil, gas and base metals.

The Y/Y growth in the overall price level (as measured by the GDP deflator) accelerated to 4.6% in Q3. The price level increased by 1.1% compared to Q2. The consumer price index increased by 4.1% Y/Y in Q3, the most since Q4 2008. Transport, housing, utilities, alcoholic beverages and tobacco were the main drivers of the consumer price inflation. Housing and utility prices, along with food, non-alcoholic beverages, clothing and footwear, also contributed to the marked acceleration in the consumer price inflation. The price growth of industrial producers in the Czech Republic and the EU was strongly affected by oil and natural gas prices. The prices of Czech industrial producers increased by 9.0% Y/Y in Q3.

At the beginning of 2021, the Czech economy was stifled by anti-pandemic measures. When the economy unclenched again in spring, the economic growth was reinstated and continued throughout the year. The economic growth occurs under increased inflationary pressure, which is now causing inflation to be well over the CNB's 2% target. This pressure is not only driven by external shocks, such as disruptions in global production and supply chains or rising energy prices, but also stems from the domestic economy. The CNB reacted by raising the interest rates repeatedly. In Q3, the monetary policy interest rates increased again; CNB raised the basic rate by 125 basis points to 2.75% in November 2021, whereas in spring, the basic rate had remained near zero. Government bond yields were also higher. The changes in monetary policy rates prompted changes mainly in the interest rates on deposits with agreed maturity. The interest rates on credits to households and businesses were also rising across the board. Growth in housing loans volume accelerated.

The overall employment increased by 0.6% year-on-year in Q3. Compared to Q2, employment increased by 0.4%. This applied exclusively to the number of employees (1.7% increase Y/Y and

0.7% increase Q/Q), while the number of self-employed fell by 6.1% Y/Y (by 1.6% Q/Q). The general unemployment rate continued to decline and amounted to 2.7% in September. Specifically, women's unemployment dropped significantly, but the recovery of services also had a positive impact on their economic activity and employment, which rose during Q3. The average salary increased by 1.5% quarter-on-quarter and reached CZK 37,499. The average salary was 5.7% higher Y/Y in nominal terms, and the actual increase was only 1.5%.

Over the first three quarters, the state budget ended with a deficit of CZK 326 billion, which is by CZK 74 billion worse than last year's deficit. The state budget revenues were negatively affected particularly by the reduction in tax on labour, capital and property, as well as by the change in the budget allocation of taxes in favour of territorial budgets. The aggregate state-wide tax collections exceeded Q1–Q3 2020 levels by precisely 2%. Non-investment transfers to business entities contributed by one third to the year-on-year increase in current expenditure. A quarter of the increase was thanks to higher payments for the state insurance.

Source: CZSO, Economic Development of the Czech Republic in Q3 2021;
CNB, Interest Rate Increases in 2021

10. Report of the Management Board

10.1. Introduction

10.1.1. Meeting the Objectives in 2021

In 2021, the global coronavirus pandemic continued and intervened with the social and economic life in the Czech Republic and abroad. When the economy unclenched again in spring, the economic growth was reinstated and continued throughout the year. The annual GDP growth was 3.1% in Q3.

However, the economic growth occurs under increased inflationary pressure, which is now causing inflation to be well over the CNB's 2% target which reacted by raising the basic rate repeatedly. In November 2021, CNB raised the basic rate by 125 basis points to 2.75%, whereas in spring, the basic rate had remained near zero. Our Bank reacted by adjusting the mortgage interest rates and increasing the interest rates on deposit products repeatedly.

The Bank had to respond to the ongoing pandemic even in 2021. Its crisis management team adopted several measures to protect the Bank's stability and the health of our clients and employees. We managed to keep the entire branch network in operation and offer our clients new products and services to help them in this extraordinary situation. The Bank was also flexible in adopting all restrictions decreed by the Czech government in order to prevent the pandemic from spreading further.

Competition in the banking market remained strong with continuing diversification of the market to large and medium-sized banks. The rapid adoption of digital solutions for clients, amplified by the aforementioned Covid-19 pandemic, has fuelled investment in and development of the technology and digitisation of banking services.

In 2021, we focused on further improving selected products and services for retail and corporate clients, a gradual increase in the market share in the key customer segments, availability for our clients through the physical distribution network and digital channels and an increase in active clients ratio in our portfolio.

The Bank gradually improved the internet and mobile banking for retail clients, cultivated the corporate banking, ATM network and payment cards, and digitised the loan application processes.

The Bank's financial results were further affected by the ongoing pandemic and rising interest rates. It oriented its business strategy to sustainable growth in the key segments. The Bank developed its environmental policy in-line with the Group's environmental strategy.

Corporate Banking Results

In the corporate and investment banking, the growth strategy was pursued mainly by expanding cooperation with the existing clients; however, new business relationships were also established. We succeeded in maintaining a healthy and stable credit portfolio, which is based on the rigorous assessment and monitoring of the risk profile of clients and their transactions, focusing on the high-risk client segments. This continuous activity has not led to any insolvencies recorded in this segment despite the ongoing pandemic and its effect on the economy.

The volume of deposit products was slightly reduced in-line with the Bank's liquidity management. There was a slight decrease in the volume for active products, but at the same time, the average interest margin of the credit portfolio increased. There was also a slight Y/Y decline in fees.

In the SME segment, including companies with a turnover between EUR 3 and 50 million, the Bank's long-term goal is to provide quality client services and expand its client base. The SME segment also fulfils the clients' needs in the renewable energy and agriculture segments and real estate financing.

Due to the Covid-19 pandemic in 2021, the SME segment recorded a rise in the base interest rates, and the rising inflation slowed down the investment activities. However, assets managed to increase by 2.4% Y/Y by providing new financing to the SME entities.

Retail Banking Results

We had a good year in the field of retail banking. The sales of key products to private individuals increased and the portfolio in financing of small businesses and entrepreneurs remained stable.

The number of clients actively using their current accounts increased by activating the existing clients and acquiring new ones. The customer satisfaction index regarding our services provided at branches increased compared to the previous year.
The new account with a loyalty bonus introduced in 2020 appealed to clients, and its sales were consistently high throughout the year. The number of clients actively using their current accounts grew by activating the existing clients and acquiring new ones. The customer satisfaction index regarding our services increased compared to the previous year.

The year 2021 turned out to be very successful for consumer credits, one of the Bank's core products. The portfolio increased by 18%, and new sales grew by almost 90%.

Assets

Sberbank CZ, a.s. owns four floors of the M-Palác administrative building located at Heršpická 5 in Brno.

All movable assets (furniture, IT equipment, technological equipment of the buildings, etc.) have been brought to rented premises of the Bank or the Bank's own premises and serve for the operation of 24 business branches and two corporate centres.

The net book value of the land, buildings and equipment amounted to CZK 527 million as at 31 December 2021 (CZK 437 million as at 31 December 2020).

The cost of fully depreciated tangible assets still in use was CZK 137 million as at 31 December 2021 (CZK 149 million as at 31 December 2020).

Strategic Projects

In addition to achieving the Bank's business goals, one of the important priorities is successful implementation of the key projects. Their aim is to develop and implement new products and services and to increase the efficiency of the Bank's internal processes and systems. This includes a number of projects on compliance with regulations. The year 2021 was strongly influenced by the pandemic. Nevertheless, it has prompted acceleration of digitisation.

The Bank also focused on the client-oriented digitisation and online processes. It added features to the online banking, introduced a fully online-based digital process of providing cash loans for pre-approved credits, and launched digital payments via Google Pay.

In 2021, we implemented a very successful digital innovation and introduced the electronic signature for SMEs and corporate clients. The system enables them to submit documentation for different purposes to the Bank in a digital form, replacing paper-based communication with the clients. At the

end of 2021, we also started providing a completely new online-banking solution for SMEs and corporate clients.

10.1.2. Expected Bank Development and Financial Position of the Bank in 2022

Since March 2020, the Czech Republic has been facing Covid-19 pandemic, which has affected the whole society and which still continues at the beginning of 2022. The bank also had to respond to this situation. Its crisis team has taken a number of measures to protect the bank's stability and the health of its clients and employees. We managed not only to keep the entire branch network in operation, but also to offer clients new products and services that help them in this extraordinary situation. The Bank is also flexibly adapting to all measures taken by the Government of the Czech Republic to prevent further spread of the pandemic.

The year-on-year growth of the real gross domestic product in 2021 was 3.3%. In 2022, a further recovery of the economy and year-on-year growth of real gross domestic product is expected at + 3.1%. Together with the ongoing Covid-19 pandemic, the environment of rising interest rates, with the prospect of further growth especially in the first half of 2022, will affect the bank's financial results externally in 2022.

The competition in the banking market will remain strong as the market continues to consolidate and diversify into large and medium-sized banks. The rapid adoption of digital solutions by customers, exacerbated by the aforementioned Covid-19 pandemic, will continue to support investments in technology and digitization of banking services.

For year 2022, the bank had plans to focus on further improving of selected products and services for retail and corporate clients, a gradual increase in the market share in key customer segments, availability for customers through the physical distribution network and digital channels, and increasing of the share of active clients in the portfolio. The Bank had plans to further gradually improve the Internet and mobile banking for retail clients, to develop corporate banking, ATM networks, cards and to continue digitization of credit processes.

As a part of its strategy, the bank had planed also focus on satisfaction of our employees and the quality of the working environment, taking into account the impact of Covid-19 on the manner and form of the work performed.

The bank's business strategy has been focused on sustainable growth in the key segments. The Bank had planed to develop its environmental policy for 2022 in accordance with the group's environmental strategy.

The Bank has had sufficient capital and liquidity for further development, as well as adequate reserves to cover unexpected and undesirable market developments. The bank's financing has been secured thanks to a stable amount of client deposits.

On 28 February 2022, due to the deterioration of the bank's liquidity situation in connection with a significant outflow of deposits following Russian's invasion of Ukraine, the Czech National Bank ("CNB") initiated steps to revoke the banking licence of Sberbank CZ, a.s. In connection with this, the CNB issued a preliminary measure restricting the bank's handling of assets and liabilities, including the provision of new loans and the acceptance of deposits.

On 9 March 2022, i.e. 7 working days from this day, the payment of insured deposits up to EUR 100,000 equivalent of the bank's clients, organized by the Financial Market Guarantee System, was started.

The bank's management asked the CNB to extend the deadline for the administrative proceedings to prepare and complete negotiations with potential investors, as it considered the sale of the bank

to be the best solution in the current situation. The sale of the bank to the new owner failed. CNB on 14 April 2022 decided in the first instance of administrative proceedings to revoke the banking license.

10.2. Comment on IFRS Financial Results

In accordance with the International Financial Reporting Standards (IFRS), the Bank reported a net profit of CZK 285 million in 2021, which represents a year-on-year increase in net profit. The main reason for the increase in profit is the reduced cost of credit losses, which decreased by CZK 309 million year-on-year due to an improvement in clients' risk profile and a change in PD / LGD parameters. Another reason is lower interest costs calculated using the effective interest rate method, which fell by 41% to CZK 271 million. The bank reported an 8% year-on-year increase in administrative expenses, which represents an amount of CZK 104 million. The total administrative expenses, which include staff costs, general operating expenses and depreciation of tangible and intangible assets, thus reached the level of CZK 1,480 million. The bank's total operating revenues increased by 4% year-on-year to a total of CZK 2,133 million.

Statement of Comprehensive Income

"Net interest income" increased by CZK 56 million year-on-year. The growth is due to lower "Interest expense calculated using the effective interest rate method", which decreased by CZK 192 million year-on-year. The decrease in the interest expenses was due to a reduction in the client rate on deposit products. The "Interest income calculated using the effective interest rate method" decreased by CZK 51 million year-on-year due to the low two-week repo rate of the Czech National Bank, which fell from 2% to 0.25% in 2020 and was at this level until 24 June 2021. The decrease in the "Interest income calculated using the effective interest rate method" is due to lower volumes provided. Loans and advances to clients decreased by CZK 947 million year-on-year.

"Net fee and commission income" increased by 16% year-on-year to CZK 375 million. The increase in the net fee and commission income was due to a decrease in the fee and commission expenses by CZK 64 million compared to the previous year. The largest decrease of CZK 62 million was recorded in Transactions in foreign currency.

"Net profit from financial instruments at fair value through profit or loss and exchange rate differences" decreased by 23% year-on-year to CZK 125 million. The reason was the decline in income from currency derivatives.

"Net profit from derecognition of financial assets measured at amortized cost" increased by 51% year-on-year to CZK 53 million. This result is due to the higher volume of assigned loans and other receivables.

"Cost of credit losses from financial assets" decreased by CZK 309 million in 2021 and amounted to CZK 208 million at the end of the year. The decrease is due to an improvement in the risk profile of clients compared to 2020, when the cost of credit losses was significantly increased, and a change in PD / LGD parameters.

"Administrative expenses" increased by 8% year-on-year, in absolute terms by CZK 104 million to a final CZK 1,480 million. The main reason is the increased depreciation of fixed assets owned by the bank due to the activation of retail projects, the card management application, the multi-channel banking application, and SLeT. Other reasons are the increased staff costs caused by unsustainable savings in 2020, as well as higher advertising costs compared to 2020.

"Other operating expenses" decreased by 15% year-on-year to the final CZK 94 million. The largest item is the contribution to the Crisis Resolution Fund in the amount of CZK 70 million, which increased by CZK 1 million year-on-year. The second most important item in 2021 was the Deposit

Insurance Fund of CZK 15 million. The costs of disposing of unused intangible assets decreased by CZK 13 million year-on-year and in 2021 amounted to CZK 7 million.

“Income tax” amounts to CZK 87 million, which corresponds to the pre-tax profit level. The effective tax rate in 2021, adjusted for the effect of the difference between the actual tax payable for 2020 and the estimated tax payable for 2020 of CZK 0.7 million, was 23.58%.

Statement of Financial Standing

The bank’s balance sheet total decreased by CZK 4.4 billion year-on-year in 2021 to a final CZK 84.9 billion. The almost 5% decline in the overall balance sheet was mainly due to a decline in cash and deposits with central banks.

Assets

“Cash and deposits with central banks” fell by a quarter year on year. The decrease in the volume of deposits with the central bank by almost CZK 4.9 billion had the largest share in this decrease. Cash decreased by 29% year-on-year due to the optimization of the amount of cash in the distribution network. The bank’s liquidity position declined during the last year, but it is still at a very good level. The share of quick liquid assets2 in the total assets at the end of 2021 is 23%.

“Loans and advances to clients” decreased by CZK 947 million year-on-year and reached CZK 60.4 billion at the end of 2021. This decrease in loans was caused by a higher outflow of corporate financing volumes, namely a decrease in the volume of investment loans, the value of which fell by CZK 2.5 billion compared to 2020. On the other hand, the operating loan volumes increased by 16% year on year. The total book value as at 31 December 2021 was almost CZK 5.8 billion. Retail banking volumes increased by CZK 718 million in 2021, primarily due to a 14% increase in consumer loan volumes, which were at a historically high level in the year under review. On the other hand, the accounting volume of mortgage loans decreased, the main reason being early repayments, the volume of which increased year on year by about 40%.

“Derivative financial instruments to hedge interest rate risk” increased year-on-year to CZK 230 million due to the use of an interest rate swap, the fair value of which increased by the reported amount compared to 2020.

“Debt securities” increased by CZK 1,404 million to CZK 3,480 million in 2021. This increase was mainly due to the purchase of bonds traded on an active market with a carrying amount of CZK 1,016 million as at 31 December 2021, which are a part of the portfolio “Debt securities measured at fair value through other comprehensive income”.

“Land, buildings and equipment” increased by CZK 89 million in 2021. The total book value is CZK 527 million.

“Intangible assets” decreased their value by CZK 48 million year-on-year, to a total of CZK 714 million. This is mainly due to lower investments in IT software.

The development of other assets of the bank is related to its normal operation. There were no other significant events during the year that would significantly affect the movement in these items.

2 Quickly liquid assets are the sum of the lines “Cash and deposits at central banks” and “Claims against banks” and “Debt securities measured at fair value against other comprehensive income” in the “Statement of Financial Standing” presented in the annual financial statements.

Liabilities

Significant growth in “Deposits to banks” by 476% to CZK 2,609 million. The highest increase of CZK 1.8 billion was recorded on time deposits.

“Due to clients”, which represent the main source of financing the bank’s assets, fell by 8% year on year to the final CZK 71.5 billion. This was a net decrease of CZK 6.6 billion. The highest decrease was recorded in time deposits, which fell by CZK 5.3 billion year on year. The decrease in savings accounts was then by CZK 1.3 billion.

“Other liabilities” increased by 3% year-on-year to CZK 869 million. For the most part, this balance sheet item consists of temporary, short-term liabilities that result from the ongoing settlement of domestic and foreign payment transactions and can have considerable volatility.

The “subordinated debt”, which the bank reported at the end of 2021 in the amount of CZK 174 million, represent a subordinated debt from the parent company Sberbank Europe AG, the bank’s sole shareholder. In the past, the Bank adopted it in order to comply with the internally determined capital cushion, the aim of which was to ensure compliance with the regulatory requirements for the Bank’s overall capital adequacy under normal market conditions.

Equity

At the end of 2021, the bank’s equity reached CZK 9.3 billion. The equity is thus almost the same as in 2020. During 2021, there was no increase in the bank’s equity by the shareholder. There was also no dividend payment. The profit of 2020 after the legal allocation to the reserve fund remained a part of the bank’s equity in the category “Retained earnings”.

10.3. Individual Areas

10.3.1. Retail Banking

The field of retail banking had a successful year. Sales of the key products in the retail segment grew, the Micro financing segment portfolio remained stable.

The new account with a loyalty bonus introduced in 2020 appealed to clients, and its sales were consistently high throughout the year. The number of clients actively using their current account grew, both the existing clients and newly acquired ones. The customer satisfaction index regarding our services increased compared to the previous year.

In the field of securities investments, we reasserted the popularity of our offer for clients who also use bonus savings accounts with an investment option. Our first-rate investment experts helped us offer our clients suitable alternatives to the standard interest rates on savings accounts and help them appreciate their funds.

We had a record year in consumer credits, with 18% growth in our portfolio and new sales up almost 90% year-on-year. Sales grew across our distribution channels, mainly thanks to our product offer, which allows our clients to obtain a bonus rate on consumer credits when complying with certain conditions.

In 2021, we successfully launched the cashless branch project to provide clients with cashless payments and deposit ATMs as an alternative to branches.

We also managed to deploy a robot to automate several processes in our call centre. These include, for example, sending a text message (SMS) to clients to inform them that their new payment card is ready or accelerating the transfer of the clients' credit application from Sberbank's e-shop into its internal applications.

Despite the ongoing Covid-19 pandemic, the branch network and the call centre were fully available to clients throughout the year without major restrictions.

10.3.2. SME banking

The SME segment is one of the Bank's strategic units and its long-term aim is to provide our clients with high-quality services and to expand our client base. SME banking is represented by six regional centres across the country, which sufficiently cover the needs of our clients, companies with a turnover of 3 to 50 million euros. We also fulfil the needs of clients in the renewable energy and agriculture segments and real estate financing.

Our corporate strategy is based on building long-term relationships with clients and on an active approach to potential clients, development of the bankers, and simplification of the internal processes in order to provide comprehensive services and maximum flexibility.

The SME Division offers clients a wide range of banking services and products. These range from cash management through appreciation of funds, various forms of financing, including financing for foreign trade, to hedging of payment, currency, and interest rate risks.

The year 2021 was influenced by the situation around the Covid-19 pandemic, the growing base interest rates, and the rising inflation, which led to slowdown in investment activities in the SME segment in the Czech Republic. The Bank provided new financing to SME businesses, which resulted in a 2.4% year-on-year growth in the assets.

10.3.3. Corporate banking

Throughout the year, within the Corporate and Investment Banking Division the two corporate banking teams were executing the granular growth strategy that was a part of the business strategy for 2021 in the persistent conditions of the Covid-19 pandemic. Business cooperation was mainly expanded with the existing clients, but business relationships were also established with new counterparties. As a part of profiling of the 2022 strategy, the sector specialisation model of the individual corporate bankers in each of the two teams was implemented in the last quarter of 2021. One of the key pillars of the sustainability of a healthy and stable credit portfolio continues to be the rigorous assessment and monitoring of the risk profile of clients and their transactions, with a focus on high-risk client segments. This continuous activity resulted in the fact that the number of insolvency cases in the segment was zero.

We continued the gradual reduction of exposure with selected clients and groups of related clients within conservative management of the concentration limits. In 2021, the corporate banking traders cooperated closer with their sister product organisational units, namely Global Markets and Export & Trade Finance.

In mid-2021, Real Estate Finance was integrated into the structure of the Corporate and Investment Banking Division, and we expect all defined synergies to be fulfilled in cooperation with Corporate Banking and also in cooperation with the sister product organisational units.

The HR department did not record any significant staff turnover. The decision to create and fill Account Manager positions proved beneficial and allowed the traders to concentrate fully on identifying and then finalising trading opportunities. The support positions were integrated and will jointly service both organisational units, i.e. Corporate Banking and Real Estate Finance.

While adhering strictly to the anti-epidemic measures, the Bank continued to offer the option to work from home and set up rotation of teams within the Bank's premises while maintaining full operation of the entire organisational unit of Corporate Banking.

The corporate banking segment saw a slight reduction in the volume of the deposit products, in line with the Bank's strategy for liquidity management in individual segments. For active products, we saw a slight decline in the volumes compared to 2020, but also a higher average interest margin on the credit portfolio compared to the 2021 plan. There was a slight decline in the fees section compared to the previous year's results.

10.3.4. Export & Trade Finance

The Export & Trade Finance (ETF) is a part of the Corporate and Investment Banking Division. The key ETF products are documentary transactions (guarantees, letters of credit), export financing and financing of assigned claims with insurance.

The performance of ETF in 2021 managed to hold steady despite the export sector's difficult position resulting from the ongoing pandemic. The volume of ETF assets surpassed the EUR 100 million mark for the first time, with a 28% year-on-year increase in value, and the adjusted revenue guidance for 2021 was met at 113%.

10.3.5. Global Markets

Throughout 2021, transactions related to the intraday liquidity management process were executed within the GM Trading in CZK and also on all nostro accounts in foreign currencies on the basis of

SLAs. The service trades related to the strategy for managing the liquidity of the banking book and interest rate risk were executed by GM Trading staff on the basis of ALM orders. We also offered a standard GM Trading service for GM Sales consisting of providing market prices for Global Markets products offered to the Bank's clients, mainly in the area of foreign exchange market products and interest rate hedging through interest rate swaps. GM Trading also actively performed simple standard operations on its Large Trading Book account.

Although there was a slight decline in the number of FX spot transactions last year, GM Sales was again able to achieve both a higher number of transactions and a higher PL in FX and interest rate hedging product sales compared to 2020. Spot trades were executed at a higher margin in 2021 compared to the previous year. The sale of deposit products to the Bank's clients also continued; with regard to the rise in the domestic currency rates, most of the deposits were in CZK. The volume of bond sales to the Bank's clients decreased slightly compared to 2020.

In the last four months of 2021, there was an increase in revenue, mainly thanks to a growth in revenue from client hedging transactions. The profitability in securities trading increased, mainly because of fund trading. The standard service for ALM in execution of the strategy for managing the liquidity of the banking book continued in the area of GM Trading. In addition to trading on its own account within the Large Trading Book, the provision of market prices for the GM Sales client organisational unit also continues to be one of the core activities of GM Trading.

10.3.6. Strategic Projects of the Bank, Information Systems and Technologies

The year 2021 remained to be strongly influenced by the pandemic situation. We further facilitated and improved the remote way of working using technologies enabling performing work in a home-office regime and solutions to promote and support on-line cooperation among our employees. We believe that our response to the coronavirus has been adequate in terms of IT technologies and solutions provided and the pandemics triggered us to accelerate digitalisation in general.

2021 continued to be a year of building digital solutions for our clients that make it easier to deal with us as a bank. We strongly believe that the change in the channel usage of our clientele will further accelerate, digital needs of our clients are increasing rapidly. We continued adding new features to our Multi-channel platform (MCP) for retail clients especially in the areas of cards management and mobile token usage. We see increasing usage of our mobile platform, which on one hand is a positive feedback on our solution, while on the other hand reflects the trends in general, that mobile solutions are gaining importance. To address these trends, we are planning to further improve our mobile platform in the coming years and to embrace the idea of "mobile first".

In 2021 we also introduced a fully online digital cash-loan origination process for pre-approved loans. We have experienced a growing number of usages from the clients since the solution was implemented in October 2021. We immediately launched a next phase of the project providing a fully online solution for walk-in cash-loan origination.

We also made a step forward in digital payments. In October 2021 we launched our Google Pay solution, that enables clients with Android phones to settle payments with their mobile phones.

One of the most important digital innovations we introduced in 2021 was the E-sign solution for SME and Corporate clients. The system enables our clients to submit documentation for different purposes to the bank in a digital form replacing paper based communication between the bank and its clients.

Besides the business projects we had a number of regulatory projects delivered in 2021. Among those one of the most important was the Anacredit project, where we believe we are among the most compliant banks in the industry in meeting of the specific reporting requirements of CNB. We also

focused on improving our Anti-Money Laundering (AML) solution in 2021, adding new functionalities and processes to the solution introduced in 2020.

As for IT Operations related activities one of the first initiatives in 2021 was a challenging one as the old certification authority was about to expire in March 2021. With the effort of all teams, the migration to a new authority went smoothly with no impact on the end users or delivered services.

In March 2021 IT successfully rolled out a new ITSM platform built on Jira ServiceDesk along with revision and enhancement of all related processes.

Leveraging the synergies we successfully executed several combined activities such as Primary Data Center migration, old hardware decommission or replacement, legacy platform upgrades. One of the most important infrastructure projects of 2021 was the migration of the Primary Data Center. After setup of the networking and connectivity infrastructure, the main migration activities took place in September 2021 and were delivered as expected with the least uptime impact on the banking services possible. As a part of this activity, we delivered upgrade of iSeries infrastructure, which runs the core banking system Midas. The new system performance provides a better user experience and time boost of batch activities such as EOD/EOY processes.

One of the most important initiatives delivered in 2021 was the execution of a real life disaster recovery test. The test was performed successfully and it is planned on a regular basis annually.

We have launched a project to unify Oracle database technology stack migrating databases to the x86 platform. In the first phase the migration out of HP-UX platform took place, following will be the migration out of Solaris platform in 2022.

Delivery of a new offline and online backup solution to adhere to all regulatory requirements was also launched in 2021. This initiative became feasible thanks to the Primary Data Center migration project.

Besides the infrastructure and business project support several of audits in 2021 were performed. The major one was the Czech National Bank audit, addressing its findings remains to be the main area of focus in 2022.

10.3.7. Digital Channels

In 2021, the Bank continued to develop strategic digital areas, such as online banking, website, e-shop and all the processes in the background of these channels.

Following the launch of the internet and mobile banking in 2020, the migration of all retail customers to the new banking system continued in 2021 as well. In addition, based on the feedback from Sberbank CZ customers, we focused on delivering new services and refining the existing services provided by the new online banking system. The purpose of all this was to improve the satisfaction of both the existing and new clients, as well as to increase the number of customers who actively use the banking. The most important functionalities introduced in 2021 include the new M-Token, which had been completely redesigned and features a new simplified registration process; notification messages (push, e-mail, SMS), the complete QR code functionality (scanning with a camera or from the gallery, pay me); and other improvements.

As for our website and e-shop, 2021 was marked mainly by developing new digital purchase channels and process automation. In addition to the consumer loan e-shop, a consolidation e-shop was created, which is also linked to the already partially automated loan application process. We also strengthened the automation process, and thanks to this, both customer setup and the processing of loan or consolidation applications in the Bank’s systems are now handled entirely by

robots. Throughout the year, we also drafted a fully automated e-shop project for customers interested in opening a current or savings account with Sberbank CZ.

Moreover, a vital project to implement the Banking Identity was launched in 2021, which will allow SBCZ to further digitalise processes and simplify communication with the new and existing customers of the Bank.

10.3.8. Human Resources Management

The Bank's priorities in HR focus on personnel costs management, proper setup of work with HR in the internal guidelines and processes of the Bank, work performance management and evaluation, remuneration and benefits, implementation and maintenance of the corporate culture and quality of the management education.

The year 2021 continued to be influenced by the global Covid-19 pandemic in the area of the human capital. Ensuring a safe working environment and protecting health is therefore a priority. Shifting activities to an online environment and working from home to the extent that a particular job position allows are becoming standard. The task of HR was to adapt the internal communication channels so that even employees working remotely had the necessary support and a constant flow of up-to-date information.

In the spring months, we deployed LutherOne, a new comprehensive management tool designed to gather feedback and measure the mood at the Bank. The main objective is to facilitate social cooperation and communication and to make day-to-day activities more efficient. For managers, such a multi-functional environment offers dynamic dashboards and provides one-to-one feedback and tools for team leadership, meeting management and creating custom surveys. The continuous satisfaction survey and NPS measurement at the level of the entire Bank implemented in this form gives us new opportunities to collect continuously relevant data on which we can build and work together intensively to make Sberbank a better place to work.

In order to promote life balance, we are committed to balancing work and family life. Thanks to the employee feedback, we have identified the emphasis on flexibility and the possibility of flexible working hours, as well as the ability to work from home, as a key factor. We also focus our attention on the mental and physical health, which is why we have been organising regular Health Days for three years now, and for two years we have been developing our above-standard Employee Assistance Programme, which provides free and anonymous rapid assistance in solving problems and unexpected life situations.

In the area of employee education and development, we further expanded our online platform in the past year, which is flexible and takes into account the diverse needs of employees at different positions and levels. Throughout the year, our employees could use a wide range of development topics that are aligned with their goals and support them in their work tasks. The education calendar includes courses and workshops provided by internal teachers, the Red Button EDU educational portal, recommended Seduo courses and webinars, as well as courses offered by external teachers. Special attention was paid to the development of managers and key employees.

People-related reporting has been launched for management. The scope of the HR Operations Unit has been expanded to include the corporate governance agenda.

Due to the impact of the coronavirus, the Bank also put a greater emphasis on personnel cost management and budget planning.

10.3.9. Marketing

The ongoing coronavirus epidemic in 2021 also affected the Bank's marketing activities. Their primary focus was on promoting the sale of current accounts and consumer credit. Mass media, especially television, radio, and online media, remained the main communication channels and were complemented by targeted press. Outdoor advertising was not used, except for navigation to the Bank's branches.

In the first quarter of 2021, we offered clients a discounted current account, a payment card, and mobile/Internet banking packages in a TV campaign that rewarded clients for active using of these services and enabled them to withdraw cash from all ATMs worldwide without a fee. To micro clients, we offered loans at a discounted rate of 3.33% p.a. with no loan processing fee, helping them get their businesses back on their feet.

The coronavirus epidemic had also brought new opportunities – communication had fundamentally shifted from the personal level to the online environment, which is why in the second quarter we offered commercial clients the necessary financing or advantageous FX transactions in the form of new online campaigns. Sales of consumer credit with a bonus rate of 2.77% p.a. were supported by a new campaign on national and regional radio stations. The bonus rate offer was completely transparent and valid for all clients who fulfilled the condition of timely repayment.

The key marketing activity in the third quarter was a new TV campaign to promote the sale of consumer credit for private individuals with a reduced bonus rate of 1.99% p.a., which was one of the most favourable in the market. We accompanied this campaign with a brand new commercial spot which we introduced to commercial TV channels as well as online media. The campaign had a major impact on both the growth of the consumer credit sales and the positive perception of the Sberbank brand by the general public. During the summer, we also introduced a new offer of micro overdraft facilities to our clients, and in September we enabled mobile payments via Google Pay.

Because of the spring and autumn waves of the epidemic, many planned marketing activities for commercial clients were unfortunately cancelled again in 2021, as conferences or trade fairs could not be held in the traditional form as a result of the preventive measures put in place by the government. For the same reason, many of the cultural and sporting events of which Sberbank had been a proud sponsor in the previous years did not take place. As it turned out, the online alternatives (online trade fairs, online discussion forums) to such events that were offered did not generate as great a response among commercial clients as initially expected and, therefore, in the last quarter of 2021, we again organised a number of smaller informal events for SME and corporate clients, who greatly appreciated the face-to-face meetings.

At the end of the year, Sberbank celebrated its 180th anniversary. We paid a one-off bonus of CZK 180 to all clients who opened a new current account on 12 November 2021, and we prepared a social event and a book about the Bank's history for selected commercial clients and their partners. All Christmas gifts for clients were marked with a special logo for the 180th anniversary of the Bank.

Despite the coronavirus restrictions, the advertising campaigns and marketing activities of the last year met the set goals and the awareness of the Sberbank brand on the Czech market was maintained at a stable level. In addition, we managed to maintain a high Net Promoter Score, i.e. the client satisfaction indicator, which we measure on a daily basis at the level of individual bankers in all branches, and thanks to which Sberbank CZ is one of the top-rated banks in the entire region.

10.3.10. Communication

Last year, the Bank's external and internal communications continued to be impacted by the coronavirus pandemic that hit the whole society in several waves. The Bank's crisis management team therefore continuously adopted and communicated a number of measures to protect the Bank's stability and the health of its clients and employees. During the year, Marketing & Communications carried out a number of activities and campaigns to inform the employees, clients, the media, and the general public about the Bank's key activities. One of the most important announcements was the information about the appointment of a new CEO and about the planned organisational changes at the level of the Sberbank Europe Group. We also introduced new products and services for clients and presented our progress in the fulfilment of targets and key projects. We communicated with the public mainly through the media, websites, and social networks.

Communication with Media

In the spring, the Bank continued to offer a consumer credit with a discounted bonus rate, new loans for micro clients, and a current account package with a payment card and Internet and mobile banking. It also faced media speculation about the sale of the Bank on the Czech market, which was completely unfounded. The spring wave of the coronavirus pandemic made traditional events with the media impossible and required intensive communication about the applicable preventive measures in the Bank, changes in the opening hours of the branch network, regular disinfection of all premises, the need to wear face masks and use other protective equipment, etc. At the end of the first half of the year, the Bank organised several round tables with the media and experts in a live online broadcast on the topic of rising real estate prices and an unprecedented interest of clients in mortgages.
In the second half of the year, the clients and the public were informed about the appointment of the Bank's new CEO, who also met personally with representatives of the key Czech media. A consumer credit with a new favourable interest rate was also introduced; it was one of the best on the market and was very popular with clients. In November 2021, the intention to sell some of the subsidiary banks of the Sberbank Europe Group to another owner was communicated to the media, which put an end to the speculation about a possible sale of the Czech Sberbank. The end of the year was dedicated to the celebrations of the 180th anniversary of Sberbank.

Although Sberbank CZ is one of the smaller banks on the Czech market, there were more than 2,100 articles published about us in 2021, most of which were positive or neutral. The main topics covered included the use of Sberbank CZ products and services (66%), corporate topics and information about the Sberbank Group (15%), and responses to the Bank's corporate social responsibility activities (7%). Other topics included, for example, interviews with Sberbank representatives and introduction of the Bank's new managers.

Communication with Employees

At the beginning of the year, the best employees of 2020 in the Sberbank Star, the Partner of the Year, and the Banker of the Year for retail and commercial banking categories were announced and awarded. They were thanked for their excellent work and the best results by the members of the Bank management at their respective places of work, as joint meetings of large groups of employees were not possible at that time for safety reasons because of the coronavirus pandemic. All employee events and all internal communications had moved online. The traditional Town Hall made its online debut back in February 2021, when it was organised early in the morning before the start of business hours so that as many Bank employees as possible could attend. Questions were also asked via an online platform and the entire event was recorded for those who could not attend the Town Hall on that day so that they could watch it later. This format proved so successful that the Bank continued to hold online company-wide meetings throughout the rest of the year. Most of the head office staff started working from home and online meetings became the new standard for all teams.

A communication milestone was the implementation of the LutherOne platform in the second quarter of 2021, which contributed to the regular measurement of employee satisfaction, opened up informal communication between employees and the Bank management, and introduced an internal social network that later became very popular with employees.

New products and services and applicable preventive measures were communicated to all employees through online conferences, mass emails and an internal journal. In the second half of the year, it was again possible to organise face-to-face meetings of smaller teams, which were also attended by the Bank's new CEO. The postponed company-wide new year's party was finally able to take place in September 2021 and we conceived it as a summer party. Internal competitions for prizes were prepared to support major campaigns.

11. Products and Services

PRODUCTS FOR BUSINESS CLIENTS (SME & CORPORATE)

The Bank offers the Business Current Account to corporate clients for everyday banking. In addition to domestic payments, clients can also use a special Sberbank payment within the international payment system, discounted payments to selected banks in the Sberbank Group, and discounted incoming and outgoing rouble payments from/to any bank in Russia.

For appreciation of the available funds, the Bank offers a Savings Account for corporate banking and term deposits. In relation to the appreciation of funds, the Bank also offers solutions customised to meet the needs of each client through Global Markets.

Sberbank CZ demonstrates advantageous conditions and expertise in products and services related to the rouble. In this area, Sberbank CZ secured a strong market position, mainly thanks to the rapid processing of transactions and a strong partner in the rouble market. In the area of risk hedging and the foreign exchange market, the Bank offers a variety of hedging options according to the individual needs of clients.

Sberbank CZ offers a full range of financing to companies – operational financing, investment loans, structured financing, etc. The Bank's financing services are based on an individual approach that considers each client's specific requirements. Clients from the corporate sector who focus on investment and property development can take advantage of the special financing offered by Real Estate. The Bank also offers specialised products in the public and agricultural sectors. The financing of export and foreign trade is another component of the Bank's offer. An indispensable part of this is financing with the support of the National Development Bank of the Czech Republic (Národní rozvojová banka, a.s.) and the Export Guarantee and Insurance Company (Exportní Garanční a Pojišťovací společnost a.s.), where, in addition to standard guarantees, the emphasis in the past year was placed on loans under the COVID-19 III and COVID-19 Plus programmes to help companies affected by the Covid-19 pandemic.

The anti-pandemic restrictions in place, especially the limitations on movement and physical contact, increase the need for digital communication. In previous years, Sberbank CZ introduced the possibility of electronic signature of contractual documentation in the non-retail segment and thus became one of the few banks on the Czech market able to offer corporate clients a remote signature of documentation that also meets the strict security requirements of the European eIDAS Regulation. In the coming year, the Bank plans to develop this project further and focus on digitalisation in other areas.

Products for the Retail Segment

The FAIR product offer is a complete range of products that helps clients address their financial needs. It is characterised by transparent conditions and the ability to check the price easily and quickly. Throughout 2021, we adapted our product offer to the evolving needs of our clients.

Sales of our key product, the FAIR Account with a Loyalty Rewards Programme, grew year-on-year. Clients appreciated the chance to claim a reward of CZK 1,234 every year when using the account actively.

In the area of deposit products, we responded to the low interest rates with a savings account bearing a better rate of interest under the condition of active use of the current account. For clients who had decided to invest, we prepared a bonus savings account with a bonus rate on the savings account if the clients put part of their funds into investments.

In the area of FAIR Loans, our bonus rate supported by a marketing campaign was a significant success with clients. We were able to increase sales through digital channels. Total FAIR Loan sales reached an all-time high and our market share grew. In the autumn, we introduced the option of a pre-approved loan generated through Internet banking as a part of our digital consumer lending strategy.

In mortgages, we saw a consistently high demand throughout the year. We increased our market share in new mortgage sales. The portfolio development was stable, with new sales offsetting the increased client churn caused by the market conditions.

Our investment offer was interesting for clients and included environmentally and socially responsible forms of investment in the area of mutual funds. Responsible investing is part of the strategy of Sberbank CZ.

Products for entrepreneurs and small businesses with an annual turnover of up to CZK 25 million

In 2021, we focused on improving our product offer. In the middle of the year, we introduced new Business FAIR Accounts. We offer them in three variants according to the client's requirements. The START variant has free account maintenance without conditions, while the two higher types are subject to meeting a set monthly credit turnover.

In September 2021, we launched a new starter Business FAIR Overdraft. Clients can obtain a financial reserve of up to CZK 250 thousand without a fixed monthly cost. In addition, they can obtain the overdraft facility without having to provide tax returns or financial statements.

12. Risk Management

12.1. Introduction

The Bank maintains a prudent and balanced approach to risk management in order to achieve reasonable returns at an acceptable risk level. This approach is based on applicable regulations and the risk strategy of the Bank. The Bank determines the internal guidelines and keeps them up to date, maintains a system of regulatory and internal limits, the level of which and compliance with these are regularly monitored, and, in cooperation with its parent company, continuously develops advanced risk management tools.

The major general principles of the risk management process are optimisation of the risk/ expected return ratio, an effective internal control system, segregation of incompatible duties, identification and analysis of risks, portfolio diversification, and, last but not least, ensuring the accuracy and completeness of the data in the banking systems. The Bank management is regularly informed about the level of the risk taken, and the risk management system is monitored and evaluated.

Within the organisational structure of risk management, the Management Board has the central position; it determines the risk management strategy, approves the Bank's risk appetite with regard to the medium-term strategy of the Bank, approves all key documents in the area of risk management, approves the models for credit risk management, and decides on significant risk positions.

The measures introduced by the Bank in 2020, in particular the adjustment of the risk appetite and the key risk management parameters in response to the development of the Covid-19 pandemic, were followed up in 2021 by continuous monitoring of the development of the pandemic and an analysis of the potential impact on the Bank's risk position. This enabled the Bank to respond flexibly to the overall macroeconomic developments and client needs.

In mid-2021, the Czech National Bank completed an audit of the Bank's risk management and internal control system. The audit showed an overall improvement in risk management compared to the last similar audit and confirmed that the Bank was developing its risk management system in a good direction, which could be continued.

In addition to the new risks arising directly and indirectly from the Covid-19 pandemic, the Bank also addressed risks arising from environmental (E) and social (S) factors and sustainable corporate governance (G) factors, i.e. ESG factors. Although this is a new area of risks that will only materialise in the future, preparations for identifying and assessing these risks, as well as for taking them into account in the sustainability of the Bank's financial products, already started in the past year.

Risk management is ensured by the Risk Management Division, which is managed by a designated member of the Management Board. The Risk Management Division measures and analyses the Bank's risk position, determines methods for the management of individual risks, checks compliance with limits, provides information on the results that are identified, and potentially approves risk positions within its established authority.

The following committees form an essential part of the risk management system:

Risk Committee, to which the Management Board of the Bank has delegated decision making in the following areas:

- approving the risk management principles and basic methods, limits, scenario assumptions, and any other parameters used in the risk management process, monitoring credit, market, and operational risks (including compliance with limits), and approving corrective measures when the limits are exceeded or adverse development trends occur,

- approving the methodology of the creation, monitoring, and updating of models for risk management and approving other models for risk management, and
- monitoring the adequacy, reliability, and effectiveness of the internal guidelines, procedures, and limits for risk management.

Assets and Liabilities Management Committee, which primarily considers the current and prospective interest and currency risks in the investment portfolio, as well as the liquidity risks, financing, and management of the regulatory capital in order to optimise the revenue-risk profile.

Credit Committee, which particularly decides on the acceptance of the credit risk in relation to individual counterparties, notably by approving the amount of new exposures and regular revisions of the credit risk of the existing exposures.

Distressed Assets Committee, which in particular makes decisions in the following areas:

- approving the principles of management of non-performing loans,
- considering and approving the internal guidelines, methodologies, and work procedures related to the management of non-performing loans,
- setting principles for increasing the exposure of clients with non-performing loans,
- deciding on how to address significant individual non-performing loans within the extent of the approval authority granted to the Committee,
- setting rules for the management of individually insignificant non-performing loans,
- monitoring the development of non-performing loans and taking corrective measures in the event of undesirable developments and making decisions on granting approval powers for dealing with non-performing loans to employees of Workout & Restructuring Unit, the Manager of Workout & Restructuring Unit, and the CRO.

The Committee comprises of members of the Management Board of the Bank and executive officers from the respective areas of risk management. Information on the Executive Committees of the Bank's Management Board, including their composition, can be found in Chapter 7 of this Annual Report.

The Risk Management Division consists of the following five organisational units:

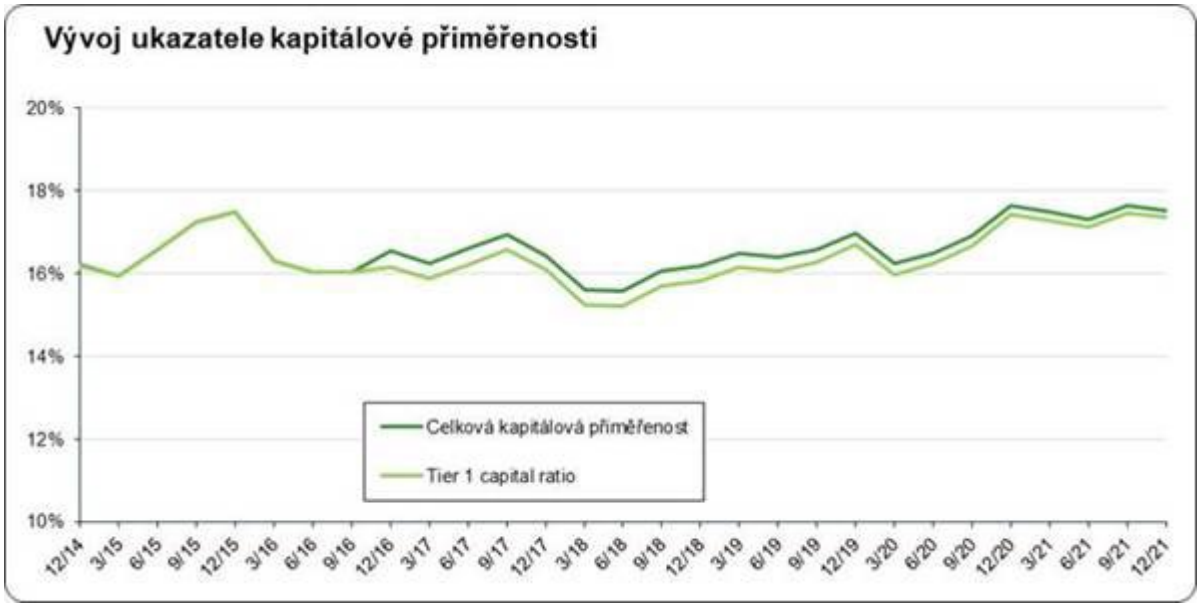
- **Integrated Risk Management**, which is involved in the preparation of the risk management strategy, is responsible for monitoring the capital adequacy ratio and measuring the risk position in the Bank's credit portfolio, as well as for managing the market and liquidity risk,
- **Credit Risk Management**, which is responsible for credit risk management, setting up the credit processes, and implementing modern technological tools supporting process automation and risk management efficiency,
- **Underwriting**, which assesses the credit risk level undertaken by the Bank and approves/ recommends decisions on the limits for the Bank's counterparties,
- **Workout and Restructuring**, which is responsible for debt recovery, and
- **Operational Risk and Fraud Management**, which is responsible for operational risk management and fraud risk prevention.

12.2. Capital Adequacy Ratio

To determine the own fund requirement, the Bank uses the standardised approach for the credit and operational risk. For the market risk, the Bank calculates the own fund requirement for the general risk of the trading portfolio using a maturity-based method, for the specific risk of the trading portfolio and for the currency risk.

Forecasts of the Bank's capital adequacy ratio are prepared regularly on the basis of the data on the existing structure of assets and their projected future development, in particular in the area of loans provided. There is a contingency plan for emergency situations that could harm the Bank's capital adequacy ratio.

In accordance with the regulatory requirements, the Bank has sufficient capital to cover the risks.



As per the requirements of Pillar II of the Basel Capital Accord, known as Basel III, the Bank evaluates the risks taken and the adequacy of its capital with respect to all significant risks (Internal Capital Adequacy Assessment Process) at least once a year.

The Bank also assesses its capital position with regard to the potential impact of the Covid-19 pandemic and adjusts the related internal limits on an ongoing basis so that it would be able to respond to potential losses and suitably assess or reassess its strategy, not only in the risk management but also in its overall strategy.

12.3. Credit Risk

Providing loan products is one of the central business activities of the Bank. This corresponds to the emphasis that is placed on the credit risk management. The Bank applies a conservative policy to managing credit risks. Each transaction which means a risk undertaken by the Bank should generate a profit which is at least appropriate to the level of such a risk. In particular, the Bank adheres to the following principles:

- It is necessary to avoid any credit risk level that would threaten the very existence of the Bank.
- Non-quantifiable residual credit risks are continually limited to an appropriate level by continuous improvement of processes and systems and employee training.
- A sufficient capital volume is used to cover the credit risk.

- The credit criteria and the minimum requirement for funding of counterparties are defined in such a way that it is possible to manage the quality of newly provided credit transactions in accordance with the Bank's risk capacity.

The credit risk management process includes identifying risks, measuring risk exposure, monitoring limits, and adopting measures to reach an optimal level of the credit risk. The process takes place at the level of individual counterparties of the client's bank, as well as at the level of the credit portfolio.

In evaluating the credit quality of the client, the Bank focuses mainly on the analysis of the client's financial and non-financial condition, the client's ability to repay the loan provided from their cash flow, and the experience with the client.

The credit quality of each client is assessed, among other things, by using an internal rating tool corresponding to the type of client or the type of financing under assessment. Each client is classified into one of 26 grades on the internal rating scale. Each rating grade is assigned a fixed annual probability of default of the client, which is used as one of the parameters of the decision-making process. The rating tools are regularly tested and adjusted accordingly to ensure that the client's estimated probability of default is correct.

Another criterion in assessing a loan proposal is the quality of hedging instruments, while the Bank generally does not accept credit exposures whose approval relies to a large extent on the collateral taken. The catalogue of the hedging instruments defines the acceptable types of collaterals, the method used for determining their fair value, the frequency of revaluation, and the responsibilities of each organisational unit of the Bank.

The assessment and approval of loan proposals are independent of the business units. The approval authorities are delegated by the Management Board and are divided into several levels. The Bank carries out regular monitoring of individual exposures in order to monitor the quality of the credit portfolio. This process increases the likelihood that future client defaults will be recognised early. For such a case, the Bank has established a system for timely settlement of problematic receivables, which reduces the probability of incurring losses through providing loans.

In response to the Covid-19 pandemic in 2020, the Bank intensified its monitoring of individual exposures, in particular, in the affected industries, in order to identify in a timely manner if a client is experiencing problems and to help them in finding a suitable solution before their situation translates into a non-performing loan with a potential risk of loss for the Bank.

In response to the Covid-19 and the statutory moratorium on loan repayments, the Bank also implemented a number of new reports which collected additional information necessary for continuous credit risk management.

In 2021, all activities related to the Covid-19 pandemic persisted, and the Bank also monitored and assessed the developments in the macroeconomic situation which the pandemic had begun to affect, particularly the inflation, the interest rates, and the sector-specific risks, in order to identify potential impacts on the Bank's clients.

Regular evaluation of compliance with the set of limits is an integral part of the credit risk management. The Bank sets limits for both portfolio (by segment, industry, product, etc.) and individual transactions. Within the set of limits, both regulatory and internal limits are evaluated.

The Bank assesses receivables from clients in terms of a possible decline in their value, especially with regard to a rating downgrade, delays in repayment, or any other breach of the original contractual terms by the counterparty.

The Bank assesses the impairment of claims according to IFRS 9 from two perspectives:

1. collective depreciation, which is applied to each group of assets on the basis of statistical models and is covered by collective loss provisions, and

2. individual impairments associated with individual loans, for which there is an objective evidence of impairment, and covered by individual loss provisions.

As a part of the implementation of IFRS 9, the Bank classifies individual financial instruments into three different groups, each representing a different rate of the credit risk increase compared to the risk expected when the financial instrument was granted. Depending on the group to which a financial instrument is assigned, the Bank determines the expected loss from the financial instrument within one year or up to the maturity of the financial instrument.

In accordance with IFRS 9, the Bank reports such a decrease in the value of receivables which represents the currently expected losses from the credit risk in the following period. One of the Bank's key activities was to ensure that it adequately reflected the expectations of the macroeconomic development in the level of expected losses according to IFRS 9. At the same time, the Bank assessed which assets had deteriorated in terms of their credit risk, even though the deterioration may not have been measurable by standard procedures. The Bank then assigned a higher level of credit risk to such assets.

12.4. Market Risks

The main instrument for the market risk management is a system of limits for individual types of market risks. Compliance with these limits is monitored regularly. The Management Board, the members of the Risk Committee, and the relevant business units are to be informed immediately of any limit overrun and the related corrective measures taken. The limits are set internally by the parent company or the regulatory provisions and approved by the Risk Committee. Stress testing of the market risks takes place regularly.

The Bank manages the currency risk by closing its FX position through hedging transactions. The FX position in individual currencies is monitored daily and compared with the applicable limits.

The Bank quantifies the interest rate risk using monitoring tools based on contractual and behavioural re-fixing of the interest rate for individual assets, liabilities, and off-balance-sheet items of the Bank.

One of the fundamental tools is the daily gap report on the interest rate risk. It serves as a basis for simulations of the impact of interest rate shocks (standardised shocks, scenarios recommended by BCBS, and other scenarios) on the economic value (NPV) of the balance. Other tools include the analysis of the impact of interest rate variations on the Bank's net interest income (NII) and the analysis of the impact of assumptions and models on the Bank's interest rate risk.

The results of these analyses are monitored and compared with the applicable limits. The Bank mitigates the interest rate position resulting from the long-fixed assets by interest rate swaps.

From a regulatory standpoint, the Bank holds an extensive trading portfolio. The positions in this portfolio are monitored on a daily basis and compared with the applicable limits. The Bank calculates the own fund requirement for general, specific, and currency risk. Stress testing of the trading book positions takes place regularly.

The Bank maintained its open market risk positions at minimum levels and set the related limits accordingly in the light of the continued uncertainty in the financial markets because of the Covid-19 pandemic.

12.5. Liquidity Risk

The operational liquidity risk management is carried out daily by monitoring short-term and long-term liquidity indicators in the main individual currencies, as well as the aggregate for all currencies. On the basis of the development of these indicators, the Bank continually manages its liquidity position. The Bank distinguishes between the contractual maturity of the balance sheet items and the modelled expected maturity.

The Bank develops stress scenarios of its liquidity position based on data on the existing structure of assets and liabilities and their expected behaviour in model stress situations on a bi-weekly basis. A contingency plan has been prepared for the theoretical possibility of extraordinary circumstances threatening the Bank's liquidity.

The Assets and Liabilities Management Committee informs the Bank management of the development of the Bank's liquidity and the measures taken.

In 2021, the Bank continued its detailed focus on liquidity risk management in terms of deposits as well as new lending. The dynamically evolving rates announced by the Czech National Bank were reflected in the liquidity risk management in the second half of the year.

12.6. Operational Risk

In accordance with the regulatory requirements, the Bank has the necessary internal guidelines for operational risk management, including information security, business continuity, outsourcing and an internal control system that is set for individual processes at all organisational levels.

The basic methods that are applied include avoidance, reduction, transfer and acceptance of the operational risk. The operational risk management process includes risk identification, recording, evaluation and assessment, including measures to minimise risk, and takes place at the level of actual events as well as hypothetical risks.

To manage and identify operational risk, the Bank uses the collection of operational risk events, their classification and subsequent evaluation, Risk Self-Assessment and a scenario analysis for risks with a high impact on the Bank and a low frequency of occurrence.

On the basis of the identified operational risks, the Bank takes measures aimed at effectively minimising the probability of occurrence of similar events, and the measures are designed not only according to the frequency of occurrence and volume of the realised/projected financial impact but also with regard to the seriousness and cause.

The Bank has also designed contingency plans for critical situations and the restoration of operations to ensure business continuity to the fullest extent possible, and recovery plans for key IT applications.

12.7. Concentration Risk

Sufficient diversification of the underlying credit risk is ensured by a system of limits of concentration risk with respect to groups of related clients, sectors in which clients operate, countries, or even individual clients. The Bank also sets the own fund requirement for the concentration risk within the Internal Capital Adequacy Assessment Process.

In the area of liquidity, the degree of concentration of client deposits is monitored, regularly compared with the applicable limits, and presented to the Bank's management.

The Bank sees the management of concentration risk as one of the keys to ensuring the long-term stability of the Bank.

13. Corporate Governance

In accordance with Section 9 of the Articles of Association of Sberbank CZ, a.s., the Bank's internal structure system is dual. The bodies of the Bank are the General Meeting, the Management Board, the Supervisory Board and the Audit Committee. Only private individuals may be members of the Management Board, the Supervisory Board and the Audit Committee. Members of the bodies are obliged to exercise their duties with due professional care and diligence and to respect the prohibition of competition to the extent stipulated by law.

13.1. General Meeting

The General Meeting is the supreme body of the Bank.

Sberbank Europe AG is the sole owner of all the Bank's shares and as the sole shareholder of the Bank it exercises the powers of the General Meeting. The decisions of the sole shareholder are written and, if required by law, take the form of a notarial deed. The sole shareholder has the right to require that the Management Board and the Supervisory Board take part in the decision-making process that occurs within the capacity of the General Meeting.

The powers of the General Meeting include in particular making decisions on the following:

- amending the Articles of Association,
- increasing or decreasing of the registered capital,
- issuing convertible or priority bonds,
- appointing and dismissing members of the Supervisory Board, approving performance agreements with members of the Supervisory Board and their amendments,
- appointing and dismissing members of the Audit Committee, approving performance agreements with members of the Audit Committee and their amendments,
- approving the annual financial statements and making decisions on the distribution of profits or the covering of losses,
- considering the report on the bank's business activities and its assets,
- appointing an auditor to perform the statutory audit,
- submitting an application for the admission of the Bank's shares for trading on the European regulated market or for exclusion of shares from this trading,
- transferring, leasing or pledging an enterprise, winding up the Bank with liquidation or transforming the Bank,
- changing the rights attached to individual classes or types of shares,
- restricting the transferability of the registered shares,
- excluding or limiting the pre-emptive right to acquire convertible and priority bonds, and excluding or limiting the pre-emptive right to acquire new shares,
- increasing the registered capital with material non-cash contributions,
- changing the subject of enterprise,
- approving the Supervisory Board's Rules of Procedure,
- approving the Audit Committee's Rules of Procedure.

The General Meeting cannot reserve the right to make decisions on matters that have not been vested in the General Meeting by law or by the Articles of Association.

In 2021, the sole shareholder of the Bank adopted in particular the following major decisions in the capacity of the General Meeting:

Decision of the sole shareholder acting in the capacity of the General Meeting dated 30 April 2021

Through this decision, the sole shareholder in particular considered and acknowledged the report on the Bank's business activities and its assets, acknowledged the report on relationships for 2020, approved the annual financial statements for 2020, decided on the Management Board's proposal for the distribution of profit for 2020 and determined the external auditor for 2021.

Decision of the sole shareholder acting in the capacity of the General Meeting dated 19 September 2021

By this decision, the sole shareholder re-elected Mr Dirk Hinze as a member of the Supervisory Board with the effect from 1 October 2021.

Decision of the sole shareholder acting in the capacity of the General Meeting dated 7 December 2021

By this decision, the sole shareholder appointed Mr Timur Kozintsev as a member of the Supervisory Board with the effect from 7 December 2021.

13.2. Supervisory Board

The Supervisory Board is a supervisory body that oversees the performance of the Management Board and the activities of the Bank. The Supervisory Board checks whether the Management Board performs its duties in accordance with the law and the Articles of Association and whether the members of the Management Board act in the interests of the Bank and with due professional care and diligence. The members of the Supervisory Board perform their duties with due professional care and diligence. No one is authorised to give to the Supervisory Board any instructions related to its statutory duty to supervise the activities of the Management Board.

According to the valid Articles of Association of the Company, the Supervisory Board consists of nine members. At least one member of the Supervisory Board is an independent member.

The members of the Supervisory Board are elected and dismissed by the General Meeting for a four-year term of office. The members of the Supervisory Board elect the chairman and the deputy chairman of the Supervisory Board from among their ranks. A member of the Supervisory Board cannot be a member of the Management Board or a person authorised to act on behalf of the Bank.

The members of the Supervisory Board are listed in the chapter Bank Bodies (see Chapter 7.2).

The members of the Supervisory Board are liable to the Bank for any damage they cause due to a breach of their legal obligations. The members of the Supervisory Board are functionally responsible to the Bank represented by the shareholder.

The Supervisory Board is authorised to appoint Supervisory Board committees with decision-making powers. Given the size of the Bank, no such Supervisory Board committees are set up and their competence is exercised by the Supervisory Board itself.

The Supervisory Board shall meet at least twice a year. Meetings of the Supervisory Board shall be convened by the Chairman or Deputy Chairman of the Supervisory Board or their representative. The Supervisory Board is quorate if an absolute majority of its members are present. Resolutions of the Supervisory Board shall be adopted by a simple majority. If the numbers of votes are equal, the vote of the chairman of the Supervisory Board (in the chairman's absence the vote of the deputy chairman) shall decide. Minutes of every meeting shall be drawn up. The Supervisory Board may also adopt decisions outside of its meetings, in writing or using technical means (decisions by circular

resolution). Details are laid down in the Supervisory Board's Rules of Procedure as approved by the General Meeting.

The responsibilities of the Supervisory Board include in particular:

- reviewing the annual financial statements and the proposal of the Management Board for the distribution of profit or covering of loss, and submitting its opinion to the General Meeting,
- informing the General Meeting of the results of the Supervisory Board's supervisory activities,
- electing and dismissing members of the Management Board, approving performance agreements with the members of the Management Board and their amendments,
- approving the Management Board's Rules of Procedure,
- approving the allocation of organisational units among members of the Management Board within the Bank's organisational chart,
- supervising whether the management and control system is functional and effective, including the evaluation at least once a year,
- regularly discussing the strategic direction of the Bank,
- evaluating the activities of the internal audit and compliance,
- expressing its opinion on proposals of the Management Board for the appointment of persons to the positions of risk management, compliance and internal audit, or their dismissal,
- determining the remuneration policy with respect to persons in positions of risk management, compliance and internal audit.

The Supervisory Board gives consent to the Management Board for certain acts specified in the Bank's Articles of Association, such as establishing, relocating and closing a branch, or determining the Bank's annual budget.

Meetings and circular resolution decisions of the Supervisory Board

In 2021, four regular meetings of the Supervisory Board were held, specifically on 22 April 2021, 30 June 2021, 30 September 2021 and 21 December 2021, at which the Supervisory Board made decisions on matters that fell within its authority. In addition to the aforesaid meetings, the Supervisory Board adopted a number of other decisions by means of circular resolution.

Major decisions by circular resolutions adopted by the Supervisory Board in 2021 include:

A written decision of the Supervisory Board dated 5 May 2021

The Supervisory Board re-elected Mr. András Kaliszky as a member of the Management Board as of 13 June 2021.

A written decision of the Supervisory Board dated 7 June 2021

The Supervisory Board re-elected Mr. Daniel Krumpolc as a member of the Management Board as of 13 June 2021.

A written decision of the Supervisory Board dated 27 July 2021

In accordance with the Bank's internal guidelines, the Supervisory Board assessed and subsequently decided on the credibility and professional competence of the nominated candidate, Mr. Timur Kozintsev, to perform the function as a member of the Bank's Supervisory Board. The Supervisory Board assessed that it would have sufficient collective knowledge, skills and experience and would be considered eligible for its activities as a whole.

A written decision of the Supervisory Board dated 31 August 2021

The Supervisory Board elected Ms. Marijana Vasilescu as a member of the Management Board as of 1 September 2021.

A written decision of the Supervisory Board dated 2 November 2021

In accordance with the Bank's internal guidelines, the Supervisory Board assessed and subsequently decided on the credibility and professional competence of the nominated candidate, Mr. Pavel Barchugov, to perform the function as a member of the Bank's Supervisory Board. The Supervisory Board assessed that it would have sufficient collective knowledge, skills and experience and would be considered eligible for its activities as a whole.

Written decision of the Supervisory Board dated 15 December 2021

The Supervisory Board elected Mr. Timur Kozintsev as the Chairman of the Supervisory Board as of 15 December 2021.

13.3. Management Board

The Management Board is the governing body of the Bank responsible for the business management of the Bank and representing the Bank in all matters. The Management Board is responsible for establishing, maintaining and evaluating functional and efficient management and control system of the Bank as a whole and in parts. The Management Board exercises the rights of the employer. No one is authorised to instruct the Management Board as to the management of the Bank's business unless the law provides otherwise.

According to the valid Articles of Association of the Company, the Management Board consists of five members. The members of the Management Board are elected and dismissed by the Supervisory Board for a three-year term of office, unless the relevant performance agreement provides otherwise. Re-election is permissible. The members of the Management Board elect the chairman of the Management Board from among their ranks. During the term of office, the Supervisory Board may dismiss the individual members of the Management Board.

The members of the Supervisory Board are listed in the Chapter entitled Bank Bodies (see Chapter 7.1).

The members of the Management Board shall perform their duties with due professional care and diligence and act in good faith and in the best interests of the Bank and the shareholder. They are experts in managing large corporations with international experience and the capacity for teamwork. Their function requires continuous improvements in the field as well as in the area of corporate governance, a proactive approach to fulfilment of their obligations, the ability to contribute to the development of the Bank's strategy and, last but not least, loyalty to the Bank. The members of the Management Board shall adhere to high ethical standards and are responsible for ensuring that the Bank complies with applicable laws. They are personally accountable for any damage they cause to the Bank due to a breach of legal obligations and are functionally responsible to the Bank represented by the Supervisory Board and the shareholder.

The Management Board may establish committees (for more information, see the Subchapter 13.4 entitled Committees Established by the Management Board).

The Management Board shall meet according to the Bank's needs, but at least once a month. Meetings of the Management Board shall be convened by the Chairman of the Management Board or the Chairman's representative. The Management Board is quorate if an absolute majority of its members are present. Resolutions of the Management Board shall be adopted by a simple majority.

In case of equal number of votes, the chairman of the Management Board shall have the deciding vote. The Management Board may also adopt decisions outside of its meetings in writing or using technical means (circular resolution decisions). Details are laid down in the Management Board's Rules of Procedure, approved by the Supervisory Board.

The responsibilities of the Management Board include in particular:

- approving and regularly assessing the overall Bank's strategy, the organisational structure of the Bank, the human resource management strategy, the risk management strategy, the strategy related to capital and capital ratios, the strategy for the development of the information and communication system, the principles of the internal control system and the security policy,
- approving new products and other issues that are of fundamental importance or that may have significant impact on the Bank,
- approving the statutes of committees,
- approving the strategic and periodic plan of internal audit,
- proposing the persons in charge of ensuring the performance of the risk management function, the compliance function and the internal audit function or their dismissal to the Bank's Supervisory Board,
- assessing the credibility and suitability of individuals in key functions of the Bank,
- making decisions on actions outside the ordinary course of the Bank's trade,
- determining the principles of human resources management, including the principles for selection, remuneration, evaluation and motivation of employees,
- submitting ordinary, extraordinary, consolidated or interim financial statements and proposals for distribution of profit or loss in accordance with the Bank's Articles of Association to the General Meeting for approval,
- ensuring proper bookkeeping of the Bank.

Responsibilities of the individual members of the Management Board are divided by fields (sections) in the organisational chart approved by the Supervisory Board. The functions of individual members of the Management Board are defined by the Bank's internal guideline. Each member of the Management Board manages the section that has been assigned to that member and makes decisions on matters falling within the competence of that member's section separately, unless the decision-making on the matter in question falls within the competence of the Management Board as a whole. The division of powers among the individual members of the Management Board shall be without prejudice to the overall responsibility of the members of the Bank's Management Board. The members of the Management Board shall inform one another of any significant matters dealt with at the level of their respective sections and also of those matters that may have an impact on other sections.

The Management Board regularly informs the Supervisory Board about the operation of the Bank and provides the Supervisory Board with the necessary materials and instruments. The Management Board is also obliged to inform the Supervisory Board about any events that may be of major importance to the Bank.

The Management Board decides on all Bank matters that are not reserved by law or the Articles of Association for the General Meeting, the Supervisory Board or the Audit Committee.

13.4. Committees Established by the Management Board

The Management Board is authorised to establish committees in accordance with the Bank's Articles of Association and Decree No. 163/2014 Sb., governing the performance of the activities of banks, credit unions and investment firms. In accordance with this authority, the Management Board established the committees listed below and defined their authorities, competences, composition and the course of action in the bylaws of the respective committees. The members of the committees are listed in the Chapter entitled Bank Bodies (see Chapter 7).

The Management Board has set up the following Committees:

1) Assets and Liabilities Management Committee,
2) Credit Committee,
3) Distressed Assets Committee,
4) Risk Committee,
5) Operating Committee,
6) Social Committee,
7) Executive Committee,
8) Claims Committee.

1) Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is a committee with the main task to manage and evaluate the effects of the development of interest rates, exchange rates, liquidity and funding opportunities and to monitor the risk-weighted assets development, the level of regulatory capital and profit forecasts, i.e. the main elements affecting the regulatory capital requirements. It makes decisions on the rules for managing assets and liabilities, considers the current and prospective interest and currency risks in the investment portfolio, as well as the liquidity risks, financing and management of the regulatory capital in order to optimise the revenue-risk profile.

The Assets and Liabilities Management Committee will meet at least once a month. The meeting is convened by the secretary of the Committee.

The Committee is quorate with the cumulative fulfilment of the following conditions:

1) an absolute majority of the Committee members with voting rights is present or otherwise involved (using technical means).

2) at least three members of the Management Board are present or otherwise involved (using technical means), and

3) the chairperson or the deputy chairperson of the Committee (or their representative) is present or otherwise involved (using technical means).

Resolutions of the Committee are adopted by a simple majority of the present members of the Committee with voting rights. If the numbers of votes are equal, the vote of the chairperson or the deputy chairperson of the Committee (or their representative) will decide. Each member of the Management Board is entitled to exercise his/her right of veto when voting on individual items on the agenda of the meeting. If the right of veto is exercised, the vetoed proposal is postponed until the next meeting of the Management Board to be discussed and decided upon. Minutes will be drawn up from every meeting of the Committee. Under certain conditions, the Committee may adopt

decisions outside of meetings in writing (circular resolution decisions). Detailed information will be set out in the Bylaws of the Assets and Liabilities Management Committee.

2) Credit Committee

The Credit Committee is a committee that manages the credit risk. It decides on loan transactions which entail credit risks, unless the decision-making has been delegated to the individual approval authorities within the Bank, and on cases where the Risk Committee or the Management Board has decided so, and on other matters pursuant to the Bylaws of the Credit Committee.

As a rule, the Credit Committee will meet once a week. The meeting is convened by the secretary of the Credit Committee.

The Committee is quorate with the cumulative fulfilment of the following conditions:

1) An absolute majority of the Committee members with voting rights is present or otherwise involved (using technical means).

2) The member of the Management Board responsible for risk management or their representative is present or otherwise involved (using technical means).

3) The Head of OU Corporate Underwriting or their deputy is present or otherwise involved (using technical means).

Resolutions of the Committee are adopted by a simple majority. If the number of votes is equal, the vote of the chairperson of the Committee (the member of the Management Board responsible for risk management) will decide. Minutes will be drawn up from every meeting of the Committee. Under certain conditions, the Committee may adopt decisions outside of meetings in writing (circular resolution decisions). Detailed information is set out in the Bylaws of the Credit Committee.

3) Distressed Assets Committee

The Distressed Assets Committee is a committee that manages and deals with non-performing loans of the Bank. It establishes and approves the principles of non-performing loans management, management strategies and action plans, it monitors the development of non-performing loans and takes corrective measures in the event of undesirable developments.

The Distressed Assets Committee will meet at least once a week. The meeting is convened by the secretary of the Distressed Assets Committee, or their representative.

The Committee is quorate with the fulfilment of the following conditions:

1) an absolute majority of the Committee members with voting rights is present or otherwise involved (using technical means) and simultaneously

2) the member of the Management Board responsible for risk management or the Head of RWO is present or otherwise involved (using technical means); provided that the presence of their representative is not sufficient, such a member is required to be present in person or using technical means, and simultaneously

3) at least two members of the Bank’s Management Board (if the Management Board member responsible for risk management is present it counts as one of the Bank’s Management Board members to meet this condition) are present or otherwise involved (using technical means).

4) If the Bank’s Management Board member responsible for risk management is not present, the Head of RWO must attend the meeting in person or via videoconference or by means of two-way voice communication.

Resolutions of the Committee are adopted by a simple majority. If the numbers of votes are equal, the vote of the chairperson of the Committee (the member of the Management Board responsible for risk management) will decide. The chairperson of the Committee is entitled to exercise the right of veto. Minutes will be drawn up from every meeting. Under certain conditions, the Committee may adopt decisions outside of meetings in writing (circular resolution decisions). Detailed information will be set out in the Bylaws of the Distressed Assets Committee.

4) Risk Committee

The Risk Committee is the Bank's committee for risk management. It approves risk management rules, monitors credit, market and operational risks and approves corrective measures. The Risk Committee does not decide on individual credit risk cases but deals with the risk profile of the Bank as a whole.

The Risk Committee will meet at least once a month. The meeting is convened by the secretary of the Committee.

The Committee is quorate with the cumulative fulfilment of the following conditions:

1) an absolute majority of the members of the Committee (including those represented by a proxy) is present or otherwise involved (using technical means), and

2) the member of the Management Board responsible for risk management or the Head of OU Integrated Risk Management is present or otherwise involved (using technical means); provided that the presence of their representative is not sufficient, such a member is required to be present in person or using technical means, and

3) the member of the Management Board responsible for risk management or the member of the Management Board responsible for finances is present or otherwise involved (using technical means); provided that the presence of their representative is not sufficient, such a member is required to be present in person or using technical means.

Resolutions of the Committee are adopted by a simple majority. The member of the Management Board responsible for risk management is entitled to exercise the right of veto. Minutes will be drawn up from every meeting. Under certain conditions, the Committee may adopt decisions outside of meetings in writing (circular resolution decisions). Detailed information will be set out in the Bylaws of the Risk Committee.

5) Operating Committee

It decides on matters relating to the Bank's project portfolio management and is responsible for strategic management, approving and planning of projects within the Bank. Its scope of activities includes, in particular, prioritising projects, evaluating the economic benefits of projects, deciding on project implementation and approving the annual project plan.

The Committee will meet at least once a month. The meeting is convened by the secretary of the Committee.

The Committee is quorate if an absolute majority of the Committee members with voting rights is present or otherwise involved (using technical means) and at the same time the chairperson or deputy chairperson is present or otherwise involved (using technical means).

The Committee resolutions are adopted by a simple majority of the present Committee members with voting rights, provided that the chairperson or the deputy chairperson of the Committee also voted in favour of the resolution. If the numbers of votes are equal, the vote of the chairperson of the

Committee (in the chairperson's absence the vote of the deputy chairperson) will decide. Minutes will be drawn up from every meeting. Under certain conditions, the Committee may adopt decisions outside of meetings in writing (circular resolution decisions). Detailed information will be set out in the Bylaws of the Operating Committee.

6) Social Committee

It examines cases of allocating extraordinary funds to the Bank's employees in urgent or potentially difficult life situation to come. It discusses and decides on the allocation and amount of additional funds to employees in a difficult personal situation in the form of additional severance pay or additional financial allowance, e.g. in case of serious illness of the employee or a direct member of their family.

The Committee convenes as necessary in order for the individual cases to be handled in a proper and timely manner.

The Committee is deemed to have a quorum if an absolute majority of the members of the Committee (including those represented by a proxy) is present or otherwise involved (using technical means).

A simple majority of votes of the members of the Committee present (quorum) is required to adopt a resolution. If the numbers of votes are equal, the vote of the Committee chairperson (in the chairperson's absence the vote of the deputy chairperson) will decide. Under certain conditions, the Committee may adopt decisions outside of meetings in writing (circular resolution decisions). Detailed information will be set out in the Bylaws of the Social Committee.

7) Executive Committee

The Executive Committee is an advisory committee to the Management Board on the matters of day-to-day operations at the Bank, setting bank-wide standards and values, establishing budgets and setting financial and non-financial targets. The Committee provides support to the Management Board in implementing the Bank's business principles and other value systems, monitors any deficiencies in the Bank's mission, vision, strategy or risk management system, and proposes solutions. The Committee is also responsible for evaluating planned and ongoing projects related to the Bank's business management.

The Committee shall meet at least once a month and shall be convened by the secretary of the Committee.

Resolutions of the Committee shall be adopted by simple majority if a quorum of more than half of the voting members of the Committee is reached (voting may also be by technical means). Minutes will be drawn up from every meeting. Detailed information will be set out in the Bylaws of the Executive Committee.

8) Claims Committee

The Claims Committee is established to discuss cases of liability of employees for damage caused to the property of Sberbank CZ, a.s. The Committee discusses and decides on compensation for damage caused to the Bank by an employee and the manner of enforcement of the compensation from the employee.

The Committee deals with cases of employee liability for damage caused to the employer within the meaning of the applicable provisions of Act No. 262/2006 Sb., the Labour Code, in accordance with

internal guideline OHB 3-05-015 Compensation of Damage Caused by Employees to the Bank, in particular:

- Destruction, damage, loss or theft of the employer's property,
- Deficit in entrusted values that the employee is obliged to account for (e.g. valuables, cash, etc.),
- Property sanctions (fines or penalties),
- Costs associated with unsuccessful litigation,
- Costs resulting from non-observance of prescribed procedures.

The Committee may decide about damage up to CZK 50,000. In cases of damage in the amount exceeding CZK 50,000, the Committee draws up an opinion and recommendation for decision-making by the Management Board of the Bank. The opinion is approved by the Claims Committee prior to its submission to the Management Board of the Bank.

The meetings of the Committee are convened by its secretary as necessary in order to discuss the individual cases properly and in due time and avoid time-barring of claims for compensation of damage, at least once a year.

The Committee is deemed to have a quorum if an absolute majority of the members of the Committee (including those represented by a proxy) is present or otherwise involved (using technical means). A simple majority of votes of the members of the Committee present (quorum) is required to adopt a resolution. Detailed information will be set out in the Bylaws of the Claims Committee.

13.5. Audit Committee

The Audit Committee consists of three members. The members of the Audit Committee are appointed and dismissed by the General Meeting. The members of the Audit Committee elect and dismiss the chairman and deputy chairman of the Audit Committee from Committee members themselves.

The members of the executive committees are listed in the Chapter entitled Bank Bodies (see Chapter 7.3).

The Audit Committee shall meet at least twice a year. The Committee is quorate if an absolute majority of the Committee members is present or otherwise involved (using technical means) and at the same time the chairman or deputy chairman of the Audit Committee is present. Resolutions of the Committee shall be adopted by a simple majority. If the numbers of votes are equal, the vote of the chairman of the Committee (in the chairman's absence the vote of the deputy chairman) shall decide. The Committee may also adopt decisions outside of its meetings, in writing or using technical means (circular resolution decisions). Further information is laid down by the Rules of Procedure of the Audit Committee, approved by the General Meeting.

<u>The responsibilities of the Audit Committee include in particular:</u>

a) monitoring the process of compiling the annual financial statements and submits recommendations to the Management Board and the Supervisory Board to ensure the integrity of the accounting and financial reporting systems,

b) evaluating the effectiveness of the Bank's internal controls, internal audit and risk management system,

c) monitoring the process of the statutory audit of the annual financial statements,

d) assessing the independence of the statutory auditor,

e) approving the provision of other non-audit services,

f) recommending an auditor to the Supervisory Board,

g) providing the General Meeting with information about the Audit Committee's activities.

The Committee also carries out other tasks and matters entrusted to the Committee by the Articles of Association or the relevant legislation.

Meetings of the Audit Committee:

In 2021, two regular meetings of the Audit Committee were held on 22 April 2021 and 21 December 2021, at which the Audit Committee made decisions on matters that fell within its authority. In addition to the above-mentioned meetings, the Audit Committee adopted some per rollam decisions. An example is the decision on the approval of the Committee's activity report for the period from May 2020 to April 2021.

13.6. Fit & Proper Policy

The Bank shall ensure that members of its governing body, members of its Supervisory Board and individuals in key functions of the Bank are trustworthy, sufficiently qualified and experienced. For this purpose, the Bank shall establish internal rules to assess and evaluate such persons. Suitability and professional competence of the members of the Management Board and the Supervisory Board are assessed by the Bank's Supervisory Board within its competence. The Management Board is the body assessing suitability and professional competence of individuals in key functions.

Members of the Bank's Management Board

The members of the Management Board must have sufficient knowledge, skills and experience to perform their functions. They are required to have basic theoretical banking knowledge that enables them to understand the Bank's operation and major risks. The assessment criteria include, in particular, education, management experience, financial market experience, knowledge in defined areas, criminal and administrative integrity, compliance with professional standards, an orderly financial situation, time requirements and absence of conflict of interest.

When assessing the suitability of Management Board members, the suitability of the Management Board as a whole must be considered, too. The Management Board must have sufficient collective knowledge, skills and experience.

Members of the Bank's Supervisory Board

The members of the Supervisory Board must have knowledge, skills and experience corresponding to performance of their functions. They are required to have basic theoretical banking knowledge that enables them to understand the Bank's operation and major risks. The evaluation criteria include, in particular, education, professional experience, basic knowledge in defined areas, criminal and administrative integrity, and compliance with professional standards, an orderly financial situation, time requirements and absence of conflicts of interest. The Chair of the Bank's Supervisory Board is subject to increased demands with regard to the performance of his/her duties.

When assessing the suitability of Supervisory Board members, the suitability of the Supervisory Board as a whole must be considered. The Supervisory Board of the Bank must have sufficient collective knowledge, skills and experience.

Persons in key functions

Persons in key functions must have sufficient knowledge, skills and experience relevant to their job positions. The assessment is based on a comprehensive consideration of criteria. The assessment criteria include education and expert knowledge relevant to the respective tasks of persons in key functions. The criminal and administrative integrity and the absence of conflicts of interest of these persons are assessed as well.

The members of the Management Board, the members of the Supervisory Board and the persons in key functions of the Bank must be competent not only at the beginning of the performance of their duties but permanently throughout the performance of their duties. For this purpose, regular training and courses are organised for these people.

The suitability of the person under consideration must be assessed before the person is selected/appointed or re-elected. Persons being assessed are obliged to fill in forms and provide other documents and materials required for their evaluation. The body evaluating the persons under consideration relies on the forms and documents received from the persons being assessed for this purpose, and after evaluating them, it decides whether the person being assessed is credible and suitable. The body that elects/appoints the persons being assessed shall follow the result of the assessment.

The policy on the principles of credibility and professional competence shall not apply to senior management, unless they also hold key functions. When these persons are recruited, however, similar criteria as for the persons in key functions are taken into account to ensure that only qualified and experienced people are hired. These persons are evaluated by the HR Management organisational unit, potentially in cooperation with a relevant member of the Management Board.

13.7. OECD Code of Corporate Governance

The Bank voluntarily complies with the main standards of corporate governance laid down in the ***Code of Corporate Governance in the Czech Republic (2018)***; the Czech version is published on the website of the Czech Ministry of Finance.

The Bank respects the principles of corporate governance that best reflect the way the Bank does its business, the Bank's interests and the Bank's shareholders. These basic standards of corporate governance are reflected in the Articles of Association and in the related internal guidelines of the Bank. A number of recommendations arising from the aforesaid Code are also reflected in Act No. 90/2012 Sb. on business corporations and other laws of the Czech Republic.

The Bank's bodies and their competences are described in the chapter entitled Corporate Governance (see Chapter 13).

The main principles of corporate governance to which the Bank adheres include in particular:

Protection of shareholders' fundamental rights (especially the right to transfer of shares, the right to receive timely and regularly information on the Bank from other Bank bodies, the right to elect and dismiss members of the Supervisory Board, the right to participate in the profits of the Bank, the right to participate in making decisions on significant changes in the Bank by amending the Articles of Association),

Prohibition of abuse of insider information by the members of the governing bodies and the employees (in particular the prohibition of using opportunities for personal gain, conflicts of interest,

competitive conduct and misusing the company's assets; the members of the governing bodies are obliged to act with due professional care and diligence),

Publishing (important information relating to the Bank and its activities are published on the website of the Bank in Czech and possibly also in English),

Transparency (especially the statutory auditor's independence and its assessment by the Audit Committee, access to regular, reliable and sufficiently detailed information in the annual and semi-annual reports of the Bank, information on the ownership structure of the Bank, preparing the report on relationships, evaluating the integrity and professional competence of the members of the governing bodies, report on the activities of the Management Board),

Responsibilities of the Management Board and the Supervisory Board (in particular the obligation to act with due professional care and diligence, electing and dismissing members of the Supervisory Board by the General Meeting, electing and dismissing members of the Management Board by the Supervisory Board, submitting a report on the Management Board's activities to the General Meeting, submitting a report on the Supervisory Board's activities to the General Meeting, monitoring and resolving potential conflicts of interest).

In addition to the aforesaid Code, the Bank voluntarily complies with the following codes published at websites www.czech-ba.cz and www.akatcr.cz:

- Code of Ethics of the Czech Banking Association,
- Code of Ethics of the Capital Market Association,
- Code for Loans and Housing (CBA Standard No. 18/2005, the principles of provision of pre-contractual information related to housing loans),
- Bank-Client Code (CBA Standard No. 19/2005, the code of conduct between banks and clients),
- Code of Client Mobility (CBA Standard No. 22/2009, client mobility – the process of changing banks),
- CBA standards in the payment system.

The codes and CBA standards are incorporated in the Bank's Code of Conduct of Employees and internal work procedures.

13.8. Diversity Policy

Although the Bank has not yet implemented a diversity policy as an internal document, it complies with the requirements for diversity of the members of the governing bodies. The diversity requirement is mentioned in the internal guideline Fit & Proper Policy.

In this internal guideline, the Bank considers, among other things, personal characteristics of candidates for new members of the Management Board and the Supervisory Board when assessing and evaluating their credibility and professional competence. Moreover, it places emphasis on their education, professional knowledge and experience, especially considering the fact that the body as a whole should be sufficiently diverse and the body should be able to perform its duties properly, not only in accordance with regulatory requirements but also with requirements for quality of the personnel management. A greater diversity of the human factor in these bodies creates a more creative and innovative environment in which people are able to respond more flexibly to new challenges that today's regulated world of banking brings in a large number. A Bank body as a whole must have sufficient collective knowledge, skills and experience to understand all the activities of the Bank, ranging from day-to-day operations, the main risks associated with the

subject of enterprise and corporate governance to specific knowledge of the banking industry and its regulatory environment. The individual members are selected to complement each other, both in terms of their professional knowledge and their experience, so that the body as a whole is capable of performing its functions.

The selection of such candidates for membership in the bodies is a demanding and regulated process, in which an assessment is performed of whether the candidate has sufficient experience and skills for the job and is the right person to fit in and thus creates, together with the other members, a competent and sufficiently diverse group of people which will, as a whole, be able to perform its function properly. When a candidate is being selected, great emphasis is put on professional competence and experience of the individuals, taking into account their personality.

Since the Bank is, based on its size and number of employees, a medium-sized company with a lower number of members in its governing bodies, it is more difficult to achieve a high level of diversity than in the case of large companies.

The Management Board at the end of year 2021 consists of five members, the Supervisory Board of nine members and the Audit Committee of three members. The legislation determines special rules for composition of the Audit Committee so that the Committee is professionally competent to perform its function and the Bank follows these rules in the selection process to comply with the statutory requirement. The Management Board of the Bank consists of four men and one woman from 44 to 56 years of age, with 18 to 27 years of experience in the banking sector and with 15 to 27 years of management skills. They obtained their education either in the Czech Republic or abroad.

At the end of year 2021, the Supervisory Board consisted of eight men and one woman aged between 40 and 70, with up to 29 years of experience in the banking sector and up to 31 years of management skills. The Supervisory Board was diverse in terms of geographical origin, with three citizens of the Czech Republic, two citizens of the Federal Republic of Germany, two citizens of the Republic of Austria, two citizens of the Russian Federation. In 2021, the General Meeting appointed one new member, and the Bank employees elected one new members from among theirselves.

The Bank is aware of the importance of diversity principles and intends to focus on setting next new goals in this area in the upcoming years.

13.9. Internal Control

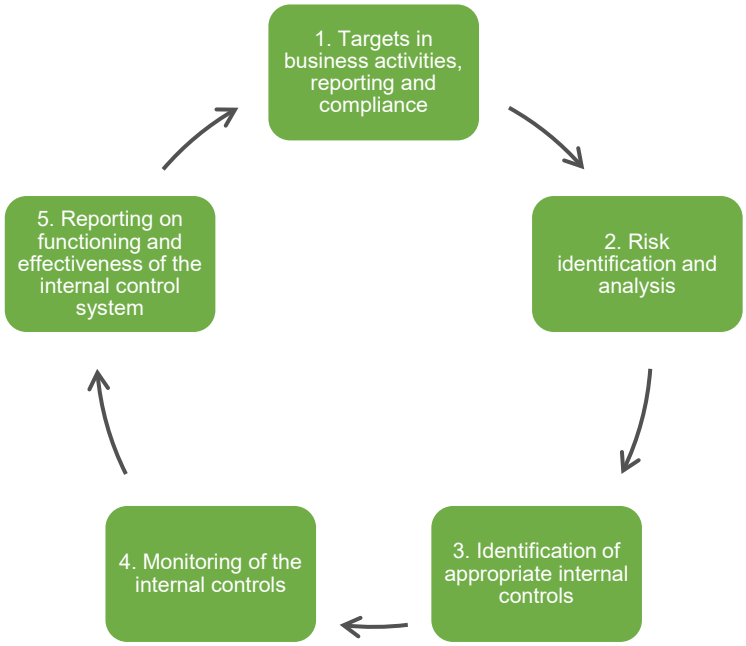
Internal control is a process whose participants are the Management Board, the executives and all the other employees, and which is designed to provide reasonable assurance regarding the achievement of the Bank’s objectives relating to:

- effectiveness and efficiency of operations,
- identification, measurement and mitigation of risks,
- reliability of financial reports,
- compliance with applicable laws and regulations.

An effective internal control system provides reasonable (not absolute) assurance of security of property, reliability of financial information and compliance with laws and regulations. This concept of reasonable assurance lies in constant evolution and implementation of internal controls and constitutes a tool of the bank’s Management Board to achieve an optimum balance between the risk of business processes and the level of controls necessary to ensure the achievement of the bank’s business objectives.

The internal control system methodology is based on internal control principles as recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This approach provides the Bank with a good-quality, clear, practical basis for its own internal control system.

The internal control process consists of the following steps:



The Management Board ensures setting of appropriate control principles, procedures and activities supporting the control objectives at all levels, and is responsible for maintaining functionality and effectiveness of the internal control system.

In the management of the key risks within the risk tolerance levels set by the bank's Management Board, each head of an organisational unit identifies appropriate internal controls with respect to the cost/benefit indicator. In accordance with the identified risks, the relevant processes and associated risks are subject to checks (controls).

The competent officer prepares a plan of checks and controls that includes an overview of ongoing checks and controls in the unit for each organisational unit. For each check or control, it is stated how its execution is documented. All control activities, including related responsibilities, competencies and internal guidelines, can be traced back.

As a part of the internal control system, the bank has established the following types of controls:

- operational controls - routine controls of everyday nature,
- periodic controls - controls with a minimum of a one-week execution interval,
- managerial controls/key control indicators - monitoring of the execution of operational or periodic controls by an authorised person,
- extraordinary controls - control investigations - their aim is to discover the objective causes of any negative findings.

The established control mechanisms are periodically reviewed and updated as necessary.

The internal control system is continuously monitored and evaluated. Its functionality and effectiveness is regularly assessed by the Management Board and the Audit Committee. The internal audit independently reviews the Bank's activities, including the risk management system and the internal control system.

The process of accounting and financial reporting may be exposed to risks of inaccuracies resulting from human or technical factors. The Bank attempts to minimise these risks in the following ways:

- by prepared accounting principles which are described in an annex to the annual financial statements,
- by detailed methodological guidelines and operating procedures for all areas of accounting, which are used in the everyday accounting practice,
- by a standard inventory process,
- by the established internal controls for accounting,
- by efforts to automate bookkeeping to the greatest extent possible.

14. Remuneration

14.1. Principles for Remuneration of the Senior Management

Senior managers at Sberbank CZ, a.s., are the members of the Management Board and the members of the Supervisory Board.

The members of the Management Board and the Supervisory Board of the company are listed in the chapter entitled Governing Bodies (see chapter 7).

The Supervisory Board as a body with the power to elect and dismiss members of the Management Board, approves performance agreements with individual members of the Management Board; among other things, these agreements govern the method of remuneration of the members, i.e. the amount of income.

The Supervisory Board has not established any committees, or a remuneration committee.

The sole shareholder, exercising the powers of the General Meeting, is a body with the power to elect and dismiss the members of the Supervisory Board. Some members of the company's Supervisory Board are not entitled to any remuneration or payment for the performance of their duties and thus perform the function for free. Only the members of the Supervisory Board who are considered as independent members or company representatives are remunerated based on the respective performance agreements concluded with them in accordance with the relevant provisions of the Business Corporations Act.

In 2021 only one new contract on performance of the function between the company and the Supervisory Board members was concluded, namely the Contract on performance of the function between Sberbank CZ, a.s. and Mr. Martin Vakoč dated 3 August 2021.

The chairman of the Management Board and the members of the Management Board are remunerated on the basis of their respective Performance Agreements concluded with them in accordance with the relevant provisions of the Business Corporations Act. The Performance Agreement with each member of the Management Board is approved by the Supervisory Board of the company. The company pays fixed monthly remuneration to the chairman of the Management Board and the members of the Management Board for their management activities and other activities related to the performance of their duties as members of the Management Board.

In 2021 only one new contract on performance of the function between the company and the Management Board members was concluded, namely the Contract on performance of the office between Sberbank CZ, a.s. and Mrs. Marijana Vasilescu dated 1 September 2021.

The basic principles for remunerating the members of the Management Board are regulated in the internal guideline "OHB 1-01-010 Remuneration Policy". This internal guideline was amended in accordance with Czech and European law. It was approved by the Supervisory Board on 8 April 2021. The service agreements that are concluded reflect the principles for determining the remuneration of the members of the Management Board governed by this internal guideline.

The remuneration of the members of the Management Board corresponds to their authority, tasks, expert knowledge and experience. The chairman of the Management Board and the members of the Management Board are remunerated with regard to the assessment of their performance, which is measured based on fulfilment of the defined performance criteria. The performance criteria are established in cooperation with SBEU, are set for each calendar year, and are derived from the financial goals (the profit of SBEU before tax, the profit of Sberbank CZ, a.s., before tax and the

profit of the controlled organisational unit) and fulfilment of the structural duties. The variable remuneration component is up to 100% of the fixed component. The bonus is a variable remuneration component and is subject to the regulatory requirements of the CNB and the European Banking Authority. The regulatory requirements including their possible consequences are also set out in the Performance Agreements with the individual members of the Management Board.

The Supervisory Board approves the variable component of remuneration of the members of the Management Board in accordance with the approved budget of the Bank.

Sberbank CZ, a.s., as an institution with an organisational structure of medium complexity, does not apply the payment of variable components in non-cash instruments.

The variable remuneration component is paid out within a three-year period. 60% of the variable remuneration component is paid out immediately, i.e. without delay, and the payment of the remaining 40% of the variable remuneration component is deferred for a period of three years. The entitlement to the variable remuneration component with deferred maturity is only awarded if to do so is sustainable from the point of view of the overall financial situation of the Bank. The remuneration with deferred maturity is gradually paid out in three payments, with the proviso that no more than one payment per year should be made. The adjustment of the “malus” institute (the denial of entitlement to the payment of the variable remuneration component) and the “clawback” institute (the recovery of remuneration already paid out) shall also apply to the members of the Management Board. The rules for the application of these institutes are laid down in detail in the Remuneration Policy.

In addition to the aforementioned monthly remuneration and annual bonuses, the members of the Management Board are also entitled to:

- contribution to a supplementary pension of 300 CZK/month,
- 30 days of paid leave,
- payment of the difference between the gross monthly income and the sickness benefit in the event of incapacity for work of up to three months during one calendar year,
- if they do not require a company car, they are entitled to a car allowance,
- if a member of the Management Board is dismissed before the end of his/her term of office, the severance payment shall be 50% of his/her gross annual income.

The chairman of the Management Board, the members of the Management Board, the members of the Supervisory Board or persons related to them do not hold shares or options to purchase shares of Sberbank CZ, a.s., for the reason that shares of Sberbank CZ, a.s., are not publicly traded.

There are no agreements of members of the Management Board with Sberbank CZ, a.s., that might be substantial and beneficial upon termination of the legal relationship with respect to users of the annual report, except for the aforesaid performance agreements.

14.2. Income of the Senior Management

Senior managers at Sberbank CZ, a.s. are the members of the Management Board and the members of the Supervisory Board.

1) Income of the Management Board

Performance Agreements have been made with the individual members of the Management Board, under which the members of the Management Board are remunerated. In accordance with their Service Agreements and the Remuneration Policy, the members of the Management Board received the following incomes in 2021:

Description	Amount in millions of CZK
Fixed part of remuneration	35.126
Variable part of remuneration*	11.819
Total financial income	46.945
Income in kind**	0.441

*The variable part of remuneration consists of bonuses paid for the previous years.

**The income in kind is the sum of additional taxation of 1% of the purchase value of the vehicle for the entire year and for all members of the Management Board.

The above amounts represent the sum of the income received by the individual members of the Management Board for 2021.

The sum of all the unpaid variable components of the remuneration with deferred maturity amounts to CZK 6,430,666.00 of the members of the Management Board.

The above amounts are based on the managerial skills, expertise and experience of the individual members of the Management Board and on the overall benefit to the company.

This income was paid based on meeting the financial, qualitative and development criteria and based on the efficiency criteria.

2) Income of the Supervisory Board

Four members of the Supervisory Board were also awarded with remuneration in the total amount of CZK 745,933.00 for the performance of their duties in 2021.

14.3. Fees charged by Audit Companies in 2021

In CZK thousands	Audit services	Other assurance services	Consul-tancy services	Other services	Total
PricewaterhouseCoopers Audit, s.r.o	5,463	2,154	0	0	7,617

Published information includes VAT, which is not deductible.

Services in addition to the statutory audit provided by the Statutory Auditor and its network during 2021:

Company	Service description	Price incl. VAT (in CZK)
PricewaterhouseCoopers Audit, s.r.o.	Review of the reporting package for 1Q 2021 as per the requirements of the group auditor	435,600
PricewaterhouseCoopers Audit, s.r.o.	Review of the reporting package for 2Q 2021 as per the requirements of the group auditor	435,600
PricewaterhouseCoopers Audit, s.r.o.	Review of the reporting package for 3Q 2021 as per the requirements of the group auditor	435,600
PricewaterhouseCoopers Audit, s.r.o.	Preparation of the report on verification of the management and control system	847,000
Total		**2,153,800**

15. Corporate Social Responsibility

15.1. Introduction

Pursuant to Section 32g(7) of Act No. 563/1991 Sb., on accounting, Sberbank CZ, a.s. is exempted from the obligation to prepare a report on non-financial information. This report usually contains selected non-financial information related to the company, such as environmental awareness, social and employment issues, human rights, the fight against corruption and bribery, etc. The reason for the exemption is that Sberbank Europe AG prepares a report on non-financial information in accordance with the European legislation for the entire European Group, including Sberbank CZ, a.s. The consolidated report on non-financial information is published at www.sberbank.at.

In 2021, the main pillars of social responsibility of Sberbank CZ included care for the environment and a healthy lifestyle, support for citizens disadvantaged by their health and socially disadvantaged citizens, and education. In June 2021, the Bank also helped those affected by the devastating tornado in the South Moravia through its Endowment Fund. The Bank's employees help to fulfil the social responsibility strategy, either by participating in volunteer events or making a donation on charitable purposes via the Endowment Fund account, which the Bank then doubles.

Volunteer Days

The coronavirus epidemic and the related government preventive measures did not allow the Bank's employees to meet together at joint volunteer events during the past year as before; in the summer they helped with tornado relief in the South Moravia and in the autumn they were fully involved at several locations in the Czech Republic in a project to plant and maintain new trees. The Bank's employees can volunteer during working hours once a year, and such a day is fully paid for by the Bank.

Charity Collections

A charity collection to help those affected in the South Moravia, which was hit by a tornado at the end of June, was launched shortly afterwards. The Bank's employees contributed CZK 171,565, which was subsequently doubled by the Bank, and they also personally volunteered to help in the aftermath of the devastating disaster. They also helped sort through the huge amount of material aid provided by thousands of people and organisations from all over the Czech Republic.

A second charity collection, with total proceeds of CZK 91,880, supported the New Home for People with Autism Spectrum Disorder project. The collection also had a great response among the Bank's employees, even though at the time of the collection another wave of the coronavirus crisis was peaking.

Christmas Gifts for the Less Fortunate

During the tenth anniversary year of the "Helping Baby Jesus" event, the Bank's employees fulfilled Christmas wishes for children from the Dagmar Children's Home in Brno and seniors from the homes for the elderly in Humpolec and Horoměřice. These children and seniors had previously created lists of their Christmas wishes, which were delivered to our employees. The employees then divided the wishes amongst themselves, bought and wrapped the gifts, and sent them to the above-mentioned facilities so that the children and seniors could find them under their Christmas trees. In this Christmas collection, Sberbank employees wrapped and delivered more than 100 gifts to those children and seniors.

15.2. Sberbank CZ Endowment Fund

The Bank provides funds for charitable activities through the Sberbank CZ Endowment Fund, which was established in 2012 as a charitable fund and later transformed into a separate legal entity in March 2014. We support non-profit organisations registered in the Czech Republic, foundations, endowment funds, associations, community organisations, and churches, provided that the resources donated are used solely for purposes that are consistent with the Fund's charitable goals and mission as set out in its founding charter; the areas that are funded include, in particular, support for women and children living in substandard conditions, support for education and financial literacy, support for seniors and disabled individuals, and environment-friendly activities.

During 2021, the Endowment Fund aided 17 projects with CZK 1,026,450 under its grant programme and organised two charity collections with the highest proceeds in its history:

- **Ústí nad Orlicí Regional Charity –** a purchase of a wheelchair power unit
- **Šternberk Charity –** building a separate entrance for seniors to the nursing service building
- **Cesta za snem, z.s. –** a contribution to the activities of the organisation
- **Kvalitní podzim života, z. ú. –** purchase of disinfectants and protective equipment
- **Černí koně, z.s. –** a contribution to the activities of the organisation
- **Elpida, o.p.s. –** a contribution to the activities of the organisation
- **Czech Union for Nature Conservation –** a contribution to support the activities of the Czech Union for Nature Conservation, especially the Old Fruit Tree Variety Rescue Programme
- **Tady to mám rád, z. s. –** a contribution to aid the New Home Project
- **TyfloCentrum Ústí nad Labem, o.p.s. –** a purchase of an electric positionable massage bed
- **Anděl Strážný, z. ú. –** a purchase of SOS buttons for seniors
- **WOMEN FOR WOMEN, o.p.s. –** a contribution to the "Lunches for Children" Project
- **Apolinářská nedonošeňátka, z.s. –** revitalisation of the common area for patients, families, and doctors
- **Diaconia of the Evangelical Church of Czech Brethren – Rolnička Centre –** partial reimbursement of the costs of installation of a suspension lifting system
- **Diocesan Charity Brno –** helping people affected by the natural disasters in the Hodonín and Břeclav regions
- **TŘI, z.ú. –** a purchase of two positionable beds for hospice patients
- **Klokánek Brno – Fund for Children at Risk –** a purchase of a garden swing and modification of the garden for the children at Klokánek

- **HoSt Home-Start Česká republika, z. ú. –** a contribution to the training and development of professional skills of volunteers and workers

A long-term project of the Endowment Fund in the field of environmental protection and landscape restoration is the cooperation with the Czech Union for Nature Conservation on the Old Fruit Tree Variety Rescue Programme. In this project, we help to save traditional fruit tree varieties and return them to the countryside. The subject of the cooperation is mapping suitable areas for orchards, their planting and subsequent maintenance, and educating those interested in the subject of old fruit tree varieties and the tradition of orchard growing in general. More information on the Old Fruit Tree Variety Rescue Programme can be found at www.stareodrudy.cz. During the autumn of 2021, the Bank's employees participated in the maintenance of trees planted earlier and continued to plant new trees.

15.3. Environment and ESG – Sustainable Finance

Sberbank CZ is openly committed to strengthening environmentally and socially responsible business in the Czech Republic and is ready to participate in creating a business environment that will lead to the country's sustainable development. Sberbank CZ is fully aware of the climate change's negative effects on the environment, including the adverse socio-economic impacts of this global change. The climate change jeopardises the (macro)economic and financial stability of the national economy, and it is therefore desirable to face this challenge proactively. Abrupt climate changes involve a new type of risks (physical and transition) that the Bank wants to address actively. On that account, Sberbank CZ made a public commitment to strengthen environmentally and socially responsible business by signing the Czech Banking Association Memorandum for Sustainable Finance in April 2021. Sberbank supports the sustainable and socially responsible development not only of the Czech banking sector but also of the entire national economy.

In order to achieve the required environmental, social and governance objectives (i.e. ESG objectives), the Bank started to develop tools and processes in Q1 2021 to ensure gradual integration of the ESG principles into the Bank's business model, including its risk management approach. This is a gradual process that builds the Bank's strong position within the ESG sustainability principles. In 2021, Sberbank began integrating the ESG principles in several key areas of its business activities:

1) Facility Management
Sberbank CZ is taking active steps to cut down the energy intensity of its operation to reduce its carbon footprint. The Bank reduced its fleet in 2021, with nearly a third of its company cars already fully electric or hybrid. The Bank also optimised the use of office space, saving 38% of the space in its Prague headquarters and 20% in Brno. The Bank continues to use and deepen the principles of a paperless office. Obviously, we sort waste in the workplace and use energy produced from sustainable sources.

2) Risk Management
In the area of risk management, the Bank established an organisational structure to coordinate ESG activities in the first half of 2021, headed by the CEO. One of the first steps was to compile an internal questionnaire on ESG factors, which the Bank uses in the loan approval process for selected corporate and SME clients. In addition, the Bank (in cooperation with Sberbank EU) had been preparing to launch an ESG rating tool in 2022 to assess and include ESG risks for new loans. The Bank has also adjusted its Credit Policy, and sustainable projects now have better financing conditions. For 2022, the Bank had planed to integrate ESG into the ICAAP process and risk

management limits. The Bank has also provided almost EUR 90 million in loans to sustainable projects, actively contributing to the promotion of ESG principles in banking practice.

3) Social Projects

In 2021, the Bank carried out a total of 23 activities aimed at supporting environmental and (local) social projects. These projects included, for example, planting of fruit trees and support for non-profit organisations focused on helping children and the elderly. Sberbank CZ has its own endowment fund, which has long supported selected organisations, and the Bank promotes active involvement of employees in charity and the company's volunteer programme.

15.4. Respecting Human Rights

In carrying out banking activities, the Bank does not forget the fundamental human rights and moral values on which civilised society is based. The Bank is aware of its social responsibility and fully respects fundamental human rights and freedoms. The company identifies with the current positive trends and recognises that the right to have a payment account, among other things, is one of the basic rights of modern society. The Bank always acts to avoid and prevent financing of terrorism and other business transactions with entities that violate human rights grossly.

15.5. Fight Against Corruption and Bribery

The Bank fully recognises values and attitudes expressing zero tolerance of all forms of direct or indirect bribery or corruption. As a member of the Czech Banking Association, the Bank consistently adheres to the Ethical Code of the Czech Banking Association, which is one of the cornerstones of conduct of member banks, expressing, among other things, the requirement for a transparent approach and execution of banking activities in the financial market.

Being aware of the seriousness and meaning of corruption, the Bank has established and further elaborated specific measures that effectively prevent corruption or abuse of power by its employees. These rules of conduct are mandatory for all employees of the Bank and are observed without exception also in other relationships to which the Bank is a contractual party.

15.6. Social and Employment Issues

The Bank supports its employees in the area of mental and physical health; in the past year, we, therefore, focused on the following areas in the field of employee benefits and employee care:

- In view of the ongoing Covid-19 pandemic, the task of the HR Management Unit in 2021 was to create a safe working environment for employees, and to ensure prevention (regular testing, motivation to vaccinate) and health protection. Thanks to the flexibility shown by the employees, it is possible to adapt working methods to the current situation. Working from home, to the extent that the nature of the work and working conditions allow, is becoming a standard at the Bank.

- It focused on holiday leave management and made sure that its employees plan their days off and use them to the greatest extent possible. In order to support the balance between the work and private lives of its employees, the Bank provides them with five paid personal days off in addition to the regular five weeks of leave.

- The Bank actively promotes volunteerism; employees can register for charitable work and their absence in the length of one day is paid. The Bank itself organises selected volunteer activities in cooperation with the Sberbank CZ Endowment Fund.

- In the area of work-life balance, the Bank is also responding to feedback from employees who have identified the emphasis on flexibility and the possibility of using flexible working hours and working from home where the nature of the work allows as key factors. The focus is also on mental and physical health, which is why the Bank has been organising regular Health Days for the past three years, offering workshops and events to promote health to the employees.

- For the second year now, the Bank has been developing a new above-standard employee assistance programme which provides free, anonymous and quick help in solving problems and unexpected life situations in the field of psychology, law, finances and health.

- In May 2021, the Bank implemented LutherOne, a new comprehensive management tool designed to gather feedback and measure the mood at the Bank. The main objective is to facilitate social cooperation and communication and to make day-to-day activities more efficient. During the year, the platform was expanded to include an internal social network, which provides additional room for interaction within the Bank.

- Last year, the Bank once again implemented the benefit programme for employees expanded by a management tool of extra bonuses. It also expanded the number of discounts to employees on the products and services of our partners and third parties.

16. Additional Information

16.1. Shares

The Bank's shares are ordinary registered shares, they are numbered if so provided by law, and are issued as book-entry securities. The Book-entry shares are registered with the Central Securities Depository Prague (in Czech: Centrální depozitář cenných papírů, a.s.).

The Bank has issued 561,198 dematerialised registered shares with a par value of CZK 5,000 per share. The total volume of the issue is CZK 2,805,990,000.

The registered capital that has been paid up in full amounts to CZK 2,805,990,000.

The holder of all the above shares is the sole shareholder - Sberbank Europe AG, with its registered office at Schwarzenbergplatz 3, 1010, Vienna, Republic of Austria.

The shares are freely transferable. The shares are not traded on the regulated European market.

The Bank has not issued any convertible bonds which carry the right to their exchange for shares, or any priority bonds which carry the right to a preferential subscription for shares.

There are no programmes based on which employees and members of the Management Board may acquire shares of the Bank, options on such shares or other rights to them under preferential conditions.

During 2021, the Bank did not own any of the controlling entity's shares or its own shares.

No members of the senior management hold any shares constituting an ownership interest in the Bank.

No rating has been assigned to the shares of the Bank.

Basic rights and obligations of shareholders:

The basic rights and obligations of shareholders are governed by the Articles of Association and Act No. 90/2012 Coll. on business corporations.

All shares carry the same rights and obligations.

Each shareholder has the right to participate in the management of the Bank through the General Meeting and the right to participate in the Bank's profits approved for distribution.

The shareholders shall exercise their rights and fulfil their obligations assigned to them under the Articles of Association and applicable laws at the General Meeting or outside it. Each shareholder is entitled to attend the General Meeting, to vote, to request and receive explanations of matters relating to the Bank or entities controlled by the Bank, and to raise objections and submit counterproposals. The voting rights attached to shares are not limited. The voting right of each shareholder is associated with the respective share. Each share with a par value of CZK 5,000 represents one vote. The total number of votes is 561,198.

The structure of the Bank's equity is presented in a separate financial statement in the Financial Position Statement in Chapter 18.

In mil. CZK	As at 31 December	
	2021	**2020**
Equity		
Registered capital	2,806	2,806
Share premium	4,015	4,015
Reserve fund	234	233
Other capital funds	7	5
Revaluation reserve	(200)	(20)
Retained profit	2,490	2,206
Total equity	**9,352**	**9,245**

Company shares	
Type	Ordinary shares
Form	561,198 registered shares
Appearance	Book entry
Number of shares	561,198
Total issue volume	CZK 2,805,990,000
Nominal value per share	CZK 5,000
Share tradability	The shares are not traded on any public market.

The Bank has not issued any convertible bonds which carry the right to their exchange for shares, or any priority bonds which carry the right to a preferential subscription of shares.

Management Board:

The members of the Management Board are elected and recalled by the Supervisory Board for a term of office of three years, unless their service agreements stipulate a different term. The Management Board members can be re-elected. The election and dismissal of a member of the Management Board is carried out at a meeting of the Supervisory Board, which has a quorum if a majority of members are present. The Supervisory Board decisions are adopted by a simple majority. If the numbers of votes are equal, the vote of the Chairman of the Supervisory Board (in the Chairman's absence, the vote of the Deputy Chairman or their representative) shall decide.

The Management Board is the Company's statutory body. The Management Board is the governing body of the Company and represents the Company in all matters. It is responsible for creation, implementation, monitoring and inspection of the Company's business plans, for organisation of the Company's activities and exercises the rights of an employer. The Management Board decides on all company matters that are not reserved by law or the Articles of Association for the General Meeting, the Supervisory Board or the Audit Committee. A detailed description of the Management Board's competence is set out in Section 15 of the Company's Articles of Association. The Management Board of the Company does not have any special powers pursuant to Section 118 (5) (h) of the Capital Market Undertakings Act.

Company Articles of Association:

The amendment of the Company's Articles of Association is the responsibility of the Company's General Meeting in accordance with the provisions of the Business Corporations Act.

The Company has not entered into any significant agreements that become effective, change or expire in the event of a change in control of the Bank. The Company has not entered into any agreements with the members of the Management Board or the employees to whom it would owe performance in the event of termination of their function or employment in connection with a takeover bid.

The Company has not introduced any programmes that would allow employees and members of the Management Board to acquire the Company's participation securities, options on such securities or other rights under preferred conditions.

16.2. Mortgage Bonds

All completed issues of the mortgage bonds of the Bank have been duly repaid on the maturity date and the bank does not currently have any mortgage bonds issued. In November 2020, the Czech National Bank approved a new basic prospectus for mortgage bonds, which allows the bank to issue mortgage bonds under this programme with a maximum total nominal value of CZK 15 billion. The duration of the programme is 15 years from the date of its approval. Based on this program, the bank did not issue any mortgage bonds in 2021. Details of the bond programme are available at www.sberbank.cz (https://www.sberbank.cz/-/media/files/sberbankcz/hzl/prilohy/zakladni_prospekt_2020.pdf).

16.3. Judicial Proceedings

Passive litigation:

In 2015, the Bank paid CZK 129.4 million to Mgr. Daniel Schaffer in damages based on the final decision of the court of second instance. Since the Bank strongly disagrees with this court decision, the Bank has filed an extraordinary appeal against the mentioned court decision, which was filed with the Supreme Court of the Czech Republic.

On 3 November 2020, the Czech Supreme Court rejected the Bank's appeal and confirmed the previous decision of the court of the second instance (the High Court in Prague).

Due to the fact that the Bank still believes that its actions were in line with all applicable laws and bylaws, and that there are strong arguments against the decision of the Czech Supreme Court, the Bank decided to file a constitutional appeal to the Czech Constitutional Court.

The constitutional appeal was submitted by the Bank's legal representative on 12 January 2021. The proceedings before the Constitutional Court were not terminated as at 31 December 2021 and as such, the proceedings are still pending.

At the end of 2021, no additional litigation against the Bank (passive litigation) with a presumed significant impact on the Bank's position had been initiated.

Debt Collection:

At the end of 2021, the Bank had in particular the following claims against its clients:

- the Bank's claim in the amount of CZK 21,109,349 registered in insolvency proceedings against a client of the Bank (PO)
- the Bank's claim in the amount of CZK 16,533,305 registered in insolvency proceedings against a client of the Bank (PO)
- the Bank's claim in the amount of CZK 9,172,161 registered in insolvency proceedings against a client of the Bank (PO)

The list of the above active and passive litigation is not exhaustive and includes only major litigation.

16.4. Major Contracts

Except for the contracts concluded under regular business conditions, no major contracts have been concluded in which the Bank is a contractual party and which might result in a liability or a claim of any member of the Group affecting the Bank's ability to fulfil its obligations to the holders of securities (bonds) based on the issued securities (bonds).

16.5. Research, Science and Development

In 2021, the Bank invested CZK 40 million in research and development activities (compared to CZK 51 million in 2020). These were mainly costs associated with the implementation of projects in the development of information technology, especially projects designed to improve the multi-channel banking and development of the regulatory reporting applications.

16.6. Information on contributions to the Guarantee Fund

As an investment company, the Bank contributes to the Securities Brokers' Guarantee Fund, which provides a guarantee scheme from which clients of an investment firm that is unable to meet its obligations to its clients are reimbursed. The basis for calculating the Bank's contributions for 2021 was CZK 48 million (2020: CZK 26 million) and the amount of the contribution for 2021 was CZK 1.0 (2020: CZK 0.5 million).

16.7. Conflict of Interest

The Bank declares that it is not aware of any potential conflicts of interest between the obligations of the members of the Management Board, including the members of the senior management and the members of the Supervisory Board to the Bank, and their private interests or other duties.

17. Alternative Performance Indicators

In order to provide a more qualified presentation of financial results and financial performance, the Bank presents users with annual reports and additional, alternative indicators of financial performance. These are indicators that are derived from the basic indicators described and presented in the financial statements and the notes thereon, to which they can be reconciled, or additional data needs to be stated if they are not presented elsewhere in the financial statements or in the annual report.

The Bank has decided to use the following alternative performance indicators to present the financial results and financial performance.

Profit from financial operations, i.e. operating income

This indicator represents the total amount of revenues the Bank has achieved in its main business, including in particular the acceptance of deposits and the provision of loans.

The indicator is the sum of the selected positions of the Bank's statement of comprehensive income presented in the financial statements:

In CZK million	2021	2020
Profit from financial operations before the creation of reserves and loss provisions:	**2,133**	**2,045**
Net interest income	1,579	1,523
Net income from fees and commissions	375	324
Net profit from financial instruments measured at fair value through profit or loss and exchange rate differences	125	163
Net profit from other financial instruments	1	0
Net profit from derecognition of financial assets measured at amortised value	53	35

This indicator may be presented in the Annual Report under the designation Operating income.

Non-Performing Loans (NPL)

The indicator represents the proportion of non-performing loans (defaulted loans) listed in point 33b) of the Bank's financial statements to the total amount of loans stated in the Bank's statement of financial position:

in CZK million	2021	2020
Non-Performing Loans (NPL)	2.64%	2.14%
- Loans and advances - non-performing	1,646	1,357
- Loans and advances to clients - gross	62,363	63,272

Return on Average Assets (ROAA)

This indicator represents the average rate of return on the Bank's assets. It is calculated as the quotient of the Net Profit for the Accounting Period and average Total Assets for the relevant accounting period. The Net Profit for the Accounting Period is presented in the Statement of

Comprehensive Income. The average total assets are calculated as the arithmetic mean of the total assets status values at the end of each month in the relevant accounting period.

In CZK million or % p.a.	2021	2020
Net Profit for the Accounting Period	285	19
Average Assets for the Accounting Period	86,809	88,449
Return on Average Assets (ROAA)	0.33%	0.02%

Return On Average Equity (ROAE)

This indicator represents the average rate of return on the Bank's Tier 1 equity. It is calculated as the quotient of the Net Profit for the Accounting Period and average Tier 1 Equity for the relevant accounting period. The Net Profit for the Accounting Period is presented in the Statement of Comprehensive Income. The average Tier 1 equity is calculated as the arithmetic mean of the Tier 1 equity status values at the end of each month in the relevant accounting period.

In CZK million or % p.a.	2021	2020
Net Profit for the Accounting Period	285	19
Average Tier 1 Equity for Accounting Period	8,522	8,466
Return On Average Tier 1 Equity (ROAE)	3.34%	0.22%

Assets per Employee

This indicator represents the total volume of the Bank's property (assets) reported in the Bank's Statement of Financial Standing (balance sheet) presented in the financial statements per employee. The number of employees is the recalculated average registered number of employees.

In CZK million	31 12. 2021	31 12. 2020
Total assets	84,975	89,404
Number of employees	692	701
Assets Per Employee	123	128

Administrative expenses per employee

This indicator represents the total volume of the Bank's administrative expenses reported in the Bank's Statement of Comprehensive Income presented in the financial statements per employee. The number of employees is the recalculated average registered number of employees.

In CZK million	2021	2020
Administrative expenses	1,480	1,376
Number of employees	692	701
Administrative expenses per employee	2.1	2.0

Net Profit per Employee

This indicator represents the total net profit for the accounting period reported in the Bank's Statement of Comprehensive Income presented in the financial statements per employee. The number of employees is the recalculated average registered number of employees.

In CZK million	2021	2020
Net Profit	285	19
Number of employees	692	701
Net Profit per Employee	0.412	0.027

18. Financial Statement for the Year Ended 31 December 2021

Financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

Statement of comprehensive income for the year ended 31 December 2021

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

In CZK million	Note	Year ended 31 December	
		2021	2020
Interest revenue calculated using the effective interest method	5	1,938	1,989
Other interest revenue and similar income	5	0	2
Interest expense calculated using the effective interest method	5	(271)	(463)
Other interest expense and similar charges	5	(88)	(5)
Net interest income		**1,579**	**1,523**
Fee and commission income	6	503	516
Fee and commission expense	6	(128)	(192)
Net fee and commission income		**375**	324
Net gains from financial instruments at fair value through profit or loss and foreign exchange	7	125	163
Net income from other financial investments		1	0
Net gains on derecognition of financial instruments measured at amortised cost	8	53	35
Credit loss expense on financial assets	17	(208)	(517)
Provisions		19	(21)
Administrative expenses	9	(1,480)	(1,376)
Other operating income		2	2
Other operating expenses	10	(94)	(111)
Operating profit		**372**	**22**
Profit before income tax		372	22
Income tax expense	11	(87)	(3)
Profit for the year		**285**	**19**
Other comprehensive income to be reclassified subsequently to profit or loss			
Net/(losses) on investments in debt instruments measured at FVOCI		(180)	(22)
Other comprehensive income/(expense) for the period, net of tax		**(180)**	**(22)**
Total comprehensive income/(expense)		**105**	**(3)**

Statement of the financial position as at 31 December 2021

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

In CZK million	Note	As at 31 December	
		2021	2020
ASSETS			
Cash and balances with central banks	12	15,324	20,559
Loans and advances to banks	13	3,461	3,168
Derivative financial instruments held for trading	14	415	182
Debt securities at fair value through other comprehensive income	15	2,480	1,464
Debt securities at amortised cost	15	1,000	612
Loans and advances to customers	16	60,413	61,360
Changes in the fair value of the portfolio of hedged instruments	14	(287)	135
Derivative financial instruments to hedge interest rate risk	14	230	0
Prepaid expenses and accrued income	18	70	43
Other assets	18	332	389
Current tax assets		26	36
Deferred tax assets	19	270	256
Property, plant and equipment	20	527	438
Intangible assets	21	714	762
Total assets		**84,975**	**89,404**
LIABILITIES			
Deposits from banks	22	2,690	467
Due to customers	23	71,514	78,131
Derivative financial instruments held for trading	14	356	320
Derivative financial instruments to hedge interest rate risk	14	20	217
Other liabilities	24	793	749
Deferred income and accrued charges		10	6
Provisions	25	66	85
Subordinated debt	26	174	184
Total liabilities		**75,623**	**80,159**
EQUITY			
Share capital	27	2,806	2,806
Share premium		4,015	4,015
Statutory reserve		234	233
Other capital funds		7	5
Revaluation reserve		(200)	(20)
Retained earnings		2,490	2,206
Total equity		**9,352**	**9,245**
Total equity and liabilities		**84,975**	**89,404**

Statement of the changes in equity for the year ended 31 December 2021

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

In CZK million	Share capital	Share premium account	Statutory reserve	Other capital funds	Revaluation reserve	Retained earnings	Total Equity
As at 1 January 2020	**2,806**	**4,015**	**206**	**0**	**2**	**2,214**	**9,243**
Other comprehensive income (recognized directly in equity)	0	0	0	0	(22)	0	(22)
Net profit for the period	0	0	0	0	0	19	19
Total comprehensive income for 2020	**0**	**0**	**0**	**0**	**(22)**	**19**	**(3)**
Contribution to other capital funds	0	0	0	5	0	0	5
Transfer to reserves	0	0	27	0	0	(27)	0
As at 31 December 2020	**2,806**	**4,015**	**233**	**5**	**(20)**	**2,206**	**9,245**
Other comprehensive expense (recognized directly in equity)	0	0	0	0	(180)	0	(180)
Net profit for the period	0	0	0	0	0	285	285
Total comprehensive expense for 2021	**0**	**0**	**0**	**0**	**(180)**	**285**	**105**
Contribution to other capital funds	**0**	**0**	**0**	**2**	**0**	**0**	**2**
Transfer to reserves	0	0	1	0	0	(1)	0
As at 31 December 2021	**2,806**	**4,015**	**234**	**7**	**(200)**	**2,490**	**9,352**

Statement of the cash flow for the year ended 31 December 2021

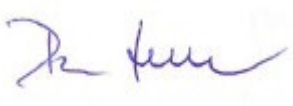
Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

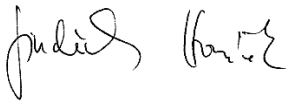
In CZK million	Note	2021	2020
Cash flow from / (used in) operating activities			
Profit before income tax		**372**	**22**
Adjustments for:			
Credit losses on financial assets	17	208	517
Sales and write offs of financial assets	8	(53)	(35)
Provisions	25	(19)	21
Depreciation and amortization of fixed assets	9	282	227
Loss on disposal of fixed assets	10	2	20
Net interest income	5	(1,579)	(1,523)
Other non-cash transactions		(14)	10
(Increase) / decrease in operating assets:			
Loans and advances to banks, non-demand, over 3 months maturity	13	655	311
Financial assets at fair value through profit or loss		(463)	162
Loans and advances to customers		366	1,537
Changes in the fair value of the portfolio of hedged instruments		422	(314)
Other assets		57	59
Prepayments and accrued income		(27)	(5)
Increase / (decrease) in operating liabilities			
Deposits from banks		1,180	262
Financial liabilities at fair value through profit and loss		(161)	439
Due to customers	23	(6,597)	8,598
Other liabilities		(42)	(313)
Accruals and deferred income		4	(4)
Interest received		2,348	1,673
Interest paid		(379)	(503)
Net income tax paid		(49)	(120)
Net cash flow from (used in) operating activities		**(3,487)**	**11,041**
Cash flow from / (used in) investing activities			
Purchase of securities		(1,670)	(1,680)
Sale of securities		55	0
Purchase of property, equipment and intangible assets		(155)	(153)
Net cash flow from / (used in) investing activities		**(1,770)**	**(1,833)**

Cash flow from / (used in) financing activities			
Repayment of mortgage bonds		0	(995)
Payment of principal portion of lease liabilities		(78)	(89)
Net cash flow used in financing activities		**(78)**	**(1,084)**
Net increase / (decrease) in cash and cash equivalents		**(5,335)**	**8,124**
Cash and cash equivalents at the beginning of the year	31	**22,139**	**14,015**
Impact of the changes in the foreign exchange rates on cash and cash equivalents		(74)	(27)
Net increase / (decrease) in cash and cash equivalents		(5,261)	8,151
Cash and cash equivalents at the end of the year	31	**16,804**	**22,139**

These financial statements were approved for issue by the Management Board on 29 April 2022 and signed on its behalf by:

Signatures of the Statutory representatives





Dušan Baran
Vice-chairman of the Management Board

Jindřich Horníček
Member of the Management Board

1 GENERAL INFORMATION

Sberbank CZ, a.s. (hereinafter referred to as “the Bank”) was incorporated on 31 October 1996. The Bank had 24 domestic regional branches in the Czech Republic as at 31 December 2021 (as at 31 December 2020: 24 branches) and employed 700 people as at 31 December 2021 (as at 31 December 2020: 755 people).

As at 31 December 2021 and 31 December 2020, the ultimate holding company was Sberbank, which is incorporated in Russia and whose registered office is located at 117997 Moscow, 19 Vavilova St. (hereinafter referred to as “Sberbank RU”), more than 50% of which is owned by the Russian Federation represented by the Ministry of Finance of the Russian Federation. The direct holding company was Sberbank Europe AG (hereinafter referred to as “Sberbank EU”), which is incorporated in Austria. The financial statements of the Bank were included in both the consolidated financial statements of Sberbank RU and Sberbank EU.

The Bank’s operations primarily consist of the following:

- Providing Czech and foreign currency loans and guarantees
- Accepting and placing deposits in Czech and foreign currencies
- Accepting current and term accounts denominated in Czech and foreign currencies
- Rendering of general banking services through a network of branches and agencies
- Providing foreign exchange transactions on the inter-bank money market
- Providing foreign trade finance and related banking services
- Trading in securities and portfolio management
- Issuing mortgage bonds

(a) Subsequent events resulting from the invasion of Ukraine by Russia

On 28 February 2022, due to the deterioration of the Bank's liquidity situation in connection with a significant outflow of deposits following Russian's invasion of Ukraine, the Czech National Bank ("CNB") initiated steps to revoke the banking licence of Sberbank CZ, a.s. In connection with this, the CNB issued a preliminary measure restricting the bank's handling of assets and liabilities, including the provision of new loans and the acceptance of deposits.

On 9 March 2022, i.e. 7 working days from this day, the payment of insured deposits up to EUR 100,000 equivalent of the bank's clients, organized by the Financial Market Guarantee System, was started.

The Bank's management asked the CNB to extend the deadline for the administrative proceedings to prepare and complete negotiations with potential investors, as it considered the sale of the bank to be the best solution in the current situation. The sale of the Bank to the new owner failed. CNB on 14 April 2022 decided in the first instance of administrative proceedings to revoke the banking license.

Given the circumstances in the previous paragraphs, it is very likely that the going concern assumption is not met. Due to the fact that the CNB's decision to revoke the license to operate as a Bank is not final yet and also because the bank has a legal obligation to have its financial statements verified by an auditor by 30 April 2022, the Bank's management decided to prepare this financial statements using accounting policies and methods that meet the going concern assumption although the Bank's financial statements should have been prepared on a non going concern basis. These

accounting policies are described in Note 2 to the financial statements. If the Bank prepared its 2021 financial statements on a non going concern basis, the valuation of the Bank's assets (e.g. loan portfolio, intangibles and tangible assets, deferred tax assets) and the valuation of its liabilities would significantly differ from the presented financial statements. Also, the classification of assets and liabilities would change significantly.

Explanation Added for Translation into English

These financial statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

2 ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation of financial statements

The statutory financial statements, comprising the statement of financial position, the statement of comprehensive income and the statement of changes in equity, the statement of the cash flow and accompanying notes, of the Bank have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The policies set out below have been applied consistently to all the reporting periods presented if not stated otherwise.

The financial statements have been prepared under the historical cost convention as modified by the initial recognition of financial instruments at fair value and by the revaluation of financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss and all derivative contracts. The carrying values of the recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The preparation of financial statements to comply with EU IFRS requires use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The areas involving a higher degree of judgment or complexity, or the areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements are rounded to millions of Czech Crowns ("CZK million" or "CZKm") unless otherwise stated.

(b) Foreign currency translation

Functional and presentation currency

The items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency").

The financial statements are presented in CZK, which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates quoted by the Czech National Bank are recognized in “Net gains from financial instruments at fair value through profit or loss and foreign exchange“.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as a part of “Net gains from financial instruments at fair value through profit or loss and foreign exchange“. Translation differences on non-monetary items, such as the equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income in the “Revaluation reserve” in the equity.

(c) Financial assets and their valuation

The Bank classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (“FVPL”);
- Fair value through other comprehensive income (“FVOCI”); or
- Amortised cost.

The Bank does not have any equity instruments.

The classification requirements of debt instruments depends on:

- The Bank’s business model for managing the asset; and
- Whether the characteristics of the asset pass so-called SPPI test (future contractual cash-flows are solely payments of principal and interest)

The business model reflects how the Bank manages the assets in order to generate cash flow. That is, whether the Bank’s objective is solely to collect the contractual cash flows from the assets, from the sale of assets or both. Factors considered by the Bank in determining the business model for a group of assets include experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to the key management personnel, how the risks are assessed and managed and how the managers are compensated.

Where the business model is to hold the assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments cash flows represent solely payments of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement - i.e. the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with the basic lending arrangement. Where the contractual terms introduce exposure to a risk or volatility that are inconsistent with the basic lending arrangement, the related financial asset fails to pass the SPPI test and is classified and measured at FVPL.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

(i) Financial assets measured at amortised cost

This category includes assets that are held for collection of contractual cash flows representing solely payments of principal and interest and that are not designated at FVLP. These assets are measured at amortised cost adjusted by any expected credit loss allowance recognized.

Interest income from these financial assets is included in “Interest revenue calculated using the effective interest method”. The interest income from the financial assets classified in Stages 1 and 2 (see Note 2(n) for definitions) is calculated on the gross carrying amount while under Stage 3, the interest revenue is calculated on the net carrying amount (i.e. the gross carrying amount after deducting the impairment allowance).

(ii) Financial assets at fair value through other comprehensive income (FVOCI)

This category includes assets that are held for collection of contractual cash flows representing solely payments of principal and interest and for selling the assets and that are not designated at FVLP. These assets are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for recognition of the impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When a financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from other comprehensive income to profit or loss and recognized in “Net income from other financial investments”. The interest income from these financial assets is included in “Interest revenue calculated using the effective interest method”.

(iii) Financial assets at fair value through profit or loss (FVPL)

The assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss within “Net gains from financial instruments at fair value through profit or loss and foreign exchange“. The interest income and expense from hedging derivatives is reported as “Other interest revenue and similar income” or “Other interest expense and similar charges”.

(iv) Reclassification of financial assets

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. Such changes are expected to be very infrequent.

(d) Financial liabilities and their valuation

The Bank classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial assets and liabilities is based on management’s intention at initial recognition and the relevant criteria for classification have to be met.

(i) Financial liabilities at fair value through profit or loss

The category of financial liabilities at fair value through profit or loss had two sub-categories: the financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a part of a portfolio of identified financial instruments which are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial liabilities are designated at initial recognition at fair value through profit or loss when:

- Doing so significantly reduced measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue;

- The group of financial liabilities, such as debt securities, are managed and evaluated on a fair value basis in accordance with the documented risk management or investment strategy and reported to the key management personnel, and on that basis are designated at fair value through profit and loss; or

- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modifying the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from the sale and changes in the fair value through profit or loss are recorded in “Net gains from financial instruments at fair value through profit or loss and foreign exchange“.

(ii) Other financial liabilities

The Bank classifies all financial liabilities in this category, except for those classified in the category of financial liabilities at fair value through profit or loss in accordance with those rules for classification in that category. Other financial liabilities are carried at amortized cost.

The Bank issues mortgage bonds. Re-purchased mortgage bonds directly decrease the liabilities from issued securities.

(e) Recognition and derecognition of financial assets and liabilities

Regular-way purchases and sales of financial assets and liabilities are recognized on the settlement date.

Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets and liabilities not measured at fair value through profit or loss. Financial assets and liabilities measured at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the statement of comprehensive income under “Fee and commission expense”. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished − that is, when the obligation is discharged, cancelled or expires.

When during the term of a financial asset there is a change in the terms and conditions, the Bank assesses whether the modification of the contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, a significant change in the interest rate, a change in the currency denomination or a significant extension of a loan when the borrower is not in financial difficulties. If the borrower is in financial difficulty, the Bank considers whether the modification reduces the contractual cash flows to amounts the borrower is able to pay.

If the modified terms are substantially different, the Bank derecognises the original financial asset and recognises a new asset. Any difference between the carrying amount of the original asset derecognised and the fair value of the new substantially modified asset is recognised in profit or loss

in “Net gains on derecognition of financial instruments measured at amortised cost” or “Net income from other financial investments”.

If the modified terms are not substantially different, the Bank recalculates the gross carrying amount of the asset by discounting the modified contractual cash flows by the original effective interest rate (or the credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss in “Interest revenue calculated using the effective interest method”.

A postponement of loan instalments under Act. No. 177/2021 Col. On some measures in the area of loan repayment in connection with the COVID-19 pandemic (“loan moratorium”) is not considered as a significant modification and the modification gain or loss is also recognized in “Interest revenue calculated using the effective interest method”.

(f) Determination of fair value

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date in the principal, or in case of its absence, the most advantageous market to which the Bank has access at that date.

The fair values of quoted investments in active markets are based on the current bid prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no active market for a financial asset, the Bank establishes the fair value using valuation techniques that maximize the use of the relevant observable inputs. These include for example the use of a discounted cash flow analysis and other valuation techniques commonly used by market participants.

The Bank’s accounting methods on fair value are disclosed in Note 32.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of the financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously.

(h) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Sources for the fair value measurement of the derivatives are obtained from the quoted market prices in the active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The methodology for the credit value adjustment (“CVA”) and the debit value adjustments (“DVA”) for derivatives is based on the Sberbank Europe Group methodology. The basic principle of the CVA and DVA calculation is to estimate the expected loss during the lifetime of the derivative.

The Bank occasionally purchases or issues financial instruments containing embedded derivatives. Certain derivatives, such as the conversion option in a convertible bond, are embedded in hybrid contracts. If a hybrid contract contains a host that is a financial asset, then the Bank assesses the entire contract as described in the financial assets section above for classification and measurement purposes.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed under IFRS 9. The embedded derivatives are treated as separate derivatives when

their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss and the separate instrument with the same terms would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in the fair value recognized in the profit for the period unless the Bank chooses to designate the entire hybrid contract at fair value through profit or loss.

The Bank chose to apply the hedge accounting requirements according to IFRS 9 from 1 January 2021 with the exception of applying IAS 39 to the portfolio fair value hedges of the interest rate risk.

The Bank has prepared a methodology for hedge accounting for the interest rate risk management. This methodology is applied when it is decided by the responsible unit of the Bank. On the initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and the strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value due to a change of the interest rates of the respective hedged item during the period for which the hedge is designated.

For the interest risk management of certain assets or liabilities, the Bank designates a fair value hedge relationship. The objective of such a hedge relationship is to protect the Bank from the effect of the fair value fluctuation of the hedged asset or liability which affects the profit and loss. Changes in the fair value of the hedging derivative are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, in the same line item. Related interest income / expense from the hedging instrument is reported within “Other interest and similar income” or “Other interest expense and similar charges”, revaluation of the hedging instrument is recognized in “Net gains from financial instruments at fair value through profit or loss and foreign exchange”. The change in the fair value of the hedged item attributable to the risk hedged measured at amortised cost is recorded on a separate line “Changes in the fair value of the portfolio of hedged instruments” in the Statement of the financial position. The change in the fair value of the hedged item is also recognized in “Net gains from financial instruments at fair value through profit or loss and foreign exchange”.

If the derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then the hedge accounting is discontinued prospectively. For the fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through the profit or loss on a straight line basis. The amortization begins as soon as the adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the profit or loss.

The Bank designates certain derivatives as hedging instruments in a fair value hedge when the responsible organizational unit of the Bank decides to hedge such a risk. The Bank does not apply a cash flow hedge or net investment hedge accounting as the risks that can be covered with this type of hedge accounting are not important for the Bank.

(i) Recognition of deferred day one profit and loss

The best evidence of fair value at the initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with the other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on the valuation technique for which the variables include only data from observable markets.

When the transaction price differs from the fair value of the other observable current market transactions in the same instrument, or based on the valuation technique whose variables include only data from the observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in “Net gains from financial instruments at fair value through profit or loss and foreign exchange”. In cases where the fair value is determined using data which is not observable, the difference between the transaction price and the model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

(j) Interest income and expense

The interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading and hedging derivatives, are recognized in the statement of comprehensive income under “Interest revenue calculated using the effective interest method” and “Interest expense calculated using the effective interest method”.

The interest income and expense for interest-bearing financial instruments classified as held for trading are recognized in the statement of comprehensive income under “Net gains from financial instruments at fair value through profit or loss and foreign exchange”. The interest income and expense from hedging derivatives is reported as “Other interest revenue and similar income” or “Other interest expense and similar charges”.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or the interest expense over a relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of a financial instrument or, when appropriate, a shorter period to the gross carrying amount of a financial assets or amortized cost of a financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The effective interest rate is established when the financial asset or liability is first recognized and it is revised at the time of the change of the estimated future cash flows arising from the financial instruments with a floating interest rate or with non-fixed payments.

The Bank calculates the interest income by applying the EIR to the gross carrying amount of the financial assets other than the credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’ (refer to Note 2(o)), the Bank calculates the interest income by applying the effective interest rate to the net amortised cost of the financial asset.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates the interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at the original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

(k) Fee and commission income

The Bank earns fee and commission income from a diverse range of services that it provides to its customers. The determination of timing and amount of the income recognition follows the five step model of IFRS 15.

The fee and commission income is measured based on the consideration specified in the contract with a customer. The Bank recognises a revenue when it transfers control over a service to a customer.

The fees earned for provision of services over a period of time are accrued over that period. These fees include commitment fees, guarantee fees and other fees from the lending business, commission income from the asset management, custody and other management and advisory fees as well as intermediary fees from the foreign exchange transactions. The payment services partly include fees for services satisfied over a period of time as periodic card fees.

The fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as the commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. The payment services partly include transaction-based fees as withdrawal fees.

The income from fees and commission that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the net interest income.

(l) Dividend income

Dividends are recognized in the profit for the period when the Bank's right to receive a payment is established.

(m) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") are not derecognized and remain to be reported in the statement of the financial position. The counterparty liability is included in "deposits from banks" or "due to customers", as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as "Loans and advances to banks", "Loans and advances to customers" or "Cash and balances with central banks", as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

(n) Credit loss expense on financial assets

On a forward-looking basis the Bank assesses the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from irrevocable loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date, except for the purchased or originated credit impaired assets ("POCI"), where the loss allowance reflects only the changes in the ECL since the initial recognition. The measurement of ECL reflects:

- Unbiased and probability-based amounts;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about the past events, current conditions and forecasts of the future economic conditions.

Within the measurement of the expected credit losses the Bank determines whether there is an increase in the credit risk of a financial instrument and assesses the changes in the credit quality since the initial recognition in order to determine the approach for the expected credit loss measurement. The Bank uses both quantitative criteria (quantitative input) and qualitative criteria to identify an increased credit risk, and does not rely solely on the objective evidence, but also takes into account forward looking types of information. By that, the Bank implements the staging concept to divide financial instruments into 3 stages according to their change in the credit quality since the initial recognition:

- If the financial instrument is credit-impaired, then the financial instrument is moved to Stage 3 and the ECL is measured as the lifetime expected credit losses.
- If a significant increase in the credit risk ("SICR") since the initial recognition is identified, then the financial instrument is moved to Stage 2 and the ECL is measured as the lifetime expected credit losses.
- If the financial instrument is not credit-impaired on the initial recognition and does not meet the criteria for Stage 2 or 3 classification, then it is (moved to) Stage 1. For Stage 1, the 12-month ECL is measured, i.e. only default events within the next 12 months are considered when assessing the 12-month ECL.
- POCI financial assets are treated as credit-impaired on their initial recognition and their ECL is measured as the lifetime expected credit losses.
- The credit risk of financial instruments is continuously monitored by the Bank.

The relation of the Stage determination to the ECL approach is summarized in the table below:

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition unless classified as POCI)	(Significant increase in credit risk since initial recognition)	(Credit-Impaired)
12-month ECL	Lifetime ECL	Lifetime ECL

More details of how the ECL allowance is measured are described in Note 33(b).

(o) Restructured and forborne loans and advances

From the date of renegotiation, such loans are treated as individually impaired for a period of twelve months. If a loan performs according to the forbearance schedule, it becomes treated as a loan in default during the subsequent twelve months, and as standard starting the third year from the renegotiation. The impairment of forborne receivables is discounted using the original effective interest rate (or the credit adjusted effective interest rate for POCI). The management continuously reviews the performance of the agreed conditions of forborne loans and the probability of future instalments.

The Bank monitors loans and advances with the forbearance status. The Bank identifies all contracts with clients where contractual conditions were modified in order to relieve existing financial difficulties or where a client might get into financial difficulties if such a relief was not granted. Loans and advances with forbearance status can be designated loans and advances in the non-defaulted portfolio and also in the portfolio with default. In accordance with the regulatory requirements, the Bank regularly evaluates all exposures in the portfolio – the on-balance and off-balance exposures in terms of forbearance. Testing is performed at the level of individual loans (contracts). The Bank treats the forbearance status as a SICR indicator.

(p) Write offs

When a financial asset is uncollectible, it is written off against the related allowance for credit losses. Such loans are written off after all the necessary procedures had been completed and the amount of the loss had been determined. These procedures mainly include: (i) cession of the loan (if the debt was ceded at a lower price than the face value); (ii) a report from the executor that there is no other asset of the debtor that can be affected by the execution of the loan; and (iii) the final termination of the insolvency proceedings with the debtor.

(q) Intangible assets

The amortization of intangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Software – the definite period under the contract, or according to the estimated useful life, or 36 months (if there is no agreement for a definite period or estimation of the useful life)
- Other – 72 months

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortized on the basis of the expected useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. The costs that are directly associated with production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. The direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives.

The cost of depreciation of the intangible assets is recognized in the statement of comprehensive income under "Administrative expenses".

(r) Property, plant and equipment

Land and buildings are comprised mainly of branches and offices. All the property, plant and equipment other than those acquired from shareholders for a price lower that the market value, are stated at its historical cost less depreciation. The historical costs of property, plant and equipment and intangible assets include:

- The cost (expenditures that are directly attributable to the acquisition of the items)
- Directly attributable costs necessary to bring the asset into operation
- The estimated costs of dismantling and removing the asset and restoring the place where the property is located.

Tangible and intangible assets with acquisition costs up to CZK 10,000, furniture and hardware up to CZK 2,000, are expensed as acquired.

If the purchase price of tangible assets acquired from shareholders is lower than the market value, the tangible assets are measured at fair value at the initial recognition and the difference between the fair value and the acquisition cost is recognized as a capital contribution in “Other capital funds”.

The subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to “Other general administrative expenses” during the financial period in which they are incurred.

Land, assets under construction and works of art are not depreciated. Depreciation on other long-term assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows (in years):

Buildings and construction (including Administrative buildings)	30
Hardware and equipment	4
Fixtures and fitting	6
Safes	12
Motor vehicles	4

Leasehold improvements are depreciated over the term of the lease.

When classifying new assets into depreciation groups, the Bank uses the component approach, i.e. the major components of the assets with different useful lives are depreciated separately.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, as at each reporting date.

The cost of depreciation of property, plant and equipment is recognized in the statement of comprehensive income under "Administrative expenses". The gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in "Other operating income" or "Other operating expenses" in the profit for the period.

The Bank does not hold any assets for which it would use the revaluation model. All the property under Notes 2(r) and 2(s) is depreciated using the cost model. The Bank currently does not own a building to which IAS 40 Investment property would be applied, i.e. a property held primarily to earn rental income or for capital appreciation.

(s) Impairment of non-financial assets

The assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The indicators of impairment can be external (a decrease in market prices) or internal (information obtained from a review of useful lives and residual book values) carried out once a year. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) Leases

The Bank assessed at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank does not act as a lessor in any lease or sublease contracts.

When the Bank acts as a lessee, the leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. The Bank presents its "Right-of-use assets" within Property, plant and equipment and the related lease liabilities are presented in the line item "Other liabilities".

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments from the lease contracts concluded after 1 January 2020 are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

After the commencement date the Bank measures the leasing liabilities as follows: The carrying amount is increased by the accrued interests and decreased by the lease payments and/or remeasured due to the change in the lease payments. The finance expense is calculated and charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The payments associated with the short-term leases and the leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. The short-term leases are leases with a lease term of 12 months or less. An assets is treated as low-value assets if its acquisition costs are up to EUR 4,000.

(u) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents represent balances with less than 3 months maturity from the date of acquisition including: cash and balances with central banks (including the Mandatory Minimum Reserves), due from banks and due to banks.

(v) Provisions

The provisions for legal claims, restructuring and other contingent liabilities are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

The method of the calculation of provision for a financial guarantee is described in Note 2(o).

Other provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

(w) Financial guarantee contracts

The Bank issues financial guarantees, i.e. guarantees and letters of credit. Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss he incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees contracts are initially measured at fair value on the date the guarantee was given and they are subsequently measured at the higher of the amount of the loss allowance (calculated as described in Note 2(n)) and the premium received on the initial recognition less amortization of the premium recognized as an income on a straight line basis over the duration of the guarantee. The loss allowance is recognized within “Provisions”.

The movements in provisions other than foreign exchange translations are recognized in “Provisions” in the statement of comprehensive income.

(x) Staff costs

Staff costs are included in “Administrative expenses” and also include remuneration of the members of the Managing and Supervisory Board.

Employee benefits

The Bank does not provide any employee benefits that are the subject of creating and valuing reserves using actuarial methods in accordance with IAS 19 Employee benefits.

Pensions

The Bank currently contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

For defined contribution plans, the Bank pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Social fund

The Bank creates a social fund to finance social needs of its employees and employee benefit programs. The social fund is reported within “Other liabilities” and the allocation to the social fund in the “Administrative expenses”.

(y) Taxation and deferred income tax

Income tax

The income tax payable on profits, based on the Czech tax law, is recognized as an expense in the period in which the profits arise.

Deferred tax

The deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is determined using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to be applied when the related deferred tax asset is realized or the deferred tax liability is settled.

The principal temporary differences arise from the depreciation of property, plant and equipment, the revaluation of certain financial assets and liabilities including derivative contracts, provisions and the tax losses carried forward. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized where it is probable that a future taxable profit will be available against which temporary differences can be utilized.

The tax effects of income tax losses available for carry-forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

The deferred tax related to the fair value re-measurement of financial assets at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged to other comprehensive income.

(z) Value added tax

The Bank is registered for value added tax (“VAT”). Intangible and tangible fixed assets are stated at the acquisition cost including the appropriate VAT. The Bank does not claim a reduced deduction of input VAT as the ratio of the taxable income to the total income of the Bank is such that it is not economical for the Bank to claim the input VAT.

(aa) Borrowings

The borrowings are recognized initially at fair value net of transaction costs incurred. The borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the profit for the period over the period of the borrowings using the effective interest method.

(bb) Share capital and reserves

Share issue costs

The incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on shares

The dividends on shares are recognized in equity in the period in which they are approved by the Bank’s shareholders.

The dividends for the year that are declared after the balance sheet date are described in the subsequent events note if relevant.

Reserve

In accordance with the Articles of Incorporation, the Bank is required to set aside a reserve in equity.

The reserve represents accumulated transfers from retained earnings. A minimum of 5% of the net profit should be allocated annually to the reserve until the amount of a minimum of 20% of the share capital is achieved. This reserve is not distributable and can be used exclusively to cover losses.

(cc) Fiduciary activities

The Bank acts as a trustee and in other fiduciary capacities that result in holding or depositing assets on behalf of individuals and other institutions. These assets and the income arising thereof are excluded from these financial statements, as they do not belong to the Bank.

(dd) Collateral valuation

The fair value of the collateral is determined using market data, valuation models and independent expert estimations. The dominant type of a collateral is residential and non-residential property, where an expert estimation of its market value is conservatively reduced by a factor for the type of collateral. The amounts of the reduction factor are based on conservative expert estimations, until the frequency of the realization of collaterals does not allow determination of these factors on the basis of statistically significant observations. The reported financial effect of a collateral is limited up to the carrying amount of the related financial asset.

3 IFRS/IAS accounting and reporting developments

(a) The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which were adopted by the Bank as of 1 January 2021:

- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

  The Phase 2 amendments address issues that arise from implementation of the reforms, including the replacement of one benchmark with an alternative one. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised.

  The Phase 2 amendments further require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when the changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

  The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to the hedging relationships directly affected by the IBOR reform.

  The amendments require disclosure of: (i) how the entity is managing the transition to the alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about the derivatives and non-derivatives that have yet to transit,

disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of the IBOR reform.

The amendments do not have a significant impact on the Bank's financial statements.

- **IFRS 16: Leases (Amendment) – COVID-19 Related Rent Concessions**

  IASB issued an Amendment in May 2020 effective for the annual periods beginning on or after 1 January 2021, which provided lessees (but not lessors) with a relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This Amendment had no impact on the Bank's financial statements because it did not obtain any rent concession meeting the definition in this Amendment in 2021.

- **Amendment to IFRS 4 – deferral of IFRS 9**

  This amendment issued on 25 June 2020 and effective for the annual periods beginning on or after 1 January 2023 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendment has no impact on the Bank's financial statements.

(b) Standards issued but not yet effective and not previously applied

- **IFRS 17: Insurance contracts**

  This standard was issued on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2023. It replaces IFRS 4 and establishes principles for recognition, measurement, presentation and disclosure of insurance and reinsurance contracts, life and non-life. This standard has not been endorsed by the EU yet. This standard is not expected to have a significant impact on the Bank's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The Amendments are effective for the annual reporting periods beginning on or after January 2023 with earlier application permitted. The objective of the amendment is to ensure a more consistent application of the provisions of this standard by enabling accountintg entities to better determine whether they should present liabilities with an indefinite settlement date in the statement of financial position as current or non-current. The Amendments affect the presentation of liabilities in the statement of financial position and do not change neither the existing requirements for measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debts which may be settled by a company issuing its own equity instruments. These Amendments have not been endorsed by the EU yet. The Bank is analysing the impact of these Amendments on its financial statements.

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2021 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41**

  These amendments were issued in May 2020 and are effective for the annual periods beginning on or after 1 January 2022. The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. The amendment to IAS 37 clarifies

the meaning of “costs to fulfil a contract”. IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test. The illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to the leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives. IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The EU has not endorsed the amendment yet. The Bank is currently assessing the impact of the amendments on its financial statements.

- **IFRS 17 and IFRS 4 (Amendments)**

  These amendments were issued on 25 June 2020 and effective for the annual periods beginning on or after 1 January 2023. The amendments include a number of clarifications intended to ease implementation of IFRS 17, to simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. These Amendments have not been endorsed by the EU yet. These amendments are not expected to have a significant impact on the Bank’s financial statements.

- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies**

  This amendment was issued on 12 February 2021 and effective for the annual periods beginning on or after 1 January 2023. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of the material accounting policy information. The amendment also clarified that the accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The EU has not endorsed the amendment yet. The Bank is currently assessing the impact of the amendments on its financial statements.

- **IAS 8: Definition of Accounting Estimates (Amendment)**

  This amendment issued on 12 February 2021 and effective for the annual periods beginning on or after 1 January 2023 clarified how companies should distinguish changes in the accounting policies from changes in the accounting estimates. The EU has not endorsed the amendment yet. The Bank is currently assessing the impact of the amendments on its financial statements.

- **IAS 12: Deferred tax related to assets and liabilities arising from a single transaction (amendments)**

  Amendments to IAS 12 (issued on 7 May 2021 and effective for the annual periods beginning on or after 1 January 2023) specify how to account for a deferred tax on transactions such as leases and decommissioning obligations. The EU has not endorsed the amendment yet. The Bank is currently assessing the impact of the amendments on its financial statements.

4 Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Expected credit losses

The measurement of ECL requires to use models, assumptions and estimates applied in various stages of the ECL measurement process. The explanation of inputs, assumptions and estimation techniques used in measuring the ECL is further described in Note 33(b). Critical accounting estimates and judgements are applied in following areas:

- Determination of SICR criteria;
- Choice of modelling approach and assumptions made within model development;
- Selection of forward-looking macroeconomic scenarios and their probability weightings;
- Development and application of internal models used to estimate the exposure at default;
- Assessment of loss given default including the judgements made in valuation of collaterals;
- Segmentation/grouping of portfolios with similar characteristics for the purpose of the ECL measurement;
- Application of the forecast of macroeconomic variables;
- Determination of weights of scenarios;
- Determination of fair value of collaterals.

Characteristics of cash flows from financial assets

The assessment whether the contractual cash flows from a financial asset represent solely payments of principal and interest requires a judgement. The Bank considers whether the contractual terms do not introduce into the contractual cash flows risks or volatility unrelated to the underlying loan arrangement that would result in contractual cash flows that are not merely principal repayments and interest on the principal outstanding.

5 NET INTEREST INCOME

Interest revenue calculated using the effective interest method		
(CZKm)	2021	2020
Financial instruments at amortised cost		
Loans and advances to customers	1,736	1,836
Due from banks	148	128
Debt securities	29	18
Due to banks	2	2
Total financial instruments at amortised cost	1,915	1,984
Financial instruments at FVOCI	23	5
Total interest revenue calculated using the effective interest method	**1,938**	**1,989**

Other interest revenue and similar income		
(CZKm)	2021	2020
Interests from hedging derivatives	0	2
Total other interest revenue and similar income	**0**	**2**

Interest expense calculated using the effective interest method		
(CZKm)	2021	2020
Financial liabilities at amortised cost		
Due to customers	(252)	(435)
Debt securities in issue	(6)	(11)
Due to banks	0	(9)
Due from banks	(13)	(8)
Total interest expense calculated using the effective interest method	**(271)**	**(463)**

Other interest expense and similar charges		
(CZKm)	2021	2020
Interest from hedging derivates	(83)	0
Interest expense from lease liability (Note 30)	(5)	(5)
Other interest expense and similar charges	**(88)**	**(5)**

In 2020, the interest revenue calculated using the effective interest method includes the net modification loss from financial assets subject to the loan moratorium of CZK 12 million.

6 NET FEE AND COMMISSION INCOME

(CZKm)	2021	2020
Fee and commission income	503	516
Fee and commission expense	(128)	(192)
Total net fee and commission income	**375**	**324**

Fee and commission income

(CZKm)	2021	2020
International payment transactions	155	140
Domestic payment transactions	57	60
Lending business (those which are not regarded as part of the effective interest rate)	41	58
Foreign exchange, foreign notes and coins transactions	129	178
Securities and custody business	46	24
Cards	37	19
Other	38	37
Total fee and commission income	**503**	**516**

The fee and commission income from securities and custody business includes CZK 3 million in fee income from custody activities in 2021 (2020: CZK 3 million).

Fee and commission expense

(CZKm)	2021	2020
International payment transactions	(4)	(4)
Domestic payment transactions	(1)	(1)
Lending business (those which are not part of the effective interest rate)	(5)	(6)
Foreign exchange, foreign notes and coins transactions	(66)	(128)
Securities and custody business	(2)	(2)
Cards	(41)	(46)
Other	(9)	(5)
Total fee and commission expense	**(128)**	**(192)**

The fee and commission expense from securities and custody business includes CZK 1 million in the fee expense from custody activities in 2021 (2020: CZK 1 million).

7 NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FOREIGN EXCHANGE

(CZKm)	2021	2020
Interest rate trading derivatives	13	16
Foreign exchange trading derivatives	12	160
Hedging derivatives	397	(312)
Hedged items	(422)	314
Net foreign exchange gains / (losses)	125	(15)
Total net gains from financial instruments at fair value through profit or loss and foreign exchange	**125**	**163**

8 NET GAINS FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

(CZKm)	2021	2020
Gains from sales of financial assets measured at amortised cost	53	35
Total net gains from the derecognition of financial assets measured at amortised cost	**53**	**35**

In 2021 and 2020, the Bank sold some loans and advances measured at amortised cost due to their increase in the credit risk since the initial recognition.

The carrying amount, the provisions for the credit losses derecognized and the gain from the derecognition from the financial assets measured at amortised cost sold was as follows:

2021 (CZKm)	Gross carrying amount	Provisions for credit losses	Net carrying amount	Gain from derecognition
Sold due to increase in credit risk	**113**	**(110)**	**3**	**53**

2020 (CZKm)	Gross carrying amount	Provisions for credit losses	Net carrying amount	Gain from derecognition
Sold due to increase in credit risk	**375**	**(105)**	**270**	**35**

9 ADMINISTRATIVE EXPENSES

(CZKm)	2021	2020
Personnel expenses	797	763
Depreciation and amortization of fixed assets owned by the Bank	197	138
Depreciation of the right-of-use assets (Note 30)	85	88
Other general administrative expenses	401	387
Total administrative expenses	**1,480**	**1,376**

Personnel expenses

(CZKm)	2021	2020
Salaries and bonuses of Management Board members	42	48
Remuneration of the Supervisory Board members	1	1
Salaries and bonuses of senior management	48	62
Salaries and bonuses of the employees	496	454
Social security costs	184	172
Other personnel costs	26	26
Total personnel expenses	**797**	**763**

Management bonus scheme

Salaries and remuneration of the Members of the Management Board, as well as the remuneration principles and structure, are subject to an approval by the Supervisory Board. The key performance indicators of the annual performance bonus are based on the financial results of the Group (Sberbank Europe AG), the Bank (Sberbank CZ, a.s.), the profit centre/ segment and the strategic and individual objectives. An annual performance bonus is paid if the requirements set out in the Group guidelines on remuneration and in the Bank internal guidelines General principles of the remuneration are fulfilled. The annual performance bonus can also be reduced or unpaid in relation to the achievement of the performance objectives.

Retirement benefits

The Bank provides its employees with a defined contribution retirement scheme in accordance with Act No. 42/1994 Coll. The Bank's total expense for the retirement scheme in 2021 was CZK 2.1 million (2020: CZK 2.1 million). The expenses for the retirement scheme are recognized as "Other personnel costs" in the table above.

Other general administrative expenses

(CZKm)	2021	2020
Rent and leasing	32	32
Information technology	213	207
Marketing and public relations	63	45
Material consumption	14	21
Audit, tax, legal and other consultancy	34	36
Tax and fees	2	2
Other	43	44
Total other general administrative expenses	**401**	**387**

10 OTHER OPERATING EXPENSES

(CZKm)	2021	2020
Deposit insurance	15	13
Resolution fund contribution	70	69
Loss on disposals of intangible and tangible assets	7	20
Other	2	9
Total other operating expenses	**94**	**111**

11 INCOME TAX EXPENSE

(CZKm)	2021	2020
Current tax expense	59	57
Deferred tax expense/(income) (Note 19)	28	(54)
Total income tax expense	**87**	**3**

The following table shows how the tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate:

(CZKm)	2021	2020
Profit before taxation	372	22
Applicable rate	19%	19%
Taxation at the applicable tax rate	71	4
Tax effect of non-deductible expenses	5	3
Other *	11	(4)
Total income tax expense	**87**	3

* Including the difference between the income tax for the previous year actually paid and its estimate

In 2021, the effective tax rate adjusted for the effect of the negative difference between the actual tax due for 2020 and the calculated estimation of the tax for 2020 of CZK 0.7 million was 23.58% (2020: 29.96%).

12 CASH AND BALANCES WITH CENTRAL BANKS

The Bank classifies its balances with central banks as financial assets measured at amortised cost.

(CZKm)	31.12.2021	31.12.2020
Loans and deposits to central bank	13,808	18,701
Mandatory minimum reserves with central banks	1,211	1,435
Cash in hand	267	375
Current accounts with central banks	38	48
Total cash and balances with central banks	**15,324**	**20,559**

The mandatory minimum reserves with the Czech National Bank ("CNB") are generally available for use by the Bank, however it is not actively used for the day-to-day banking business. The limit of the mandatory minimum reserves is fulfilled according to the average balance in the reference period. These deposits bear interest at the CZK repo rate, which was 3.75% as at 31 December 2021 (31 December 2020: 0.25%).

13 LOANS AND ADVANCES TO BANKS

The Bank classifies its loans and advances to banks as financial assets measured at amortised cost.

(CZKm)	31.12.2021	31.12.2020
Analyzed by product and bank domicile		
Current accounts - foreign	1,361	1,039
Term deposits - foreign	2,107	2,141
Total gross loans and advances to banks	3,468	3,180
Allowances for credit losses	(7)	(12)
Total loans and advances to banks	**3,461**	**3,168**

Following the presentation in the Cash flow statement, the change in the gross loans and advances to banks can be analysed as follows:

(CZKm)	Cash equivalents	With maturity over 3 months	Total gross loans and advances to banks
As at 1 January 2020	1,335	1,706	3,041
Change during the period	450	(311)	139
As at 31 December 2020	1,785	1,395	3,180
Change during the period	943	(655)	288
As at 31 December 2021	**2,728**	**740**	**3,468**

For the analysis of loans and advances to banks as per their credit quality see Note 33 (b).

The changes in the allowances for credit losses may be analyzed as follows:

(CZKm)	Stage 1
As at 1 January 2020	8
Creation of allowances for credit losses	4
As at 31 December 2020	12
Creation of allowances for credit losses	(5)
As at 31 December 2021	**7**

14 DERIVATIVE FINANCIAL INSTRUMENTS

Trading derivative financial instruments

The Bank's trading activities primarily involve providing various derivative products to its customers and managing positions for its own account. The trading derivatives also include those derivatives which are used for the asset and liability management (ALM) purposes to manage the interest rate position and which do not meet the criteria of hedge accounting.

The contract or nominal amounts and positive and negative fair values of the Bank's outstanding derivative trading positions as at 31 December 2021 and 31 December 2020 are set out in the table below. The contract or nominal amounts represent the volume of the outstanding transactions at a point in time; they do not represent the potential for gain or loss associated with market risk or credit risk of such transactions.

	31.12.2021				31.12.2020			
(CZKm)	Contract/ Nominal Assets	Contract/ Nominal Liabilities	Fair value Positive	Fair value Negative	Contract/ Nominal Assets	Contract/ Nominal Liabilities	Fair value Positive	Fair value Negative
Interest rate derivatives								
Swaps	9,299	9,306	273	243	10,304	10,312	136	104
Options	199	0	4	0	223	0	7	0
Total interest rate derivatives	9,498	9,306	277	243	10,527	10,312	143	104
Foreign exchange derivatives								
Swaps	7,907	7,764	133	63	6,701	6,854	29	193
Forwards	2,181	2,281	5	50	1,582	1,600	10	23
Total foreign exchange derivatives	10,088	10,045	138	113	8,283	8,454	39	216
Total	**19,586**	**19,351**	**415**	**356**	**18,810**	**18,766**	**182**	**320**

The fair value gains less losses from the trading derivatives are recognized within the "Net gains from financial instruments at fair value through profit or loss and foreign exchange".

Derivative financial instruments to hedge the interest rate risk

An interest rate risk arises when interest-sensitive assets have different maturities or revaluation characteristics than the corresponding interest-sensitive liabilities. The Bank's objective for the management of interest rate risk in the Banking Book is to reduce the structural interest rate risk and thus the volatility of net interest margins.

The Bank is exposed to interest rate risk arising from an increase in long-term interest rates which would result in a decrease in fair value of fixed-rate loans and uses interest rate swaps to hedge this risk.

The Bank establishes the hedging ratio by matching the nominal value of the hedging derivatives with the principal of the fixed-rate loan portfolio being hedged.

Financial derivatives designated as hedging instruments are as follows:

	31.12.2021			31.12.2020		
(CZKm)	Contract/ Nominal amount	Fair value positive	Fair value negative	Contract/ Nominal amount	Fair value positive	Fair value negative
Derivative financial instruments to hedge interest rate risk						
Interest rate swaps	9,150	230	20	10,100	0	217
Total derivative financial instruments to hedge interest rate risk	**9,150**	**230**	**20**	**10,100**	**0**	**217**

The following table shows the nominal amounts of hedging derivatives by remaining contractual maturity:

(CZKm)	31.12.2021	31.12.2020
Up to 1 month	700	200
1 – 3 months	900	500
3 – 12 months	2,450	2,250
1 – 5 years	5,100	7,150
Total nominal amounts	**9,150**	**10,100**

The average fixed rate from hedging interest rate swaps was 1.8% as at 31 December 2021 (31 December 2020: 1.5%).

The total result from hedging derivatives is as follows:

(CZKm)	2021	2020
Changes in the fair value of hedging derivatives (Note 7)	397	(312)
Net interest income (Note 5)	(83)	2
Total result from hedging derivatives	**314**	**(310)**

The following table summarizes the information on the hedged items:

(CZKm)	Line within the Statement of financial position	Carrying amount - assets 31.12.2021	31.12.2020
Loans designated as hedged items	Loans and advances to customers	9 150	10,100
Accumulated fair value adjustment on hedged items	Changes in the fair value of the portfolio of hedged instruments	(287)	135
from which: amount relating to hedged items no more being adjusted for hedging gains and losses		0	0

The hedge ineffectiveness may be analyzed as follows:

(CZKm)	2021	2020
Change in value used for calculation of hedge ineffectiveness of		
- hedging instruments	397	(312)
- hedged items	(422)	313
Hedge ineffectiveness recognized in profit or loss*	(25)	1

* The hedge ineffectiveness is reported within “Net gains from financial instruments at fair value through profit or loss and foreign exchange”.

The main sources of ineffectiveness in the hedge relationships are:

- CVA, DVA and close out adjustment reflected in the valuation of hedging derivatives;
- Differences in the payment dates of the interest rate swaps and the loans.

15 DEBT SECURITIES

(CZKm)	31.12.2021	31. 12.2020
Measured at amortised cost		
Unlisted debt securities – stage 1	738	354
Unlisted debt securities – stage 2	267	267
Allowance for credit losses	(5)	(9)
Total measured at amortised cost	1,000	612
Measured at FVOCI		
Listed debt securities – stage 1	2,480	1,464
Total investment securities	**3,480**	**2,076**

Movements in debt securities can be analyzed as follows:

(CZKm)	Measured FVOCI	Measured at amortised cost	Total debt securities
As at 1 January 2020	60	361	421
Additions	1,431	251	1,682
Revaluation to fair value	(27)	0	(27)
Change in the allowance for credit losses	0	0	0
As at 31 December 2020	1,464	612	2,076
Additions	1,293	384	1,677
Disposals	(55)	0	(55)
Revaluation to fair value	(222)	0	(222)
Change in the allowance for credit losses	0	4	4
As at 31 December 2021	**2,480**	**1,000**	**3,480**

The Bank pledged no securities as at 31 December 2021 and 2020.

16 LOANS AND ADVANCES TO CUSTOMERS

The Bank classifies its loans and advances to customers as financial assets measured at amortised cost.

(CZKm)	31.12.2021			31.12.2020		
	Gross amount	Allowance for credit losses	Net amount	Gross amount	Allowance for credit losses	Net amount
Retail						
Mortgages	26,621	(119)	26,502	26,736	(157)	26,579
Consumer loans	7,276	(314)	6,962	6,415	(333)	6,082
Investment loans	3,513	(180)	3,333	3,544	(140)	3,404
Working capital financing	271	(40)	231	273	(28)	245
Total retail	**37,681**	**(653)**	**37,028**	**36,968**	**(658)**	**36,310**
Corporate						
Investment loans	18,406	(811)	17,595	20,915	(855)	20,060
Working capital loans	6,273	(486)	5,787	5,384	(399)	4,985
Mortgages	3	0	3	5	0	5
Total corporate	**24,682**	**(1,297)**	**23,385**	**26,304**	**(1,254)**	**25,050**
Total loans and advances to customers	**62,363**	**(1,950)**	**60,413**	**63,272**	**(1,912)**	**61,360**

In 2021 and 2020, the Bank pledged no loans and advances to customers as a collateral for the received loans and advances.

For an analysis of the individual categories of loans and advances to customers according to their credit quality see Note 33(b).

The contractual amount outstanding on the financial assets that were written off during 2021 and are still subject to an enforcement activity was CZK 41 million as at 31 December 2021 (2020: CZK 1 million).

Changes in the gross carrying amount and allowances for credit losses of the loans and advances to customers per classes of assets are analyzed in the following tables. Only the gross carrying amount, the allowances for credit losses and the stage at the beginning and at the end of the reporting period on an individual loan basis were considered during preparation of this table. Other changes, which might occur during the reporting period, were not taken into consideration. E.g. a financial assets originated during the period and subsequently transferred from Stage 1 to Stage 2 is reported in the line “New financial assets originated” and in the column “Stage 2”.

Due to the changes in the ECL measurement model assumptions, the total level of the ECL provisions decreased by CZK 148 million in 2021 an (increase by CZK 136 million in 2020).

Despite better sales of consumer loans to retail clients, there was an overall decline in loans and advances to clients in 2021, which was mainly due to a decrease in the volume of investment loans for corporate clients (the volumes of newly created financial assets were lower than the investment loan repayments).

	Gross carrying amount				Allowances for credit losses			
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail – Mortgages								
As at 1 January 2020	25,356	2,073	178	27,607	(16)	(15)	(61)	(92)
Transfers:				,				
Transfer from Stage 1 to Stage 2	(2,796)	2,796	0	0	2	(2)	0	0
Transfer from Stage 1 to Stage 3	(38)	0	38	0	0	0	0	0
Transfer from Stage 2 to Stage 1	709	(709)	0	0	(5)	5	0	0
Transfer from Stage 2 to Stage 3	0	(45)	45	0	0	1	(1)	0
Transfer from Stage 3 to Stage 1	2	0	(2)	0	(2)	0	2	0
Transfer from Stage 3 to Stage 2	0	29	(29)	0	0	(2)	2	0
New financial assets originated	2,843	196	5	3,044	(8)	(5)	0	(13)
Financial assets derecognized	0	0	(4)	(4)	0	0	4	4
Repayments, drawdowns, accrued interest	(3,545)	(313)	(53)	(3,911)	(4)	(59)	7	(56)
As at 31 December 2020	**22,531**	**4,027**	**178**	**26,736**	**(33)**	**(77)**	**(47)**	**(157)**
Transfers:								
Transfer from Stage 1 to Stage 2	(410)	410	0	0	1	(1)	0	0
Transfer from Stage 1 to Stage 3	(22)	0	22	0	0	0	0	0
Transfer from Stage 2 to Stage 1	611	(611)	0	0	(8)	8	0	0
Transfer from Stage 2 to Stage 3	0	(53)	53	0	0	1	(1)	0
Transfer from Stage 3 to Stage 1	3	0	(3)	0	0	0	0	0
Transfer from Stage 3 to Stage 2	0	30	(30)	0	0	(6)	6	0
New financial assets originated or purchased	4,649	701	0	5,350	(5)	(9)	0	(14)
Financial assets derecognized	0	0	(4)	(4)	0	0	4	4
Repayments, drawdowns, accrued interest	(4,501)	(897)	(63)	(5,461)	15	26	1	42
Change in parameters	0	0	0	0	8	0	(2)	6
As at 31 December 2021	**22,861**	**3,607**	**153**	**26,621**	**(22)**	**(58)**	**(39)**	**(119)**

	Gross carrying amount				Allowances for credit losses			
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail – consumer loans								
As at 1 January 2020	5,942	385	116	6,443	(155)	(33)	(76)	(264)
Transfers:								
Transfer from Stage 1 to Stage 2	(823)	823	0	0	23	(23)	0	0
Transfer from Stage 1 to Stage 3	(34)	0	34	0	2	0	(2)	0
Transfer from Stage 2 to Stage 1	77	(77)	0	0	(5)	5	0	0
Transfer from Stage 2 to Stage 3	0	(26)	26	0	0	5	(5)	0
Transfer from Stage 3 to Stage 2	0	16	(16)	0	0	(7)	7	0
New financial assets originated	1,672	75	5	1,752	(46)	(10)	(3)	(59)
Repayments, drawdowns, accrued interest	(1,590)	(127)	(63)	(1,780)	42	(65)	13	(10)
As at 31 December 2020	**5,244**	**1,069**	**102**	**6,415**	**(139)**	**(128)**	**(66)**	**(333)**
Transfers:								
Transfer from Stage 1 to Stage 2	(77)	77	0	0	2	(2)	0	0
Transfer from Stage 1 to Stage 3	(28)	0	28	0	2	0	(2)	0
Transfer from Stage 2 to Stage 1	108	(108)	0	0	(9)	9	0	0
Transfer from Stage 2 to Stage 3	0	(38)	38	0	0	7	(7)	0
Transfer from Stage 3 to Stage 1	2	0	(2)	0	(1)	0	1	0
Transfer from Stage 3 to Stage 2	0	18	(18)	0	0	(11)	11	0
New financial assets originated or purchased	2,969	31	0	3,000	(78)	(6)	0	(84)
Financial assets derecognized	(5)	(17)	(17)	(39)	5	17	18	40
Repayments, drawdowns, accrued interest	(1,717)	(353)	(30)	(2,100)	38	38	(16)	60
Change in parameters	0	0	0	0	18	(8)	(7)	3
As at 31 December 2021	**6,496**	**679**	**101**	**7,276**	**(162)**	**(84)**	**(68)**	**(314)**

Retail – investment loans								
As at 1 January 2020	3,121	260	110	3,491	(21)	(7)	(76)	(104)
Transfers:								
Transfer from Stage 1 to Stage 2	(509)	509	0	0	3	(3)	0	0
Transfer from Stage 1 to Stage 3	(11)	0	11	0	0	0	0	0
Transfer from Stage 2 to Stage 1	25	(25)	0	0	0	0	0	0
Transfer from Stage 2 to Stage 3	0	(20)	20	0	0	0	0	0
Transfer from Stage 3 to Stage 2	0	3	(3)	0	0	(1)	1	0
New financial assets originated	631	48	12	691	(10)	(2)	(6)	(18)
Financial assets derecognized	0	0	(5)	(5)	0	0	5	5
Repayments, drawdowns, accrued interest	(504)	(104)	(26)	(634)	(8)	(17)	2	(23)
Foreign exchange differences	1	0	0	1	0	0	0	0
As at 31 December 2020	**2,754**	**671**	**119**	**3,544**	**(36)**	**(30)**	**(74)**	**(140)**
Transfers:								
Transfer from Stage 1 to Stage 2	(141)	141	0	0	2	(2)	0	0
Transfer from Stage 1 to Stage 3	(36)	0	36	0	1	0	(1)	0
Transfer from Stage 2 to Stage 1	106	(106)	0	0	(3)	3	0	0
Transfer from Stage 2 to Stage 3	0	(45)	45	0	0	2	(2)	0
Transfer from Stage 3 to Stage 2	0	8	(8)	0	0	(4)	4	0
New financial assets originated or purchased	760	5	0	765	(13)	(1)	0	(14)
Financial assets derecognized	0	0	(1)	(1)	0	0	1	1
Repayments, drawdowns, accrued interest	(621)	(144)	(28)	(793)	13	9	(37)	(15)
Change in parameters	0	0	0	0	(1)	(7)	(4)	(12)
Foreign exchange differences	(2)	0	0	(2)	0	0	0	0
As at 31 December 2021	**2,820**	**530**	**163**	**3,513**	**(37)**	**(30)**	**(113)**	**(180)**

	Gross carrying amount				Allowances for credit losses			
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail – Working capital financing								
As at 1 January 2020	228	47	36	311	(2)	(2)	(26)	(30)
Transfers:				,				
Transfer from Stage 1 to Stage 2	(18)	18	0	0	0	0	0	0
Transfer from Stage 1 to Stage 3	(3)	0	3	0	0	0	0	0
Transfer from Stage 2 to Stage 1	7	(7)	0	0	0	0	0	0
Transfer from Stage 2 to Stage 3	0	(2)	2	0	0	0	0	0
New financial assets originated	29	3	1	33	(1)	0	(1)	(2)
Financial assets derecognized	0	0	(7)	(7)	0	0	6	6
Repayments, drawdowns, accrued interest	(46)	(7)	(11)	(64)	(1)	(3)	2	(2)
As at 31 December 2020	**197**	**52**	**24**	**273**	**(4)**	**(5)**	**(19)**	**(28)**
Transfers:								
Transfer from Stage 1 to Stage 2	(35)	35	0	0	1	(1)	0	0
Transfer from Stage 1 to Stage 3	(3)	0	3	0	0	0	0	0
Transfer from Stage 2 to Stage 1	8	(8)	0	0	(1)	1	0	0
Transfer from Stage 2 to Stage 3	0	(9)	9	0	0	1	(1)	0
New financial assets originated or purchased	52	5	0	57	(1)	(1)	0	(2)
Financial assets derecognized	0	0	(8)	(8)	0	0	7	7
Repayments, drawdowns, accrued interest	(42)	(11)	2	(51)	2	0	(13)	(11)
Change in parameters	0	0	0	0	(1)	(3)	(2)	(6)
As at 31 December 2021	**177**	**64**	**30**	**271**	**(4)**	**(8)**	**(28)**	**(40)**

Corporate – Investment loans								
As at 1 January 2020	19,423	2,260	379	22,062	(278)	(170)	(294)	(742)
Transfers:								
Transfer from Stage 1 to Stage 2	(1,440)	1,440	0	0	17	(17)	0	0
Transfer from Stage 1 to Stage 3	(236)	0	236	0	6	0	(6)	0
Transfer from Stage 2 to Stage 1	369	(369)	0	0	(14)	14	0	0
Transfer from Stage 2 to Stage 3	0	(205)	205	0	0	19	(19)	0
Transfer from Stage 3 to Stage 2	0	9	(9)	0	0	0	0	0
New financial assets originated	5,599	407	148	6,154	(105)	(45)	(71)	(221)
Financial assets derecognized	(1)	(2)	(59)	(62)	1	2	59	62
Repayments, drawdowns, accrued interest	(6,528)	(818)	(149)	(7,495)	93	8	(50)	51
Foreign exchange differences	243	11	2	256	(2)	(1)	(2)	(5)
As at 31 December 2020	**17,429**	**2,733**	**753**	**20,915**	**(282)**	**(190)**	**(383)**	**(855)**
Transfers:								
Transfer from Stage 1 to Stage 2	(1,285)	1,285	0	0	23	(23)	0	0
Transfer from Stage 1 to Stage 3	(18)	0	18	0	0	0	0	0
Transfer from Stage 2 to Stage 1	297	(297)	0	0	(24)	24	0	0
Transfer from Stage 2 to Stage 3	0	(334)	334	0	0	25	(25)	0
Transfer from Stage 3 to Stage 2	0	71	(71)	0	0	(42)	42	0
New financial assets originated or purchased	4,455	136	0	4,591	(54)	(11)	0	(65)
Financial assets derecognized	0	0	(8)	(8)	0	0	8	8
Repayments, drawdowns, accrued interest	(5,763)	(779)	(125)	(6,667)	83	(109)	(33)	(59)
Change in parameters	0	0	0	0	112	33	1	146
Foreign exchange differences	(388)	(23)	(14)	(425)	6	3	5	14
As at 31 December 2021	**14,727**	**2,792**	**887**	**18,406**	**(136)**	**(290)**	**(385)**	**(811)**

	Gross carrying amount					Allowances for credit losses				
(CZKm)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Corporate – working capital loans										
As at 1 January 2020	3,562	956	175	0	4,693	(61)	(122)	(142)	0	(325)
Transfers:					,					
Transfer from Stage 1 to Stage 2	(559)	559	0	0	0	14	(14)	0	0	0
Transfer from Stage 1 to Stage 3	(42)	0	42	0	0	1	0	(1)	0	0
Transfer from Stage 2 to Stage 1	20	(20)	0	0	0	(3)	3	0	0	0
Transfer from Stage 3 to Stage 2	0	(12)	12	0	0	0	1	(1)	0	0
New financial assets originated	2,542	18	28	0	2,588	(29)	(2)	(13)	0	(44)
Financial assets derecognized	0	0	(6)	0	(6)	0	0	5	0	5
Repayments, drawdowns, accrued interest	(1,306)	(556)	(70)	0	(1,932)	9	(35)	(8)	0	(34)
Foreign exchange differences	33	8	0	0	41	(1)	0	0	0	(1)
As at 31 December 2020	**4,250**	**953**	**181**	0	**5,384**	**(70)**	**(169)**	**(160)**	**0**	**(399)**
Transfers:										
Transfer from Stage 1 to Stage 2	(242)	242	0	0	0	7	(7)	0	0	0
Transfer from Stage 1 to Stage 3	(59)	0	59	0	0	2	0	(2)	0	0
Transfer from Stage 2 to Stage 1	236	(236)	0	0	0	(26)	26	0	0	0
Transfer from Stage 2 to Stage 3	0	(106)	106	0	0	0	29	(29)	0	0
Transfer from Stage 3 to Stage 2	0	23	(23)	0	0	0	(12)	12	0	0
New financial assets originated or purchased	2,296	185	0	12	2,493	(13)	(30)	0	0	(43)
Financial assets derecognized	0	0	(30)	0	(30)	0	0	30	0	30
Repayments, drawdowns, accrued interest	(1,293)	(165)	19	0	(1,439)	21	(15)	(96)	0	(90)
Change in parameters	0	0	0	0	0	36	(23)	0	0	13
Foreign exchange differences	(120)	(15)	0	0	(135)	1	2	0	0	3
As at 31 December 2021	**5,068**	**881**	**312**	**12**	**6,273**	**(42)**	**(199)**	**(245)**	**0**	**(486)**

	Gross carrying amount				Allowances for credit losses			
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate – mortgages								
As at 1 January 2020	3	4	0	7	0	0	0	0
Transfers:								
Transfer from Stage 2 to Stage 1	2	(2)	0	0	0	0	0	0
Repayments, drawdowns, accrued interest	(2)	0	0	(2)	0	0	0	0
As at 31 December 2020	**3**	**2**	**0**	**5**	**0**	**0**	**0**	**0**
Repayments, drawdowns, accrued interest	(1)	(1)	0	(2)	0	0	0	0
As at 31 December 2021	**2**	**1**	**0**	**3**	**0**	**0**	**0**	**0**

17 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

The credit loss expense on financial assets can be analysed as follows:

(CZKm)	2021	2020
Creation/release of provisions for credit losses	211	528
Income from receivables previously written off	(3)	(11)
Total credit loss expense on financial assets	**208**	**517**

The changes in the credit loss expense on financial assets can be analysed as follows:

(CZKm)	Loans and advances to banks	Securities	Loans and advances to customers	Total
As at 1 January 2020	8	9	1,557	1,574
Creation/release of provisions for credit losses	4	0	524	528
Utilisation of provisions - write offs	0	0	(67)	(67)
Utilisation of provisions – sales of assets	0	0	(105)	(105)
Foreign exchange differences	0	0	3	3
As at 31 December 2020	**12**	**9**	**1,912**	**1,933**
Creation/release of provisions for credit losses	(5)	(4)	220	211
Utilisation of provisions - write offs	0	0	(47)	(47)
Utilisation of provisions – sales of assets	0	0	(106)	(106)
Foreign exchange differences	0	0	(29)	(29)
As at 31 December 2021	**7**	**5**	**1,950**	**1,962**

The movement in the allowances for credit losses to loans and advances to customers per classes is analyzed in Note 16.

The total amount of the undiscounted expected credit losses from POCI financial assets initially recognized in 2021 at their initial recognition was CZK 14 million (2020: CZK 0 million).

18 OTHER ASSETS, PREPAID EXPENSES AND ACCRUED INCOME

(CZKm)	31.12.2021	31.12.2020
Financial assets – stage 1		
Cash in transfer	267	307
Other debtors	41	44
Other financial assets	19	31
Total financial assets	327	382
Non-financial assets	5	7
Total other assets	**332**	**389**
Financial assets - Accrued income	13	7
Non-financial assets – Prepaid expenses	57	36
Total prepaid expenses and accrued income	**70**	**43**

19 DEFERRED TAX ASSETS

The deferred tax was calculated on all temporary differences under the liability method using the 19% income tax rate, which is the expected applicable rate at recognition.

The movement on the deferred tax account is as follows:

(CZKm)	Total
As at 1 January 2020	197
Deferred tax income/(expense) (Note 11)	54
Deferred tax recognized in Revaluation reserve	5
As at 31 December 2020	256
Deferred tax income/(expense) (Note 11)	(28)
Deferred tax recognized in Revaluation reserve	42
As at 31 December 2021	**270**

The deferred tax asset and liability are attributable to the following items:

(CZKm)	31.12.2021	31.12.2020
Allowances for credit losses	207	225
Fixed assets	(25)	(13)
Provisions	41	39
Securities at FVOCI	47	5
Total deferred tax asset	**270**	**256**

The deferred tax credit / (debit) in the profit or loss comprises of the following temporary differences:

(CZKm)	2021	2020
Allowances for credit losses	(18)	54
Depreciation of fixed assets	(12)	5
Provisions	2	(5)
Total (Note 11)	**(28)**	**54**

The Bank's management believes it is probable that the Bank will fully realize its gross deferred income tax assets based upon the Bank's current and expected future level of taxable profits and the expected offset from the gross deferred income tax liabilities.

20 PROPERTY AND EQUIPMENT

(CZKm)	2021	2020
Property and equipment owned by the Bank	198	194
Right-of-use assets (Note 30)	329	244
Total property and equipment	**527**	**438**

The change in the property and equipment owned by the Bank can be analyzed as follows:

(CZKm)	Land and buildings	Leasehold improvement	Office & IT Equipment	Other*	Construction in progress	Total
Costs						
As at 1 January 2020	162	179	185	129	10	665
Additions	1	4	42	7	0	54
Disposal	0	(4)	(4)	(8)	(5)	(21)
As at 31 December 2020	**163**	**179**	**223**	**128**	**5**	**698**
Additions	0	8	28	8	11	55
Disposal	0	0	(11)	(8)	0	(19)
As at 31 December 2021	**163**	**187**	**240**	**128**	**16**	**734**
Accumulated depreciation						
As at 1 January 2020	(116)	(115)	(138)	(99)	0	(468)
Depreciation charge	(5)	(14)	(21)	(10)	0	(50)
Disposals (accumulated depreciation)	0	4	3	7	0	14
As at 31 December 2020	**(121)**	**(125)**	**(156)**	**(102)**	**0**	**(504)**
Depreciation charge	(5)	(16)	(20)	(8)	0	(49)
Disposals (accumulated depreciation)	0	0	9	8	0	17
As at 31 December 2021	**(126)**	**(141)**	**(167)**	**(102)**	**0**	**(536)**
Net book value						
As at 1 January 2020	**46**	**64**	**47**	**30**	**10**	**197**
As at 31 December 2020	**42**	**54**	**67**	**26**	**5**	**194**
As at 31 December 2021	**37**	**46**	**73**	**26**	**16**	**198**

* It represents primarily furniture and safes owned by the Bank.

The Bank tested its property and equipment for impairment. No impairment was identified or booked.

21 INTANGIBLE ASSETS

(CZKm)	Purchased software	Internally developed software	Software not yet activated	Total
Costs				
As at 1 January 2020	951	4	394	1,349
Additions	445	0	0	445
Disposals	(4)	0	(349)	(353)
As at 31 December 2020	**1,392**	**4**	**45**	**1,441**
Additions	78	0	24	102
Disposals	(12)	0	0	(12)
As at 31 December 2021	**1,458**	**4**	**69**	**1,531**
Accumulated amortization				
As at 1 January 2020	(591)	(1)	0	(592)
Amortization charge	(86)	(2)	0	(88)
Disposals	1	0	0	1
As at 31 December 2020	**(676)**	**(3)**	**0**	**(679)**
Amortization charge	(147)	(1)	0	(148)
Disposals (accumulated amortization)	10	0	0	10
As at 31 December 2021	**(813)**	**(4)**	**0**	**(817)**
Net book value				
As at 1 January 2020	**360**	**3**	**394**	**757**
As at 31 December 2020	**716**	**1**	**45**	**762**
As at 31 December 2021	**645**	**0**	**69**	**714**

The Bank tested its intangible assets for impairment. No impairment was identified or booked.

22 DEPOSITS FROM BANKS

The Bank classifies deposits from banks as “Financial liabilities measured at amortized cost”.

(CZKm)	31.12.2021	31.12.2020
Analyzed by product and bank domicile		
Domestic banks	1	0
Foreign banks	202	188
Total current accounts	**203**	**188**
Foreign banks	2,064	263
Total term deposits and loans	**2,064**	**263**
Foreign banks	423	16
Total other deposits from banks	**423**	**16**
Total deposits from banks	**2,690**	**467**

The deposits from banks with less than 3 months maturity from the date of acquisition in the amount of CZK 1,248 million (2020: CZK 205 million) are included in the item “Cash and cash equivalents” (Note 31).

23 DUE TO CUSTOMERS

In 2021 and 2020, the Bank did not measure any due to customers measured at fair value through profit or loss. The Bank classifies its due to customers in the category of financial liabilities measured at amortized cost.

Due to customers measured at amortized cost

(CZKm)	31.12.2021	31.12.2020
Analysed by product		
Current accounts	29,135	28,584
Term deposits	11,676	17,017
Savings accounts with notice period	563	1,045
Savings accounts	30,140	31,485
Total due to customers	**71,514**	**78,131**
Analysed by customer type		
Private companies	27,374	27,958
Individual – households	26,479	30,868
Individual – entrepreneurs	2,756	2,522
Government bodies	11,716	11,592
Non-profit institutions	764	725
Insurance companies and pension funds	255	436
Other financial institutions	2,170	4,030
Total due to customers	**71,514**	**78,131**

The Bank has not provided any collaterals for its liabilities.

24 OTHER LIABILITIES

(CZKm)	31.12.2021	31.12.2020
Financial liabilities		
Lease liability (Note 30)	332	246
Payments in transit	42	71
Other clearing accounts	84	102
Other creditors	81	107
Accruals for administrative expenses	167	163
Other financial liabilities	73	51
Total financial liabilities	**779**	**740**
Non-financial liabilities		
VAT and other tax payables	14	9
Total other liabilities	**793**	**749**

25 PROVISIONS

(CZKm)	31.12.2021	31.12.2020
Provisions for financial guarantees and other contingent liabilities	51	70
Other operating provisions	15	15
Total provisions	**66**	**85**

The change in the provisions for financial guarantees, credit commitments and other contingent liabilities can be summarised as follows:

(CZKm)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	20	8	16	44
Transfers:				
Transfer from Stage 1 to Stage 2	(1)	1	0	0
New contingent liabilities originated	21	11	5	37
Changes not resulting in the change of Stage	0	(1)	0	(1)
Changes at the transfer to this stage	0	13	0	13
Derecognition	(5)	(3)	(15)	(23)
As at 31 December 2020	**35**	**29**	**6**	**70**
Transfers:				
Transfer from Stage 1 to Stage 2	(4)	4	0	0
Transfer from Stage 2 to Stage 1	2	(2)	0	0
New contingent liabilities originated	10	2	3	15
Changes not resulting in the change of Stage	(10)	(7)	(5)	(22)
Changes at the transfer to this stage	(1)	13	2	14
Derecognition	(9)	(17)	0	(26)
As at 31 December 2021	**23**	**22**	**6**	**51**

The changes in the provisions for legal cases and other operating provisions can be analyzed as follows:

(CZKm)	Provisions for legal cases	Other operating provisions
As at 1 January 2020	3	15
Release	0	(2)
Cover of costs	(3)	(7)
Additions	0	9
As at 31 December 2020	**0**	**15**
Release	0	(2)
Cover of costs	0	(1)
Additions	0	3
As at 31 December 2021	**0**	**15**

Other operating provisions include also provisions for removal of technical improvements for the property of third parties which the Bank performed mainly in connection with lease contracts to the premises in which the Bank operates its banking business.

26 SUBORDINATED DEBT

(CZKm)	Total
As at 1 January 2020	178
Foreign exchange differences	6
As at 31 December 2020	184
Foreign exchange differences	(10)
As at 31 December 2021	**174**

The Bank classifies its subordinated debt in the category of “Financial liabilities measured at amortized cost”.

The Bank received the subordinated debt of EUR 7 million from its parent company Sberbank Europe AG, the sole shareholder, on 29 December 2016. The annual interest rate of the subordinated debt is 3M EURIBOR plus 4.05% (3.467% p.a. as at 31 December 2021 and 3.508% p.a. as at 31 December 2020) and its maturity is 29 December 2023. The Bank drew this subordinated debt to cover the capital buffer internally defined by the Bank. The purpose of this buffer is to ensure fulfilment of the requirement for the total capital adequacy ratio. The subordinated debt was drawn under standard market conditions.

27 EQUITY

There was no change in the issued shares in 2021 and 2020.

The shareholder structure of the Bank as at 31 December 2021 and 2020 was as follows:

Voting shareholders

Name and registered office	Share in %
Sberbank Europe AG, Schwarzenbergplatz 3, Vienna	100
	100

The issued shares carry standard shareholder's rights. The shares do not carry any special rights that would, for example, restrict or prioritize dividend payment or allow repayment of the equity back to shareholders.

Share capital

(CZKm)	31.12.2021	31.12.2020
Voting shares	2,806	2,806
Issued, paid and registered by the Commercial register	**2,806**	**2,806**

Issues of shares

ISIN	Date of issue	Nominal value of a share (CZK)	Number of shares	Nominal value (CZKm)
CZ0008040201	23.10.1998	5,000	30,000	150
CZ0008040201	23.10.1998	5,000	100,000	500
CZ0008040201	7.8.2002	5,000	4,600	23
CZ0008040201	7.8.2002	5,000	15,400	77
CZ0008040201	23.11.2005	5,000	3,165	16
CZ0008040201	23.11.2005	5,000	10,555	53
CZ0008040201	31.7.2006	5,000	6,565	33
CZ0008040201	31.7.2006	5,000	21,895	109
CZ0008040201	20.12.2006	5,000	8,479	42
CZ0008040201	20.12.2006	5,000	28,281	142
CZ0008040201	16.5.2007	5,000	8,336	42
CZ0008040201	16.5.2007	5,000	27,804	139
CZ0008040201	21.12.2007	5,000	16,488	82
CZ0008040201	21.12.2007	5,000	54,992	275
CZ0008040201	30.7.2008	5,000	14,882	74
CZ0008040201	30.7.2008	5,000	49,634	248
CZ0008040201	18.4.2014	5,000	160,122	801
			561,198	2,806

As at 31 December 2021 and 2020, the nominal value of ordinary securities was CZK 5,000.

In 2021, SBCZ purchased ATMs from Sberbank Russia for a price lower than the market price. The contribution to the other capital funds in 2021 of CZ 5 million represents the difference between the fair value of these ATMs and their purchase price.

28 DIVIDENDS

The final dividends are not accounted for until they have been ratified at the Annual General Meeting. No dividends were paid for the years 2020 to 2021. At the Annual General Meeting held on 30 April 2021 it was approved to transfer the profit for 2020 to allocate retained earnings without dividend payments, the profit was allocated to the reserve fund and retained earnings. The following table discloses the distribution of profit for 2020 and the proposed distribution of profit for 2021, which does not assume any dividend payments either.

(CZKm)	2021	2020
Transfer to reserve fund	14	1
Transfer to retained earnings	271	18
	285	**19**

29 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Commitments, guarantees and documentary credits

Commitments to provide a loan, loan guarantees to third parties and guarantees from acceptance of letters of credit expose the Bank to the credit risk and to a loss in the event of a client's inability to meet his obligations. Various commitments and contingent liabilities arise in the normal course of business involving elements of the credit, interest rate and liquidity risk.

The contingent liabilities include:

	31.12.2021	31.12.2020
(CZKm)	Contractual amount	Contractual amount
Documentary credits	152	122
Provision for documentary credits	(1)	(1)
Net documentary credits	**151**	**121**
Financial guarantees	2,322	1,596
Provision for guarantees (Note 25)	(32)	(24)
Net financial guarantees	**2,290**	**1 572**
Undrawn formal standby facilities, credit lines	5,269	4,016
Provision for un-drawn credit lines (Note 25)	(18)	(45)
Net un-drawn formal standby facilities, credit lines	**5,251**	**3,971**
Total in net amount	**7,692**	**5,664**

Undrawn credit lines are irrevocable.

Provisions for financial guarantees and other contingent liabilities are calculated as described in Notes 2(o), 2(x) and Note 33(b). The Bank's credit risk exposure on loan commitments and financial guarantee contracts is analyzed in Note 33(b).

(b) Other contingent liabilities

- **Litigation**

  There was no litigation which is expected to have a significant impact on the financial position of the Bank as at 31 December 2021 and 2020.

- **Taxation**

  The Czech tax legislation, interpretation and guidance are still evolving. Consequently, under the current taxation environment, it is difficult to predict the interpretations the respective tax authorities may apply in a number of areas. As a result, the Bank has used its current understanding of the tax legislation in the design of its planning and accounting policies. The effect of the uncertainty cannot be quantified.

  The Czech tax authorities are authorized to perform tax inspections for three years retrospectively. The last tax inspection was for the year 2007.

- **Assets under management and custody**

(CZKm)	31.12.2021	31.12.2020
Assets held under custody	0	0

The assets held under custody are shown at nominal value.

(CZKm)	31.12.2021	31.12.2020
Assets held under management	4,973	4,216

The assets held under management are shown at fair value.

The Management considers that no present obligations were associated with these fiduciary duties as at 31 December 2021 and 2020.

30 LEASES

The Bank does not act as a lessor in any lease or sublease contracts.

The Bank as lessee

The change in the right-of-use assets can be analyzed as follows:

(CZKm)	Properties	IT equipment	Personal vehicles	Total
As at 1 January 2020	304	11	3	318
Additions	0	0	7	7
Remeasurement of lease liability	4	1	2	7
Depreciation charge	(77)	(6)	(5)	(88)
As at 31 December 2020	**231**	**6**	**7**	**244**
Additions	12	4	0	16
Remeasurement of lease liability	121	28	5	154
Depreciation charge	(74)	(7)	(4)	(85)
As at 31 December 2021	**290**	**31**	**8**	**329**

The change in the lease liabilities can be analysed as follows:

(CZKm)	2021	2020
As at 1 January	246	316
Interest expense	5	5
New contracts	16	7
Repayments	(83)	(93)
Changes due to remeasurements	154	7
Foreign exchange translations	(6)	4
As at 31 December	**332**	**246**

Remeasurement of the lease liabilities represents primarily a change in the expected lease term or a change in the future instalments (e.g. due to indexation of rental payments or a change in the rented area). The right-of-use asset was changed accordingly.

The weighted average of the incremental borrowing rates (or the interest rate implicit in the lease if appropriate) as at 31 December 2021 was 2.2% (31 December 2020: 1.8%).

The maturity analysis of the lease liabilities is disclosed in Note 33(e).

The total expenses for lease contracts were as follows:

(CZKm)	2021	2020
Depreciation expense	85	88
Interest expense	5	5
Value added tax (not included in the lease liability)	9	11
Expenses for short-term leases longer than 1 month	7	3
Expenses for leases of low value assets	1	1
Total expenses for lease contracts	**107**	**108**

The cash flows relating to the leases were as follows:

(CZKm)	2021	2020
Lease liabilities	(83)	(93)
Value added tax (not included in the lease liability)	(9)	(11)
Expenses for short-term leases longer than 1 month	(7)	(3)
Expenses for leases of low value assets	(1)	(1)
Total cash flows relating to leases	**(100)**	**(108)**

The impact of extension or other termination options incorporated in the Bank's lease contracts valid as at 31 December 2021 and 2020 on the Bank's future cash flows is not significant.

31 CASH AND CASH EQUIVALENTS

An analysis of the balances of cash and cash equivalents as shown in the balance sheet:

(CZKm)	31.12.2021	31.12.2020	1.1.2020
Cash and balances with central banks (Note 12)	15,324	20,559	15,077
Loans and advances to banks due up to 3 months (Note 13)	2,728	1,785	1,335
Deposits from banks due up to 3 months (Note 22)	(1,248)	(205)	(2,397)
Total cash and cash equivalents	**16,804**	**22,139**	**14,015**

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

Fair value of financial assets and liabilities
As at 31.12.2021

(CZKm)	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets					
Cash and balances with central banks	267	15,057	0	15,324	15,324
Loans and advances to banks	0	0	3,482	3,482	3,461
Securities at amortised cost	0	0	987	987	1,000
Loans and advances to customers	0	0	55,320	55,320	60,413
Financial liabilities					
Deposits from banks	0	2,697	0	2,697	2,690
Due to customers	0	59,839	11,620	71,459	71,514
Subordinated debt	0	0	174	174	174

Fair value of financial assets and liabilities
As at 31.12.2020

(CZKm)	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets					
Cash and balances with central banks	375	20,184	0	20,559	20,559
Loans and advances to banks	0	0	3,205	3,205	3,168
Securities at amortised cost	0	0	604	604	612
Loans and advances to customers	0	0	60,865	60,865	61,360
Financial liabilities					
Deposits from banks	0	467	0	467	467
Due to customers	0	61,113	17,074	78,187	78,131
Subordinated debt	0	0	184	184	184

The following methods and assumptions were used in estimating the fair values of the Bank's financial assets and liabilities:

Loans and advances to banks

The carrying amounts of the current account balances and loans with maturity less than one month are, by definition, equal to their fair values. The fair values of term placements with banks are estimated by discounting their future cash flows using the current inter-bank market rates irrespective of the credit spread. A majority of the loans and advances re-price within relatively short time spans; therefore, it is assumed that their carrying amounts approximate their fair values.

Loans and advances to customers

The fair value of loans to customers with defined future contractual cash-flows are estimated by discounting their future cash flows using the current market rates adjusted for appropriate risk premium that is actually valid for the respective loan at the date of the fair value calculation. The discount rate does not contain a business margin for simplification of the calculation. For loans with floating interest rates a simplified calculation method is used by fixing the current rate for future cash-flows and the discount factors prediction. For loans without explicitly defined future contractual cash-flows (e.g. overdrafts) the Bank assumes that the fair-value is close to the carrying amount. For loans impaired with individual loan loss provision calculated according to the discounted estimated cash-flows the Bank assumes that the fair-value is close to the carrying amount decreased by the loan loss provision created.

Investment securities

For the investment securities measured at amortised cost the Bank assumes that the fair-value approximates their carrying amount.

Deposits from banks

The fair values of current account balances and deposits with maturity less than one month are, by definition, equal to their carrying amounts. The fair values of the other amounts due to banks are estimated by discounting their future cash flows using the current inter-bank market rates irrespective of their own credit spread.

Due to customers

The fair values of the current accounts as well as the term deposits with equal to or less than one year remaining maturity approximate their carrying amounts. The fair values of the other term deposits are estimated by discounting their future cash flows using the rates currently offered for deposits of similar remaining maturities irrespective of their own credit spread.

Debt securities in issue

The mortgage bonds issued are not publicly traded and their fair values are based upon the quoted market prices of the debt securities with similar characteristics. The carrying amounts of the promissory notes and the certificates of deposit approximate their fair values. Their own credit spread is not considered.

Fair value hierarchy

The table below analyses the financial instruments measured at fair value at the end of the reporting period. Information about the fair value measurements are disclosed using a hierarchy that reflects the significance of inputs used in measuring the fair values of the financial instruments (they are categorized into three levels):

- Level 1 – Fair value measurements using the quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2 – Fair value measurements using inputs other than the quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: the quoted market prices in active markets for similar instruments, the quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which significant inputs are directly or indirectly observable from the market data.

- Level 3 – Fair value measurements using inputs for the asset or liability that are not based on the observable market data (i.e. unobservable inputs) and this data has significant influence on the measurement. This category includes instruments that are valued based on the quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

The Bank has an established control framework with respect to the measurement of the fair values of assets and liabilities. These controls include verification of the observable pricing, re-performance of the model valuations, a review and approval process for new models and changes to models, quarterly calibration and back-testing of models against the observed market transactions, an analysis and investigation of significant daily valuation movements and a review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments.

(CZKm)	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Financial assets				
Debt securities at fair value	2,480	0	0	2,480
Derivative financial instruments	0	415	0	415
Derivative financial instruments to hedge interest rate risk	0	230	0	230
Financial liabilities				
Derivative financial instruments	0	356	0	356
Derivative financial instruments to hedge interest rate risk	0	20	0	20

(CZKm)	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Financial assets				
Debt securities at fair value	1,464	0	0	1,464
Derivative financial instruments	0	182	0	182
Financial liabilities				
Derivative financial instruments	0	320	0	320
Derivative financial instruments to hedge interest rate risk	0	217	0	217

The fair value of derivatives and financial investments is calculated by discounting the future cash flows, if they are not traded in an active market. They are discounted with the corresponding yield curves. Options are valued using the Black-Scholes model.

In 2021 and 2020, there were no transfers of financial assets or liabilities between Level 1 and 2.

33 FINANCIAL RISKS

(a) Strategy in using financial instruments

The Bank's activities are principally related to the use of the financial instruments. The Bank accepts deposits from customers at both fixed and floating interest rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might become due.

The Bank seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet receivables and advances but the Bank also enters into guarantees and other commitments such as letters of credit and other similar contingent liabilities.

(b) Credit risk

The Bank defines credit risk as the risk that a counterparty will cause a financial loss to the Bank by failing to discharge a contractual obligation.

The credit risk management is performed in a close co-operation with the Bank's parent company and together with the Bank's strategy and risk appetite, the risk strategy and risk-appetite of shareholders is reflected.

A conservative strategy for the credit risk management is applied. Considered within the general context of the overall business relations existing with each respective customer, every transaction for which the Bank knowingly undertakes a risk should yield a contribution margin that is commensurate with the specific risk incurred.

The Bank structures the levels of the accepted credit risk by regular measurement of the risk exposure, monitoring of the limits and taking appropriate measures leading to a decrease in the accepted level of the credit risk. The process of credit risk management is performed on both the individual borrower level and the whole loan portfolio level. When deciding about the acceptance of a new exposure, an analysis of the customer's cash flow and the overall financial situation is a key factor, as well as the existing experience with the customer together with the quality of the collateral received. The decision-making is performed independently from the sales units.

The capital requirement for the credit risk in the investment portfolio is calculated using the standardized approach.

The table below summarizes the maximum exposure to the credit risk before collateral held or other credit risk mitigation techniques, the financial effect of the collateral held and other credit risk mitigation techniques and the maximum exposure to the credit risk less the effect of the collateral held or other credit risk mitigation techniques. Included in the table are the Bank's assets at the net carrying amounts.

As at 31.12.2021 (CZKm)	Exposure to credit risk before collateral held or other credit risk mitigations	Financial effect of the collateral held and other credit risk mitigations	Exposure to the credit risk less the effect of the collateral held or other credit risk mitigations
Balance sheet credit risk exposures			
Cash and balances with central banks	15,324	12,912	2,412
Loans and advances to banks	3,461	0	3,461
Loans and advances to customers:			
Corporate loans:			
Investment loans	17,595	8,942	8,653
Working capital financing	5,787	1,184	4,603
Mortgages	3	3	0
Total corporate loans	23,385	10,129	13,256
Retail loans:			
Investment loans	3,333	1,866	1,467
Working capital financing	231	36	195
Mortgages	26,502	23,553	2,949
Consumer loans	6,962	1,102	5,860
Total retail loans	37,028	26,557	10,471
Total loans and advances to customers	60,413	36,686	23,727
Derivative financial instruments	415	0	415
Securities at FVOCI	2,480	0	2,480
Securities at amortised cost	1,000	0	1,000
Other exposures	340	0	340
Total balance sheet credit risk exposures	83,433	49,598	33,835
Off-balance sheet credit risk exposures (nominal amount)			
Documentary credits	151	0	151
Financial guarantees	2,290	0	2,290
Loan commitments	5,251	0	5,251
Total off-balance sheet credit exposures	7,692	0	7,692
Total credit exposures	**91,125**	**49,598**	**41,527**

As at 31.12.2020 (CZKm)	Exposure to credit risk before collateral held or other credit risk mitigations	Financial effect of collateral held and other credit risk mitigations	Exposure to credit risk less the effect of collateral held or other credit risk mitigations
Balance sheet credit risk exposures			
Cash and balances with central banks	20,559	18,001	2,558
Loans and advances to banks	3,168	0	3,168
Loans and advances to customers:			
Corporate loans:			
Investment loans	20,060	10,937	9,123
Working capital financing	4,985	1,285	3,700
Mortgages	5	5	0
Total corporate loans	25,050	12,227	12,823
Retail loans:			
Investment loans	3,404	1,790	1,614
Working capital financing	245	38	207
Mortgages	26,579	23,290	3,289
Consumer loans	6,082	1,135	4,947
Total retail loans	36,310	26,253	10,057
Total loans and advances to customers	61,360	38,480	22,880
Derivative financial instruments	182	0 0	182 182
Securities at FVOCI	1,464	0	1,464
Securities at amortised cost	612	0	612
Other exposures	389	0	389
Total balance sheet credit risk exposures	87,734	56,481	31,253
Off-balance sheet credit risk exposures (nominal amount)			
Documentary credits	121	0	121
Financial guarantees	1,572	0	1,572
Loan commitments	3,971	0	3,971
Total off-balance sheet credit exposures	5,664	0	5,664
Total credit exposures	**93,398**	**56,481**	**36,917**

The financial effect of a collateral represents a fair value of the collateral received by the Bank against the credit exposure limited to the outstanding amount of the exposure.

Collateral held and other credit enhancements

The collateral held and other credit enhancements may be summarized by the collateral type as follows:

(CZKm)	31.12.2021	31.12.2020
Financial effect of collateral held and other credit enhancements		
Treasury bills	12,912	18,001
Bank and similar guarantees	639	1,024
Mortgage right on real estate	34,807	34,905
Financial collateral	809	1,346
Other	431	1,205
Total financial effect of a collateral held and other credit enhancements	**49,598**	**56,481**

The accounting policies for collaterals are presented in Note 2(dd).

Loans and advances

The Bank uses internal rating models for purposes of managing and monitoring the quality of the loan portfolio.

Each borrower is based on his credit quality assigned to a specific rating grade. This rating grade represents the probability of client default within one year ("PD").

The current rating scale consists of 26 rating grades, where the 26th grade is reserved for customers in default (for Corporate banking the 25th grade also indicates default).

The internal rating has to be updated periodically. Validations of the internal rating models and respective parameter changes are carried out in cooperation with the parent company.

The loans and advances are classified as follows in accordance with the CNB's regulations:

- Performing exposures (exposures without default) are allocated to rating grades 1-25 and can be classified as follows:
    - Standard category – the principal and interest payments are regularly paid and an occasional delay of repayments does not exceed duration of 30 days and there is no reason to doubt full repayment without usage of the collateral for collecting the receivable,
    - Watched category - when there has been an identified deterioration of the debtor's financial situation since the recognition of the receivable or the principal or interest payments are paid with problems, but the delay of repayments does not exceed duration of 90 days and a full collection of the receivable without usage of the collateral for collecting the receivable is probable considering the financial and economic situation of the debtor.
- Non-performing exposures (exposures in default) are allocated to the rating grade 26 (or the rating grade 25 for Corporate banking). These receivables are in delay with repayments for more than 90 days or the full repayment of the receivable is not probable without realization of the collateral because of the financial and economic situation of the debtor.

The rating scale (valid since 1 January 2015):

Rating Grade	Risk	Min PD	Average PD	Max PD
1	Low	0.00%	0.02%	0.03%
2	Low	0.03%	0.04%	0.04%
3	Low	0.04%	0.05%	0.06%
4	Low	0.06%	0.07%	0.08%
5	Low	0.08%	0.10%	0.11%
6	Low	0.11%	0.13%	0.16%
7	Low	0.16%	0.18%	0.22%
8	Low	0.22%	0.25%	0.30%
9	Low	0.30%	0.35%	0.41%
10	Low	0.41%	0.48%	0.56%
11	Low	0.56%	0.66%	0.78%
12	Low	0.78%	0.91%	1.07%
13	Medium	1.07%	1.25%	1.47%
14	Medium	1.47%	1.73%	2.02%
15	Medium	2.02%	2.38%	2.79%
16	Medium	2.79%	3.27%	3.84%
17	Medium	3.84%	4.51%	5.29%
18	Medium	5.29%	6.20%	7.28%
19	High	7.28%	8.54%	10.03%
20	High	10.03%	11.77%	13.81%
21	High	13.81%	16.20%	19.01%
22	High	19.01%	22.31%	26.19%
23	High	26.19%	30.73%	36.06%
24	High	36.06%	42.32%	49.66%
25	High/Default*	49.66%	58.28%	100.00%
26	Default	100.00%	100.00%	100.00%

* for Corporate banking

The table of external ratings converted to the internal rating:

Rating Grade	Risk	PD (for 1 year)	Rating S&P	Rating Fitch	Rating Moody's
1	Low	0.02%	AAA	AAA	Aaa
1	Low	0.02%	AA+	AA+	Aa1
1	Low	0.02%	AA	AA	Aa2
1	Low	0.02%	AA-	AA-	Aa3
1	Low	0.02%	A+	A+	A1
1	Low	0.02%	A	A	A2
3	Low	0.05%	A-	A-	A3
5	Low	0.10%	BBB+	BBB+	Baa1
6	Low	0.13%	BBB	BBB	Baa2
8	Low	0.25%	BBB-	BBB-	Baa3
9	Low	0.35%	BB+	BB+	Ba1
11	Low	0.66%	BB	BB	Ba2
13	Medium	1.25%	BB-	BB-	Ba3
14	Medium	1.73%	B+	B+	B1
16	Medium	3.27%	B	B	B2
17	Medium	4.51%	B-	B-	B3
19	High	8.54%	CCC+	CCC+	Caa1
20	High	11.77%	CCC	CCC	Caa2
22	High	22.31%	CCC-	CCC-	Caa3
23	High	30.73%	CC	CC	Ca
24	High	42.32%	C	C	C

Expected credit loss measurement

As described in Note 2 (n), the Bank uses a “three-stage“ model for impairment based on the changes in the credit quality since the initial recognition as required by IFRS 9. The key estimates and assumptions adopted by the Bank are described below.

Significant increase in credit risk (“SICR”)

Within the IFRS 9 methodology, the SICR is based on both quantitative and qualitative criteria.

The quantitative criteria for a SICR are presented by an absolute threshold for the rating change since the initial recognition. A change in the internal rating by 7 notches (worsening) from the initial recognition is considered as a SICR factor in the staging process. An exception to this rule is applied when the internal rating at the reporting month is lower or equal to 10. Moreover, when there is a duration of evidence of past due on contractual payments of a financial instrument for more than 30 days, then it is always assumed that the SICR is automatically triggered (backstop).

The qualitative criteria are represented by a Forbearance flag and a Monitoring status. The forbearance flag aims to identify those transactions where the credit risk might by affected by contractual modifications taken by the Bank in order to prevent a default. The Bank assumes that such modifications represent a significant increase in the credit risk and a forborne flag is assumed as a SICR factor. The monitoring status is the result of a regular and ongoing credit review of non-retail customers combined with the Early warning system of the Bank. The objective of the credit review, in short, is to assess the credit quality of the debtor and his ability to pay for the debt and to meet the contractual conditions. The result of the monitoring with Red zone colour is assumed as a SICR factor. The Bank additionally implements the Watch list flag as a SICR factor. The Watch list enables to capture an increased credit risk whenever it is identified by the Bank, regardless of the timelines of regular and ongoing credit reviews.

The Low credit risk exemption is not applied for low risk portfolios by the Bank.

Amendments to SICR criteria with respect to Covid-19 pandemic

During the year 2021 the Covid-19 pandemic was impacting the economic performance of many countries as in 2020. The Czech Republic, in particular, was affected similarly to the other European countries. For the year 2021, the Bank has decided to keep the criteria for SICR determination unchanged compared to the previous year, to continue with an individual approach to the corporate clients and with a portfolio approach to the retail clients. For the corporate clients, the triggers for SICR include Orange monitoring status, which is 1 step below the Red zone. For the retail clients, the Bank has decided to assume that SICR continues for exposures which were until repayment moratoria until the end of October 2020, and to measure their loss allowance by the lifetime expected credit losses, and to apply to them a probation period of at least 12 months since the decrease of the growth of default rates in a such portfolio, i.e. to apply similar approach as to the exposures under the Distressed restructuring.

Credit-impaired assets and definition of default

The Bank has a methodology for classification of thefinancial assets in place (i.e. default policy), which defines when a financial instrument is in default, which is aligned to the definition of credit-impaired. In order to classify an asset as in default, one or more predefined criteria have to be met.

The quantitative criteria: the objective evidence of the impairment is represented by the fact that the borrower is longer than 90 days past due on his contractual payments.

The qualitative criteria are set to represent the unlikeliness to pay the debt in full by the borrower, without realization of the collateral (if any). The main criteria are:

- Probability of default based on the internal rating scale is greater than 50%;
- Insolvency proceeding of the borrower;
- Distressed restructuring (a granted concession by the lender to the borrower in financial difficulties);
- The Borrower is deceased;
- A Significant breach of terms/conditions from the borrower, including the financial covenant(s);
- Frauds;

- Material execution on the borrower exists;
- The internal credit Monitoring results in the Black zone colour;
- The Borrower defaults in other banks from the Sberbank Europe group.

Some default criteria are assessed on the asset level (duration of the past due status, forbearance/concessions), others on the borrower's level (rating, financial health, insolvency, bankruptcy). The Bank recognizes defaults on a client level and all financial assets of the borrower are then classified as in default.

The definition of default is not only used for determination of the Stage 3, but consistently for credit risk management purposes, including the credit risk models development.

Reversal from Stage 3 to Stage 1 or 2

A reversal from the Stage 3 to lower stages is only possible when none of the stage 3 criteria are present for three full subsequent months. Moreover, the modifications of assets in terms of forbearance measures and distressed restructuring have specified periods to be passed before it is assumed that the increased credit risk (or impairment) has ceased to exist and the flags/triggers are not removed before that time passes and at the same time no other trigger occurs in the meantime.

Inputs, assumptions and estimation techniques used when measuring ECL

The Bank measures the ECL on either a 12-month or lifetime basis, according to the Stage of financial instruments, as shown in the table in the Note 2(n). The expected credit losses are calculated by multiplication of the Probability of default (PD), the Exposure at default (EAD) and the Loss given default (LGD). The definitions are as follows:

- PD is the probability of a borrower defaulting (as per paragraph Credit-impaired assets and definition of default) within a specified period. The period is either a 12-month or lifetime, based on the type of loss allowance to be measured. Lifetime is determined as the time to the contractual maturity of the financial instrument being measured.
- EAD represents the amount that is expected to be owed at the time of default. The time of default is linked to the period of PD, which is used for calculation, i.e. 12-month PD is associated with EAD after 12 months from the reporting date. In the case of lifetime estimates, the EAD is determined for each consecutive year based on the contractual repayments. For contracts with an undefined maturity, the average maturity is used as a simplifying assumption instead of the contractual cash flows. When the exposure is secured by a collateral, then the EAD is further broken-down separately for an unsecured amount and for secured amounts segmented by the collateral type segments. This is done in order to be able to apply the LGD values defined per collateral type segments. Within the EAD estimates, the amounts of undrawn credit lines (typically for revolving products and off-balance sheet exposures) are taken into account via a Credit Conversion Factor (CCF), which determines the percentage of the undrawn credit to be drawn-down at the time of default. The Bank applies regulatory CCF values used within Risk weighted assets calculation according to the Standardized approach (according to CRR).
- LGD is defined as an expected relative level of loss on a defaulted exposure. LGD is estimated separately for the unsecured part of exposures and for the collateralized part of exposures, based on the collateral type segments. LGD values are defined regardless of the period and loss allowance type and are applied to EAD segments, hence overall LGD on the exposure

level is changing over the time, dependent on the structure of the collateralization of the exposure.

PD and EAD values are projected over future years and applied to the individual exposures. When the lifetime ECL is calculated, the product of the PD, the EAD and the LGD is discounted back to the reporting date by each future year using the effective interest rate, to obtain the present value of the future loss.

Estimation techniques used for PD estimates are based on combination of the Markov chains and the regression analysis. For LGD, the method of weighted averages on the historically observed data among segments is used. The methodology of the ECL calculation was developed on a unified basis across the Sberbank Europe Group and enables the Bank to adjust it according to its own availability of the data and the level of detail and the quality of the data. This means that the level of sophistication is dependent on the number of observations available within each predefined segment. The Bank estimates the PD for 12-month and lifetime ECL on the basis of the historical data of the Bank, which are then used for constructing of the migration probability matrices between predefined states. Two major segments are defined, retail and non-retail segments. For these segments the transition matrices are constructed differently – using different periods and weights for averaging of the matrices and using different definition of transition states. This approach was selected with respect to the number of historical datapoints available in case of retail and corporate clients, when the number of observation within retail portfolios is significantly higher than in the corporate segment. By multiplication of one-year transition matrices, the projection of the PD profile into the future is performed and incremental (one-year) matrices are calculated. Over the one-year matrices the macroeconomic overlay is applied, with the use of regression analysis, which provides the sensitivity rates of the default rates on the macroeconomic projections. If the regression analysis does not provide statistically significant estimates of dependency between the observed default rates and the macroeconomic data, then, as an alternative, the sensitivities from the higher grouped segments is used, in order to provide macro-sensitive results.

Models for estimating the parameters used for the ECL calculation are updated once a year. The model methodology for PD estimates enables grouping of the segments, which allows using alternative sensitivities from the regression analysis. As a result, all modeled segments respond to the changes in the macroeconomic forecast. Similarly to the last year, it is valid that the number of macroeconomic scenarios is equal to 3 and the scenarios are weighted in order to obtain final results.

Forward looking information incorporated in the ECL models

The forward looking information is considered both in the SICR assessment and the PD estimation. Within the SICR analysis, the qualitative criteria of the monitoring result and the calculated zone colour from the Bank's early warning system reflect the forward looking information with respect to the increased probability of financial difficulties of the borrower in future.

The lifetime PD estimation is associated with testing of the dependency of the observed default rates on macroeconomic variables. When there is no statistically sufficient result of such an analysis for the given portfolio segment, grouping of portfolio segments takes place, so that a dependency that is more general can be used instead, while retaining the sensitivity of the PD estimates to the macroeconomic forecast.

These forward looking expectations are incorporated into the macroeconomic scenarios used for PD parameters estimation. The Bank decided to model future probabilities of default by employing the future macroeconomic indicators GDP and Unemployment, mostly because it is possible to interpret these indicators and their predictions are generally available.

According to the requirement of IFRS 9, the Bank has defined three scenarios and used a weighted average scenario approach for loss allowance calculation. This approach with three main macro scenarios (optimistic, base and adverse) enabled the Bank to set the weights adequately according to the latest information on the future macroeconomic development of the Czech economy. The scenarios of future development were defined as follows:

Optimistic scenario: The scenario is based on the assumption that the Covid-19 pandemic is completely over, including the economic recession connected with Covid-19, i.e. the economic activity is recovered. The positive growth of GDP of 4.4% in 2022 is expected, in the next period the growth to be 2.7%. The unemployment rate remains to keep on low levels. i.e. below 5% for the whole future period. Other macroeconomic indicators (the FX rate, the inflation) are stable and with low volatility.

Base scenario: In this scenario the negative impact of covid-19 has a limited duration and the economic activity starts to recover later than in the optimistic scenario. GDP is expected to grow slightly less, by 4.2% in 2022. In this scenario, the unemployment rate would be improving in a slower pace, going to 4.3% in 2022 and to 4% in the ongoing periods.

Adverse scenario: The worse economic scenario is based on the assumption of a continued and prolonged Covid-19 pandemic situation (increasing number of Covid positive patients, collapsing health system, lockdowns, etc.). Further decline of GDP values woud be recorded (by 0.2% in 2022) and the economic activity would not recover even in 2023. The unemployment rate would grow up to 7.7% in 2023, as a result of the fully translated impact of Covid-19 into the real economy.

The final decision of the Bank was to use weights 5%-35%-60% for the respective above mentioned scenarios.

Grouping of instruments for losses measured on a collective basis

In order to estimate the parameters used for measurement of the ECL, the financial instruments are segmented into portfolios with similar risk characteristics. The main objective is to obtain a sufficient amount of observations within one group which is reasonably homogenous, therefore statistical methods can be applied on such a group of instruments. The selected segments reflect the reporting structure of the Bank too.

The table below shows groupings for the collective measurement and an overview of the final approach to the PD and LGD parameters:

Key segment	Borrower's segment	Product group	PD model basis	Macro-overlay	LGD uncolla-teralized	Further segmentation
Non-retail	Corporate	n/a	Historical data	Yes	100%	Rating grades
	SME	n/a	Historical data	Yes	76.414%	Rating grades
	Financial institutions, Sovereigns and Central Banks	n/a	Synthetic migration matrix	No	100%	Rating grades
Retail	Micro	n/a	Historical data	Yes	Model based	DPD buckets
	Private individuals	Mortgage Loans	Historical data	Yes	Model based	DPD buckets
		Consumer Loans	Historical data	Yes	Model based	DPD buckets
		Revolving and Other Loans	Historical data	Yes	Model based	DPD buckets

Financial instruments in the Stage 3 with a current exposure above CZK 5 million are treated individually, until their exposure declines below CZK 1 million or they migrate into a different stage. The Bank utilizes 2 calculation tools for the ECL calculations, one for an individual assessment of the credit impaired financial instruments (above CZK 5 million), and another one for the collective assessment of the ECL.

The following tables analyses the loans and advances to clients according to their credit quality:

As at 31. 12. 2021

(CZKm)	Stage 1	Stage 2	Stage 3	Total
Retail				
Mortgages				
Low risk	20,569	2,175	0	22,744
Medium risk	2,190	986	0	3,176
High risk	102	446	0	548
Default	0	0	153	153
Total gross carrying amount	22,861	3,607	153	26,621
Allowance for credit losses	(22)	(58)	(39)	(119)
Total net carrying amount	22,839	3,549	114	26,502
Consumer loans				
Low risk	3,838	414	0	4,252
Medium risk	2,510	146	0	2,656
High risk	148	119	0	267
Default	0	0	101	101
Total gross carrying amount	6,496	679	101	7,276
Allowance for credit losses	(162)	(84)	(68)	(314)
Total net carrying amount	6,334	595	33	6,962
Investment loans				
Low risk	993	70	0	1,063
Medium risk	1,610	321	0	1,931
High risk	217	139	0	356
Default	0	0	163	163
Total gross carrying amount	2,820	530	163	3,513
Allowance for credit losses	(37)	(30)	(113)	(180)
Total net carrying amount	2,783	500	50	3,333
Working capital financing				
Low risk	39	4	0	43
Medium risk	109	22	0	131
High risk	29	38	0	67
Default	0	0	30	30
Total gross carrying amount	177	64	30	271
Allowance for credit losses	(4)	(8)	(28)	(40)
Total net carrying amount	173	56	2	231
Total retail	**32,129**	**4,700**	**199**	**37,028**

As at 31. 12. 2021 (CZKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Corporate					
Investment loans					
Low risk	2,964	21	0	0	2,985
Medium risk	10,980	838	0	0	11,818
High risk	783	1,933	0	0	2,716
Default	0	0	887	0	887
Total gross carrying amount	14,727	2,792	887	0	18,406
Allowance for credit losses	(136)	(290)	(385)	0	(811)
Total net carrying amount	14,591	2,502	502	0	17,595
Working capital financing					
Low risk	1,753	3	0	0	1,756
Medium risk	3,147	192	0	0	3,339
High risk	168	686	0	0	854
Default	0	0	312	12	324
Total gross carrying amount	5,068	881	312	12	6,273
Allowance for credit losses	(42)	(199)	(245)	0	(486)
Total net carrying amount	5,026	682	67	12	5,787
Mortgages					
Medium risk	2	1	0	0	3
Total gross carrying amount	2	1	0	0	3
Allowance for credit losses	0	0	0	0	0
Total net carrying amount	2	1	0	0	3
Total corporate	**19,619**	**3,185**	**569**	**12**	**23,385**
Total loans and advances to customers	**51,748**	**7,885**	**768**	**12**	**60,413**

As at 31. 12. 2020

(CZKm)	Stage 1	Stage 2	Stage 3	Total
Retail				
Mortgages				
Low risk	20,974	2,873	0	23,847
Medium risk	1,506	851	0	2,357
High risk	51	303	0	354
Default	0	0	178	178
Total gross carrying amount	22,531	4,027	178	26,736
Allowance for credit losses	(33)	(77)	(47)	(157)
Total net carrying amount	22,498	3,950	131	26,579
Consumer loans				
Low risk	3,770	701	0	4,471
Medium risk	1,407	264	0	1,671
High risk	67	104	0	171
Default	0	0	102	102
Total gross carrying amount	5,244	1,069	102	6,415
Allowance for credit losses	(139)	(128)	(66)	(333)
Total net carrying amount	5,105	941	36	6,082
Investment loans				
Low risk	955	64	0	1,019
Medium risk	1,623	456	0	2,079
High risk	176	151	0	327
Default	0	0	119	119
Total gross carrying amount	2,754	671	119	3,544
Allowance for credit losses	(36)	(30)	(74)	(140)
Total net carrying amount	2,718	641	45	3,404
Working capital financing				
Low risk	43	6	0	49
Medium risk	124	27	0	151
High risk	30	20	0	50
Default	0	0	23	23
Total gross carrying amount	197	53	23	273
Allowance for credit losses	(3)	(5)	(20)	(28)
Total net carrying amount	194	48	3	245
Total retail	**30,515**	**5,580**	**215**	**36,310**

As at 31. 12. 2020 (CZKm)	Stage 1	Stage 2	Stage 3	Total
Corporate				
Investment loans				
Low risk	2,489	304	0	2,793
Medium risk	12,893	1,486	0	14,379
High risk	2,047	943	0	2,990
Default	0	0	753	753
Total gross carrying amount	17,429	2,733	753	20,915
Allowance for credit losses	(282)	(190)	(383)	(855)
Total net carrying amount	17,147	2,543	370	20,060
Working capital financing				
Low risk	785	0	0	785
Medium risk	3,312	437	0	3,749
High risk	153	516	0	669
Default	0	0	181	181
Total gross carrying amount	4,250	953	181	5,384
Allowance for credit losses	(70)	(169)	(160)	(399)
Total net carrying amount	4,180	784	21	4,985
Mortgages				
Medium risk	2	3	0	5
Total gross carrying amount	2	3	0	5
Allowance for credit losses	0	0	0	0
Total net carrying amount	2	3	0	5
Total corporate	**21,329**	**3,330**	**391**	**25,050**
Total loans and advances to customers	**51,844**	**8,910**	**606**	**61,360**

Sensitivity analysis

Set out below are the changes to the ECL that would result from changes in the expected cash flows (loans in the Stage 3), from changes in the Rating Grade (Corporate loans in the Stages 1 and 2) or changes in the probability of default comparable with the change in the average Rating Grades by the number of Rating Grades set out below (Retail loans in the Stages 1 and 2) according to the following internally defined, sensitivity scenarios:

- Scenario 1: a change in the ECL if the Rating Grades change by 1 or if the expected cash flows change by 5%;
- Scenario 2: a change in the ECL if the Rating Grades change by 2 or if the expected cash flows change by 10%.

As at 31.12.2021	Scenario 1		Scenario 2	
(CZKm)	Negative	Positive	Negative	Positive
Retail				
Change in the ECL for the Stage 1	111.9	(61.9)	283.0	(107.0)
from which: change from the Stage 1	27.8	0.0	87.5	0.0
Change in the ECL for the Stage 2	68.1	(49.5)	161.8	(85.5)
from which: change from the Stage 2	1.1	0.0	4.7	0.0
Change in the ECL for the Stage 3	7.0	(5.6)	14.0	(8.0)
Total change in the ECL	**187.0**	**(117.0)**	**458.8**	**(200.5)**
Corporate				
Change in the ECL for the Stage 1	51.3	(37.0)	120.5	(67.3)
from which: change from the Stage 1	5.3	0.0	17.4	0.0
Change in the ECL for the Stage 2	327.7	(99.6)	397.8	(139.3)
from which: change from the Stage 2	296.7	0.0	297.6	0.0
Change in the ECL for the Stage 3	14.7	(9.6)	29.5	(17.0)
Total change in the ECL	**393.7**	**(146.2)**	**547.8**	**(223.6)**

As at 31.12.2020	Scenario 1		Scenario 2	
(CZKm)	Negative	Positive	Negative	Positive
Retail				
Change in the ECL for the Stage 1	64.8	(43.7)	159.6	(75.5)
from which: change from the Stage 1	5.1	0	19.5	0
Change in the ECL for the Stage 2	40.9	(29.7)	97.3	(51.4)
from which: change from the Stage 2	0.7	0	2.3	0
Change in the ECL for the Stage 3	9.4	(4.1)	18.9	(8.2)
Total change in the ECL	**115.1**	**(77.5)**	**275.8**	**(135.1)**
Corporate				
Change in the ECL for the Stage 1	159.7	(112.3)	389.3	(194.6)
from which: change from the Stage 1	6.9	0	31.7	0
Change in the ECL for the Stage 2	177.6	(68.8)	266.3	(133.6)
from which: change from the Stage 2	109.5	0	122.1	0
Change in the ECL for the Stage 3	12.6	(11.7)	25.2	(23.2)
Total change in the ECL	**349.9**	**(192.8)**	**680.8**	**(351.4)**

The change in the Rating Grade of the financial instruments in the Stage 1 may result in a SICR and a transfer to the Stage 2. The change in the Rating Grade of financial instruments in the Stage 2

may result in impairment of the financial instrument and a transfer to the Stage 3. These effects are disclosed on separate rows for information purposes and cannot be counted in the sum of the total change in the ECL rows.

Loans and advances under forbearance measures and modified loans

The Bank performs restructuring of loans and advances in cases where according to the assessment of the current legal and financial situation of the client it would probably suffer a loss if the restructuring was not performed. The restructuring mainly includes a modification of the repayment schedule, an adjustment of the interest rates, a waiver of default interest or extending the payment of the principal or accessory amounts or transformation of an overdraft current account to a loan.

The allowance for impairment of loans under forbearance measures is calculated using the same methodology as for other loans and receivables.

The Bank maintains an evidence of loans and advances under forbearance measures and evaluates their status on a quarterly basis. The restructured loans and receivables are rated with the grade 26 according to current rating scale.

The changes of contracts due to Covid-19 are a part of the evidence of the Bank. These changes were evaluated according to the CNB and EBA recommendations on treatment of Covid-19 related reliefs and adequately assessed for the forbearance recognition.

Forborne loans and receivables according to their credit risk:

As at 31 December 2021 (CZKm)	Forborne loans and receivables	Received collateral	Total loans and receivables to customers	Received collateral
Stage 1	0	0	52,151	29,799
Stage 2	771	648	8,554	5,869
Stage 3	699	478	1,646	1,006
POCI	0	0	12	12
Gross loans and receivables	**1,470**	**1,126**	**62,363**	**36,686**
Allowances for credit losses	(251)	**0**	(1,950)	0
Net loans and receivables	**1,219**	**1,126**	**60,413**	**36,686**

As at 31 December 2020 (CZKm)	Forborne loans and receivables	Received collateral	Total loans and receivables to customers	Received collateral
Stage 1	228	228	52,408	31,349
Stage 2	681	520	9,507	6,491
Stage 3	442	207	1,357	640
Gross loans and receivables	**1,351**	**955**	**63,272**	**38,480**
Allowances for credit losses	(250)	**0**	(1,912)	0
Net loans and receivables	**1,101**	**955**	**61,360**	**38,480**

The reconciliation from the opening balances to the closing balances of the forborne loans and receivables:

(CZKm)	Retail	Corporate	Total
As at 1 January 2020	124	231	355
New forborne receivables	173	954	1,127
Change in forborne receivables (repayments, increase)	(17)	(63)	(80)
Forborne receivables written off	(2)	0	(2)
Sale of forborne receivables	(4)	(11)	(15)
Healed forborne receivables	(15)	(19)	(34)
As at 31 December 2020	259	1,092	1,351
New forborne receivables	75	435	510
Change in forborne receivables (repayments, increase)	(61)	(247)	(308)
Forborne receivables written off	0	(13)	(13)
Sale of forborne receivables	(5	(10)	(15)
Healed forborne receivables	(24)	(31)	(55)
As at 31 December 2021	**244**	**1,226**	**1,470**

The following table includes summary information for loans and advances to customers with the lifetime ECL as at the date of modification whose cash flows were modified during the period.

(CZKm)	31.12.2021	31.12.2020
Amortised cost before modification	772	821
Net modification gain	0	(1)
Amortised cost after modification	772	820

As at 31 December 2021, the gross carrying amount of loans and advances to customers that had been modified at the time when the loss allowance was measured at an amount equal to the lifetime ECL and for which the loss allowance had changed to an amount equal to the 12-month ECL was CZK 0 million (2020: CZK 0 million).

Loans and advances to banks

The table below presents an analysis of the loans and advances to banks by a rating agency designation as at 31 December 2021 and 31 December 2020, based on Moody's external ratings.

Loans and advances to banks

(CZKm)	31.12.2021	31.12.2020
Aaa to Ba2 (Low risk)	3,259	2,994
Ba3 to B3 (Medium risk)	209	186
Gross loans and advances to banks	**3,468**	**3,180**
Allowances for credit losses	(7)	(12)
Net loans and receivables to banks	**3,461**	**3,168**

Debt securities

The table below presents an analysis of debt securities by a rating agency designation as at 31 December 2021 and 31 December 2020, based on Moody's external ratings.

As at 31 December 2021

(CZKm)	At FVOCI	At amortised cost	Total
Aaa to A3 – stage 1	2,480	733	3,213
Aaa to A3 – stage 2	0	267	267
Total debt securities	2,480	1,000	3,480

As at 31 December 2020

(CZKm)	At FVOCI	At amortised cost	Total
Aaa to A3 – stage 1	1,405	354	1,759
Aaa to A3 – stage 2	0	267	267
Baa1 to Baa3 – stage 1	59	0	59
Total debt securities	1,464	621	2,085

Concentration of risks of financial assets with credit risk exposure

Diversification is one of the key principles in managing the credit risk. The Bank fully adheres to the regulatory limits for an exposure to single economically-linked groups of customers. The Bank applies a limit of EUR 150 million (CZK 3,729 million as of 31 December 2021) for Sberbank group entities. The Bank applies a limit of 25% of the regulatory capital for other economically linked groups of customers (CZK 2,132 million as of 31 December 2021). The Bank had receivables to four economically linked groups with exposure exceeding 10% of the regulatory capital as of 31 December 2021 (four as of 31 December 2020).

Additionally, the Bank places and monitors limits on the amount of the risk accepted in relation to both geographical and industry sectors.

Geographical sectors

As at 31 December 2021 (CZKm)	Domestic	European Union	Other Europe	Other	Total
Assets					
Cash and balances with central banks	15,324	0	0	0	15,324
Loans and advances to banks	0	2,738	533	190	3,461
Derivative financial instruments	11	198	206	0	415
Debt securities	3,480	0	0	0	3,480
Loans and advances to customers	54,588	4,534	1,100	191	60,413
Other financial assets	340	0	0	0	340
Total financial assets	**73,743**	**7,470**	**1,839**	**381**	**83,433**

As at 31 December 2020 (CZKm)	Domestic	European Union	Other Europe	Other	Total
Assets					
Cash and balances with central banks	20,559	0	0	0	20,559
Loans and advances to banks	1	2,219	856	92	3,168
Derivative financial instruments	135	25	22	0	182
Debt securities	2,017	59	0	0	2,076
Loans and advances to customers	56,015	3,932	1,214	199	61,360
Other financial assets	389	0	0	0	389
Total financial assets	**79,116**	**6,235**	**2,092**	**291**	**87,734**

Concentration of risks of financial assets with credit risk exposure

Industry sectors

As at 31 December 2021 (CZKm)	Real estate	Trade and services	Manu-factoring	Households	Financial institutions	Public sector	Other industries	Total
Assets								
Cash and balances with central banks	0	0	0	0	15,324	0	0	15,324
Loans and advances to banks	0	0	0	0	3,461	0	0	3,461
Derivative financial instruments	0	0	0	0	415	0	0	415
Debt securities	0	0	267	0	733	2,480	0	3,480
Loans and advances to customers	9,242	7,679	7,377	33,532	2,238	256	89	60,360
Other financial assets	1	15	0	4	320	0	0	332
Total financial assets	**9,243**	**7,694**	**7,644**	**33,536**	**22,491**	**2,736**	**89**	**83,433**

As at 31 December 2020 (CZKm)	Real estate	Trade and services	Manu-factoring	Households	Financial institutions	Public sector	Other industries	Total
Assets								
Cash and balances with central banks	0	0	0	0	20,559	0	0	20,559
Loans and advances to banks	0	0	0	0	3,168	0	0	3,168
Derivative financial instruments	0	0	0	0	182	0	0	182
Debt securities	0	59	264	0	349	1,404	0	2,076
Loans and advances to customers	8,746	7,647	10,027	32,735	1,803	310	92	61,360
Other financial assets	1	27	0	4	357	0	0	389
Total financial assets	**8,747**	**7,733**	**10,291**	**32,739**	**26,418**	**1714**	**92**	**87,734**

Derivatives

The Bank maintains strict control limits on the credit risk from derivative positions, by both the amount and term. The credit risk exposure is expressed by a credit equivalent which in relation to derivatives is only a small fraction of the derivative's notional amount outstanding. This credit risk exposure is managed as a part of the overall lending limits with customers, together with potential exposures from market movements. The collateral or other security which is required for credit transactions is obtained for credit risk exposures on these instruments.

Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangements

The following table sets out an analysis of the possible impact of enforceable master netting agreements to the Bank's financial position.

Gross amounts – enforceable master netting agreements

31 December 2021 (CZKm)	Gross amount	Gross amount netting	Net amount reported	Securities	Financial instruments	Financial collateral	Net amount
Assets							
Reverse repo deals	12,908	0	12,908	(12,912)	0	0	(4)
Derivatives	553	0	553	0	(61)	(382)	110
Total Assets	**13,461**	**0**	**13,461**	**(12,912)**	**(61)**	**(382)**	**106**
Liabilities							
Derivatives	73	0	73	0	(61)	0	12
Total liabilities	**73**	**0**	**73**	**0**	**(61)**	**0**	**12**

Gross amounts – enforceable master netting agreements

31 December 2020 (CZKm)	Gross amount	Gross amount netting	Net amount reported	Securities	Financial instruments	Financial collateral	Net amount
Assets							
Reverse repo deals	18,001	0	18,001	(18,001)	0	0	0
Derivatives	43	0	43	0	(24)	(16)	3
Total Assets	**18,044**	**0**	**18,044**	**(18,001)**	**(24)**	**(16)**	**3**
Liabilities							
Derivatives	509	0	509	0	(24)	(473)	12
Total Liabilities	**509**	**0**	**509**	**0**	**(24)**	**(473)**	**12**

Credit-related commitments and issued guarantees

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Payment guarantees and standby letters of credit with the characteristics of credit substitutes carry the same credit risk as loans. Documents and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to the credit risk on commitments to extend the credit, the Bank is potentially exposed to losses in the amount equal to the total unused commitments. However, the likely amount of loss is lower than the total unused commitments, as most commitments to extend the credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of the credit commitments because longer-term commitments generally have a greater degree of the credit risk than shorter-term commitments.

The credit risk exposure from the off-balance sheet items can be analysed as follows:

31 December 2021	12-month ECL	Lifetime ECL		
(CZKm)	Stage 1	Stage 2	Stage 3	Total
Financial guarantees issued – contractual amount:				
Low risk	116	27	0	143
Medium risk	1,695	52	0	1,747
High risk	12	333	0	345
Default	0	0	87	87
Total financial guarantees issued	1,823	412	87	2,322
Provision for guarantees	(9)	(18)	(5)	(32)
Net financial guarantees issued	**1,814**	**394**	**82**	**2,290**
Undrawn formal standby facilities, credit lines – contractual amount				
Low risk	2,530	29	0	2,559
Medium risk	2,575	182	0	2,757
High risk	33	51	0	84
Default	0	0	21	21
Total undrawn formal standby facilities, credit lines	5,138	262	21	5,421
Provision for un-drawn credit lines	(14)	(4)	(1)	(19)
Net un-drawn formal standby facilities, credit lines	**5,124**	**258**	**20**	**5,402**

31 December 2020	12-month ECL	Lifetime ECL		
(CZKm)	Stage 1	Stage 2	Stage 3	Total
Financial guarantees issued – contractual amount:				
Low risk	45	27	0	72
Medium risk	1,307	128	0	1,435
High risk	10	68	0	78
Default	0	0	11	11
Total financial guarantees issued	1,362	223	11	1,596
Provision for guarantees	(12)	(12)	0	(24)
Net financial guarantees issued	**1,350**	**211**	**11**	**1,572**
Undrawn formal standby facilities, credit lines – contractual amount				
Low risk	2,037	169	0	2,206
Medium risk	1,577	171	0	1,748
High risk	139	35	0	174
Default	0	0	10	10
Total undrawn formal standby facilities, credit lines	3,753	375	10	4,138
Provision for un-drawn credit lines	(23)	(18)	(5)	(46)
Net un-drawn formal standby facilities, credit lines	**3,730**	**357**	**5**	**4,092**

(c) Market risk

The Bank defines the market risk as a risk of a loss resulting from changes in market prices, foreign exchange rates and rates on the financial markets. The Bank manages the market risks separately for the trading and investment portfolio.

(i) Trading book risk

The trading book risks result from fluctuations of the fair value of the instruments in this portfolio. The Bank monitors the general, specific and foreign currency risk from its business activities. The risks are monitored using various reports and measures (e.g. the volume of exposures and gains/losses resulting from these exposures). The trading activities are restricted by the set limits.

The Bank uses a conservative trading strategy primarily based on searching for arbitrary opportunities. The most frequently traded instruments are especially interest rate swaps, foreign currency forwards and swaps.

Revaluation of the derivatives to the fair value is done on a daily basis to comply with the market and regulatory standards.

Analysis of positions

The following tables summarizes the total exposure in the Bank's trading book. This disclosure is based on the nominal amount of the individual instruments.

As at 31 December 2021 (CZKm)	CZK	EUR	USD	Others	Total
Interest rate instruments	7 814	1 684	0	0	9 498
Foreign currency instruments					
- assets	2,024	1,676	549	525	4,774
- liabilities	(2,048)	(1,624)	(530)	(559)	(4,761)

As at 31 December 2020 (CZKm)	CZK	EUR	USD	Others	Total
Interest rate instruments	8,395	2,133	0	0	10,528
Foreign currency instruments					
- assets	1,553	1,708	319	61	3,641
- liabilities	(1,960)	(1,655)	(20)	0	(3,635)

The tables below summarize the remaining contractual maturity of the trading book instruments. This disclosure is based on the nominal amount of the individual instruments.

As at 31 December 2021 (CZKm)	Within 1 year	1 – 4 years	Over 4 years	Total
Interest rate instruments	499	4,755	4,244	9,498
Foreign currency instruments				
- assets	3,111	1,663	0	4,774
- liabilities	(3,110)	(1,651)	0	(4,761)

As at 31 December 2020 (CZKm)	Within 1 year	1 – 4 years	Over 4 years	Total
Interest rate instruments	568	3,915	6,045	10,528
Foreign currency instruments				
- assets	3,034	607	0	3,641
- liabilities	(3,022)	(613)	0	(3,635)

(ii) Currency risk

The Bank defines the currency risk as a risk of a financial loss from changes in the foreign exchange rates.

The Bank's financial position and its cash flows are exposed to fluctuations in the prevailing foreign currency exchange rates. The Bank manages its open foreign currency position using foreign exchange deals (spots, forwards and swaps). The total open foreign currency position and foreign exchange derivatives on behalf of clients are included in the trading portfolio. The Bank sets limits on the level of its open currency position by a currency and in total for all currencies. The open foreign currency positions are monitored on a daily basis and stress testing over foreign exchange rates fluctuations is done and reported on a regular basis.

Sensitivity analysis

The tables below summarize the Bank's exposure to the currency risk. It is expressed by a sensitivity analysis demonstrating the impact of the change in the CZK foreign exchange rate against significant currencies on the balance sheet, on the Bank's annual net profit and the other equity components.

In 2021 and 2020, the impact of an appreciation / (depreciation) of the CZK foreign exchange rate against EUR and USD by 20% was tested. These thresholds are derived from historical data. The table below summarizes the impact of valuation of the assets and liabilities denominated in these currencies on the Bank's annual net profit and the other components of its equity.

The Bank has set limits on open currency positions in each currency. Within these limits, the Bank maintains a currency position so that it is balanced in all currencies. The impact of foreign exchange rate changes on the net profit in individual currencies, as well as in the aggregate for all currencies, is not significant.

As at 31 December 2021	**EUR**		**USD**	
(CZKm)	20%	(20%)	20%	(20%)
Assets				
Cash and balances with central banks	(6)	6	(2)	2
Loans and advances to banks	(606)	606	(12)	12
Loans and advances to customers	(1,847)	1,847	(1)	1
Debt securities	0	0	0	0
Other assets	(17)	17	(23)	23
Unsettled transactions with currency instruments	(652)	652	(595)	595
	(3,128)	3,128	(633)	633
Liabilities				
Deposits from banks	497	(497)	0	0
Due to customers	1,487	(1,487)	506	(506)
Subordinated debt	35	(35)	0	0
Other liabilities	68	(68)	2	(2)
Unsettled transactions with currency instruments	1,054	(1,054)	106	(106)
	3,141	(3,141)	614	(614)
Total (annual net profit)	**13**	**(13)**	**(19)**	**19**

As at 31 December 2020	EUR		USD	
(CZKm)	20%	(20%)	20%	(20%)
Assets				
Cash and balances with central banks	(7)	7	(4)	4
Loans and advances to banks	(557)	557	(10)	10
Loans and advances to customers	(2,068)	2,068	(1)	1
Debt securities	(12)	12	0	0
Other assets	(22)	22	(9)	9
Unsettled transactions with currency instruments	(380)	380	(651)	651
	(3,046)	3,046	(675)	675
Liabilities				
Deposits from banks	56	(56)	0	0
Due to customers	1,599	(1,599)	633	(633)
Subordinated debt	37	(37)	0	0
Other liabilities	66	(66)	34	(34)
Unsettled transactions with currency instruments	1,277	(1,277)	35	(35)
	3,035	(3,035)	702	(702)
Total (annual net profit)	**(11)**	**11**	**27**	**(27)**

The changes in the CZK foreign exchange rate against EUR and USD had a negligible impact on the Bank's equity components other than the annual net profit.

Currency position

The tables below summarize the Bank's exposure to the currency risk expressed by open currency positions. Included in the table are the Bank's assets, liabilities and the equity at the carrying amounts, categorized by the currency.

As at 31 December 2021					
(CZKm)	CZK	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	15,268	31	11	14	15,324
Loans and advances to banks	0	3,030	60	371	3,461
Debt securities	3,480	0	0	0	3,480
Loans and advances to customers	51,173	9,236	3	1	60,413
Other assets	2,059	83	113	42	2,297
Total assets	71,980	12,380	187	428	84,975
Liabilities and equity					
Deposits from banks	30	2,487	0	173	2,690
Due to customers	59,965	7,435	2,530	1,584	71,514
Provisions	43	9	0	14	66
Subordinated debt	0	174	0	0	174
Other liabilities	791	338	9	41	1,179
Equity	9,352	0	0	0	9,352
Total liabilities and equity	70,181	10,443	2,539	1,812	84,975
Net assets/(liabilities and equity)	**1,799**	**1,937**	**(2,352)**	**(1,384)**	**0**
Net assets/(liabilities) from unsettled transactions with currency instruments including derivatives	**(1,754)**	**(2,011)**	**2,440**	**1,367**	**42**
Net open currency position	**45**	**(74)**	**88**	**(17)**	**42**

As at 31 December 2021					
(CZKm)					
Off-balance sheet items					
Financial guarantees	1,455	540	7	288	2,290
Loan commitments and other credit related liabilities	4,430	972	0	0	5,402
Currency position from off-balance sheet items	**5,885**	**1,512**	**7**	**288**	**7,692**

As at 31 December 2020 (CZKm)	CZK	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	20,481	37	18	23	20,559
Loans and advances to banks	0	2,787	49	332	3,168
Debt securities	2,017	59	0	0	2,076
Loans and advances to customers	51,020	10,337	3	0	61,360
Other assets	2,045	110	43	43	2,241
Total assets	75,563	13,330	113	398	89,404
Liabilities and equity					
Deposits from banks	49	279	0	139	467
Due to customers	65,116	7,997	3,165	1,853	78,131
Provisions	55	26	1	3	85
Subordinated debt	0	184	0	0	184
Other liabilities	756	329	170	37	1,292
Equity	9,244	1	0	0	9,245
Total liabilities and equity	75,220	8,816	3,336	2,032	89,404
Net assets/(liabilities and equity)	**343**	**4,514**	**(3,223)**	**(1,634)**	**0**
Net assets/(liabilities) from unsettled transactions with currency instruments including derivatives	**(405)**	**(4,486)**	**3,085**	**1,634**	**(172)**
Net open currency position	**(62)**	**28**	**(138)**	**0**	**(172)**

As at 31 December 2020 (CZKm)	CZK	EUR	USD	Other	Total
Off-balance sheet items					
Financial guarantees	1,009	248	7	308	1,572
Loan commitments and other credit related liabilities	2,992	1,101	(1)	0	4,092
Currency position from off-balance sheet items	4,001	1,349	6	308	5,664

(d) Interest rate risk

The Bank defines the interest rate risk as a risk of a financial loss because of changes in the market interest rates.

The Bank takes on exposures resulting from fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. The Bank's exposure to the interest rate risk is monitored daily using a gap analysis in each foreign currency and is aggregated for all currencies. Sensitivity to changes in the market interest rate is regularly measured via a simulated change of the present value of the interest cash flows from the individual interest rate instruments where the interest rate is increased by a standardized value of an interest rate shock of 200 basis points (b.p.)

based on the predefined non-linear scenarios. The impact of assumptions on early repayment of the assets and on behavior of the assets and liabilities on the result of the interest rate risk sensitivity analysis is tested on a regular basis. Interest rate swaps or other fixed-rate instruments are used to manage the interest rate positions.

Sensitivity analysis

The table below summarizes the Bank's exposure to the interest rate risks. It is expressed by the sensitivity analysis showing the effect of a change in the market interest rates by 100 b.p. on the Bank's annual net profit and other movements in its equity. The impact on the Bank's annual net profit and other movements in the equity is presented in the following table.

As at 31 December 2021	100 b.p.	(100) b.p.
(CZKm)	Annual net profit / loss	
Assets		
Cash and balances with central banks	147	(147)
Loans and advances to banks	30	(30)
Securities as FVOCI	3	(3)
Securities at amortised cost	6	(6)
Loans and advances to customers	231	(231)
	417	(417)
Liabilities		
Deposits from banks	(19)	19
Due to customers	(331)	331
Subordinated debt	(1)	1
	(351)	351
Derivative financial instruments	**53**	**(53)**
Total	**119**	**(119)**

As at 31 December 2020	100 b.p.	(100) b.p.
(CZKm)	Annual net profit / loss	
Assets		
Cash and balances with central banks	197	(197)
Loans and advances to banks	23	(23)
Securities at amortised cost	3	(3)
Loans and advances to customers	233	(233)
	456	(456)
Liabilities		
Deposits from banks	(5)	5
Due to customers	(349)	349
Subordinated debt	(1)	1
	(355)	355
Derivative financial instruments	68	(68)
Total	**169**	**(169)**

The changes in the market interest rates do not have a material effect on the Bank's movements in the equity other than annual net profit.

(e) Liquidity risk

The Bank defines the liquidity risk as a risk of losing the ability to settle financial liabilities when they fall due or a risk of losing the ability to finance assets.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from settlement of derivatives. The liquidity risk management is based on both planning of the cash inflows and cash outflows based on the remaining maturity of the assets and liabilities, and on experience gained from a progress analysis of the previous years. The Bank prepares a liquidity plan which is approved by the Management Board together with the business plan, and both these plans are closely interconnected.

Cash flows from balance sheet financial instruments

The table below presents the contractual undiscounted cash flows from the Bank's non-derivative financial liabilities as compared with the non-derivative financial assets based on the remaining contractual period as at the statement of financial position date to the contractual maturity date.

31 December 2021 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Carrying amount
Non-derivative financial assets						
Cash and balances with central banks	15,602	0	0	0	15,602	15,324
Loans and advances to banks	2,741	191	171	395	3,498	3,461
Securities at FVOCI	2	5	822	2,123	2,952	2,480
Securities at amortised cost	274	1	402	411	1,088	1,000
Loans and advances to customers	6,407	5,851	27,786	34,008	74,052	60,413
Total non-derivative financial assets (remaining contractual maturities)	**25,026**	**6,048**	**29,181**	**36,937**	**97,192**	**82,678**
Non-derivatives financial liabilities						
Deposits from banks	1,246	1,442	0	0	2,688	2,690
Due to customers	70,263	1,066	325	0	71,654	71,514
Subordinated debt	0	0	186	0	186	174
Lease liabilities	21	67	228	31	347	332
Total non-derivatives financial liabilities (remaining contractual maturities)	**71,530**	**2,575**	**739**	**31**	**74,875**	**74,710**
Net financial assets/(liabilities)	**(46,504)**	**3,473**	**28,442**	**36,906**	**22,317**	**7,968**

31 December 2020 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Carrying amount
Non-derivative financial assets						
Cash and balances with central banks	20,867	0	0	0	20,867	20,559
Loans and advances to banks	1,792	721	287	417	3,217	3,168
Securities at FVOCI	4	0	58	1,516	1,578	1,464
Securities at amortised cost	6	1	681	0	688	612
Loans and advances to customers	6,678	5,625	27,676	34,639	74,618	61,360
Total non-derivative financial assets (remaining contractual maturities)	29,347	6,347	28,702	36,572	100,968	87,163
Non-derivatives financial liabilities						
Deposits from banks	467	0	0	0	467	467
Due to customers	74,811	2,901	522	0	78,234	78,131
Subordinated debt	0	0	203	0	203	184
Lease liabilities	23	60	170	1	254	246
Total non-derivatives financial liabilities (remaining contractual maturities)	**75,301**	**2,961**	**895**	**1**	**79,158**	**79,028**
Net financial assets/(liabilities)	**(45,954)**	**3,386**	**27,807**	**36,571**	**21,810**	**8,135**

The negative net financial liability with a remaining maturity of less than three months is influenced by the fact that customers are strictly divided into maturity time bands according to their remaining contractual maturities (e.g. current accounts are placed in the "Within 3 months" column). However, as the statistical evidence shows it is unlikely that a majority of those customers will actually withdraw their deposits from the Bank at the contractual maturity.

Cash flows from derivative financial instruments

Derivatives settled on a net basis

The Bank's derivatives to be settled on a net basis include interest rate swaps, interest rate options and foreign exchange non-deliverable forwards ("NDFs"). The table below analyses the contractual undiscounted cash flows from the Bank's derivative financial liabilities settled on a net basis according to the remaining period as at the balance sheet date to the contractual maturity date.

As at 31 December 2021 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Nominal amount
Trading derivatives						
Interest derivatives:						
Interest rate swaps: assets	44	157	352	63	616	9,299
Interest rate swaps: liabilities	(50)	(147)	(320)	(57)	(574)	(9,306)
Interest rate options: assets	0	1	2	1	4	199
Hedging derivatives						
Interest derivatives:						
Interest rate swaps: assets	39	195	346	0	580	9,150
Interest rate swaps: liabilities	(53)	(103)	(258)	0	(414)	(9,150)
Net financial assets/(liabilities)	**(20)**	**103**	**122**	**7**	**212**	**192**

As at 31 December 2020 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Nominal amount
Trading derivatives						
Interest derivatives:						
Interest rate swaps: assets	20	60	264	67	411	10,304
Interest rate swaps: liabilities	(17)	(48)	(234)	(58)	(357)	(10,312)
Interest rate options: assets	0	1	4	2	7	223
Hedging derivatives						
Interest derivatives:						
Interest rate swaps: assets	14	24	73	0	111	10,100
Interest rate swaps: liabilities	(61)	(91)	(177)	0	(329)	(10,100)
Net financial assets/(liabilities)	**(44)**	**(54)**	**(70)**	**11**	**(157)**	**215**

Derivatives settled on a gross basis

The Bank's derivatives to be settled on a gross basis include foreign exchange forwards, foreign exchange swaps and foreign exchange options. The table below analyses the contractual undiscounted cash flows from the Bank's derivative financial instruments settled on a gross basis according to the remaining period as at the statement of financial position date to the contractual maturity date.

As at 31.12.2021 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Nominal amount
Trading derivatives						
Foreign exchange derivatives:						
Outflow	(5,308)	(3,086)	(1,651)	0	(10,045)	(10,045)
Inflow	5,318	3,108	1,663	0	10,089	10,088
Total	**10**	**22**	**12**	**0**	**44**	**43**

As at 31.12.2020 (CZKm)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total undis-counted cashflows	Nominal amount
Trading derivatives						
Foreign exchange derivatives:						
Outflow	(6,265)	(1,576)	(613)	0	(8,454)	(8,454)
Inflow	6,087	1,589	607	0	8,283	8,283
Total	(178)	13	(6)	0	(171)	(171)

Off-balance sheet items

The table below analyses the off-balance sheet items of the Bank exposed to a liquidity risk into the relevant maturity bands based on the remaining period as at the balance sheet date to the contractual maturity date.

(CZKm)	31.12.2021 Within 3 months	31.12.2020 Within 3 months
Loan commitments and other credit related liabilities	5,421	4,138
Financial guarantees	2,322	1,596
Total	**7,743**	**5,734**

Deposits concentration

The following table presents the concentration of depositors with the 10 largest deposits from non-financial clients. The ratio represents the share of deposits volume collected with such clients and the volume of the total deposits from non-financial clients:

As at 31 December 2021	11.93%
As at 31 December 2020	12.98%

(f) Operational risk

The Bank defines the Operational risk as follows: “The operational risk means the risk of a loss resulting from inadequate or failed internal processes, people, and systems or from external events; also includes the legal risk. This definition excludes the strategic risk.” To have a better understanding and perception of the specific risks, the Bank defines sub-categories of the operational risk as follows: the legal risk, the compliance risk including the conduct risk, the IT-related operational risk and cyber risk, the outsourcing risk, the political and regulatory risk, the model risk, and the reputational risk.

General Principles of the Operational Risk Management

In general, the Bank’s Risk Management process considers the following activities:

- Identifying risks;
- Measuring exposures to those risks aligned with the business strategy and its goals;
- Ensuring that an effective capital monitoring and planning is in place;
- Monitoring the exposures and the corresponding capital needs on a regular basis by defining the risk appetite and limits;
- Taking appropriate measures to control or mitigate the risks; and
- Reporting to the Senior management and the Management Board on the Bank's risk profile.

As all business lines are exposed to the operational risk, all organizational units, branches and employees of the Bank are responsible for managing the Operational Risk in performance of their main functions.

The Operational Risk Management Environment

The operational risk management process involves:

- Identification and Assessment – For the purpose of identifying and assessing the Operational Risk the Bank uses the following instruments in particular: Internal Loss Data Collection and Analysis, Risk and Control Self-Assessment (RCSA), Audit findings, Key Risk Indicators (KRI) and Scenario Analysis.
- Monitoring and reporting – The Bank has set up a system of regular monitoring and reporting and the outputs are submitted to the Risk Committee and the Supervisory Board. It includes reports on identified operational risk events, results of RCSA, measures and development of their implementation, development of KRI and the internal control system. For the purpose of expressing the Risk Appetite, the Bank also monitors the risk indicators defined by the document “Risk Appetite Statement” for the Operational Risk area.
- Control and Mitigation – The methods used to control and reduce the risks are: avoidance, mitigation, transfer, and risk acceptance. The individual methods are used depending on the type and degree of the risk incurred. Mitigation is mainly achieved through internal control and monitoring measures within the internal control system. The Bank applies a three-line defence system in accordance with an internal regulation within the internal control system, while the Operational Risk Management is to be understood as a part of the second line of defence. Proactive risk management also focuses on the business continuity management and the security management.

The Operational Risk Management process takes place at the level of actual events as well as the level of hypothetical risks. That is, the process of Operational Risk management is also applied when introducing new products / processes or establishing outsourcing relationships.

The Bank works closely with the parent company to manage the Operational Risk. When calculating the capital requirement for the Operational Risk, the Bank applies a Standardized Approach (TSA).

(g) Regulatory capital management

The regulatory capital management process is coordinated within the Sberbank Group in close communication with the Bank's shareholder. It is aimed at:

- ensuring the Bank's long-term stability in relation to the existing risks;
- compliance with the supervisory capital requirements (capital adequacy); and
- maintaining a strong capital base to support business expansion.

SBCZ capital management is based on two pillars: the Normative and the Economic perspective. Both perspectives complement and inform each other. Under the Normative perspective the bank's capital position is based on Pillar 1 figures fulfilling all the prudential requirements maintaining at least the regulatory minimum requirements and the managerial buffer. The Economic perspective supplements the Normative perspective. Under the Economic perspective all material risks that may cause economic losses and deplete the internal capital are identified and quantified. The aim of the Economic perspective processes is to enhance the link between the SBCZ risk profile, its risk management and risk mitigation systems, and its capital planning.

The framework for the capital management within SBCZ defines the sources and drivers of the capital demand in the future. Through the budget and planning cycle, through stress testing, SBCZ balances the capital demand and supply, taking into account the impact on the capital arising from the business and macroeconomic development.

SBCZ Management Board is ultimately responsible for preserving the capital in line with the risk management philosophy of the bank and maintains active engagement in setting the approved capital targets and triggers and ensures sound processes in place for monitoring of the capital ratios, capital maintenance and capital restoration measures.

In terms of the Normative perspective, the Bank fulfils the requirement of the CNB Decree No. 163/2014 ("the Decree"), the European Parliament and European Commission Regulation No.575/2013 and Act No.21/1992 on banks for ongoing compliance with the capital adequacy limit by daily monitoring of the risk-weighted assets. The required regulatory capital adequacy reports are filed with the CNB on a monthly basis and the management of the Bank is informed about the capital position as well. The Bank also informs the parent company on the level of compliance with the regulatory capital requirements with the same frequency.

The methodology for calculation of the regulatory capital is defined by the Decree. The Bank ensures that the capital level exceeds the regulatory capital requirements in coordination with the parent company.

The Bank estimates the capital requirements for coverage of the individual risks in compliance with the valid regulatory legislation.

In terms of the Economic perspective, the Bank calculates its internal capital need (based on risk identifications and assessment) and ensures that the internally determined capital resources exceed the internally assessed capital required.

The Bank complied with all external regulatory capital requirements as at 31 December 2021 and 2020.

The table below summarizes the composition of the Bank's regulatory capital and risk-weighted assets. During both years, the Bank complied with the minimum regulatory capital requirement (including capital buffers) of 13.7% as at 31 December 2021 and 15.1% as at 31 December 2020.

(CZKm)	31.12.2021	31.12.2020
Tier 1		
Share capital registered in the Commercial register	2,806	2,806
Share premium account	4,015	4,015
Obligatory reserve funds	234	233
Retained earnings from previous period	2,205	2,187
Usable interim profit	0	0
Less: Intangible assets other than goodwill	(727)	(762)
Other deductible items	(3)	(1)
Tier 1 capital	**8,530**	**8,478**
Tier 2		
Subordinated debt A	69	110
Tier 2 capital	**69**	**110**
Total regulatory capital	**8,599**	**8,588**
Risk-weighted assets		
Credit risk in investment/banking portfolio	45,418	45,288
Credit risk in trading portfolio	0	273
General interest rate risk	224	276
Operational risk	3,733	3,966
Total risk-weighted assets	**49,375**	**49,803**
Capital adequacy – Tier 1	**17.28,%**	**17.02%**
Capital adequacy	**17.42,%**	**17.24%**

(h) Maturity analysis of assets and liabilities

The table below analyses the assets and liabilities according to when they are expected to be settled or recovered:

As at 31 December 2021	Within 12	After 12	
ASSETS			
Cash and balances with central banks	15,324	0	15,324
Loans and advances to banks	2,921	540	3,461
Derivative financial instruments	415	0	415
Debt securities	2,755	725	3,480
Loans and advances to customers	14,805	45,608	60,413
Changes in the fair value of the portfolio of hedging instruments	-287	0	-287
Derivative financial instruments to hedge the interest rate risk	230	0	230
Prepaid expenses and accrued income	70	0	70
Other assets	332	0	332
Current tax assets	26	0	26
Deferred tax assets	157	113	270
Property and equipment	0	527	527
Intangible assets	0	714	714
Total assets	**36,748**	**48,227**	**84,975**
LIABILITIES			
Deposits from banks	2,690	0	2,690
Due to customers	31,413	40,101	71,514
Derivative financial instruments	356	0	356
Derivative financial instruments to hedge the interest rate risk	20	0	20
Lease liabilities	83	249	332
Other liabilities	461	0	461
Deferred items	10	0	10
Provisions	8	58	66
Subordinated debt	0	174	174
Total liabilities	**35,041**	**40,582**	**75,623**

As at 31 December 2020	Within 12	After 12	Total
ASSETS			
Cash and balances with central banks	20,559	0	20,559
Loans and advances to banks	2,496	672	3,168
Derivative financial instruments	182	0	182
Debt securities	1,413	663	2,076
Loans and advances to customers	13,932	47,428	61,360
Changes in the fair value of the portfolio of hedging instruments	135	0	135
Prepaid expenses and accrued income	43	0	43
Other assets	389	0	389
Current tax assets	36	0	36
Deferred tax assets	152	104	256
Property and equipment	0	438	438
Intangible assets	0	762	762
Total assets	**39,337**	**50,067**	**89,404**
LIABILITIES			
Deposits from banks	467	0	467
Due to customers	33,362	44,769	78,131
Derivative financial instruments	320	0	320
Derivative financial instruments to hedge the interest rate risk	217	0	217
Lease liabilities	80	166	246
Other liabilities	503	0	503
Deferred items	6	0	6
Provisions	10	75	85
Subordinated debt	0	184	184
Total liabilities	**34,965**	**45,194**	**80,159**

34 RELATED PARTIES

The ultimate parent company is Sberbank Russia. The parent company Sberbank Europe AG (formerly Volksbank International AG) and the companies within Sberbank Group other than the parent company are part of Other related parties.

The amounts of the income, expense and assets and liabilities balances regarding the related parties were as follows:

As at 31 December 2021 and year then ended (CZKm)	Note	Ultimate Parent	Parent company	Manage-ment	Other related parties	Total
Interest income	5	2	0	1	5	8
Commission and fee income	6	0	0	0	0	0
Net gains from financial instruments at fair value through profit or loss	7	20	10	0	0	30
Interest expense	5	0	8	0	4	12
Commission and fee expense	6	0	0	0	2	2
Administrative expense	9	0	8	0	4	12
Due from banks	13	191	1 376	0	476	2 043
Derivative financial instruments	14	4	71	0	0	75
Loans and advances	16	0	0	50	0	50
Due to banks	22	29	1 311	0	176	1 516
Due to customers	23	0	0	14	0	14
Derivative financial instruments	14	5	33	0	0	38
Subordinated debt	26	0	174	0	0	174
Guarantees granted and commitments given	29	16	2	2	69	89
Guarantees granted and commitments received		0	145	0	0	145

As at 31 December 2020 and year then ended (CZKm)	Note	Ultimate Parent	Parent company	Manage-ment	Other related parties	Total
Interest income	5	1	1	1	6	9
Commission and fee income	6	0	0	0	4	4
Interest expense	5	0	7	0	1	8
Commission and fee expense	6	1	1	0	2	4
Net losses from financial instruments at fair value through profit or loss	7	0	133	0	0	133
Administrative expense	9	8	32	111	0	151
Due from banks	13	155	138	0	969	1,262
Derivative financial instruments	14	7	1	0	0	8
Loans and advances	16	0	0	32	0	32
Due to banks	22	46	3	0	145	194
Due to customers	23	0	0	10	0	10
Other liabilities		0	9	0	0	9
Derivative financial instruments	14	1	133	0	0	134
Subordinated debt	26	0	184	0	0	184
Guarantees granted and commitments given	29	64	10	13	314	401
Guarantees granted and commitments received		0	613	0	0	613

The loans and advances to customers and individuals include the following receivables from the related parties (Note 16):

Receivables from related parties (CZKm)	31.12.2021	31.12.2020
Management of the Bank	50	32
Total receivables from related parties	**50**	**32**

The loans to the related parties were provided in the ordinary course of business on substantially the same terms, including interest rates and collateral, which at the same time were provided in comparable transactions to other clients and did not, in the opinion of the management, represent higher than normal credit risk or other adverse features.

Payables to clients includes the following position with the related parties:

Deposits from related parties		
(CZKm)	31.12.2021	31.12.2020
Management of the Bank	8	7
Members of the Management Board	6	3
Deposits from related parties	**14**	**10**

Related party deposits were accepted under essentially the same conditions and interest rates as the comparable transactions with other clients at the same time and in the opinion of the Bank"s management no other than the usual interest rate was used in these cases and these deposits do not show different liquidity risk or other adverse factors (Notes 22 and 23).

35 SUBSEQUENT EVENTS

Significant events that occurred after the balance sheet date are disclosed in Note 1(a) to this financial statements.

Independent Auditor's Report

To the shareholder of Sberbank CZ a.s.

Report on the audit of the financial statements

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion section of our report, the financial statements do not give true and fair view of the financial position of Sberbank CZ a.s., with its registered office at U Trezorky 921/2, Prague 5 (the "Bank") as at 31 December 2021, and of the Bank's financial performance and cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Bank's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year ended 31 December 2021;
- the statement of cash flow for the year ended 31 December 2021; and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for adverse opinion

As discussed in Note 1 (a) to the financial statements, the Czech National Bank ("CNB") started the proceedings of revocation of the Bank's banking license on 28 February 2022 preventing the Bank from disposing of assets and liabilities, including the provision of new loans and accepting deposits. Subsequently, CNB made the first instance decision to revoke the Bank's banking licence on 14 April 2022. As stated in Note 1(a) the financial statements have been prepared using accounting policies and methods assuming that the Bank is going concern. We do not agree with management's preparation and presentation of the financial statements on a going concern basis because, as a result of the CNB's decision to revoke Bank's banking licence, the Bank's management has no realistic alternative but to cease Bank's operations. Had the financial statements been prepared on a non-going concern basis of accounting, we believe that it would have had a pervasive and material impact on the Bank's financial position and financial performance. Due to the lack of sufficient information, we were unable to quantify this impact.

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

Our audit approach

Overview

Materiality	CZK 84 million, which represents 0.9% of the net assets of the Bank as of 31 December 2021.
Key audit matters	Calculation of credit risk costs for loans and advances to customers including the impact of the ongoing COVID-19 pandemic.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall Bank materiality	CZK 84 million
How we determined it	Materiality for the Bank was determined based on 0.9% of the Bank´s net assets as of 31 December 2021.
Rationale for the materiality benchmark applied	The materiality was determined considering various factors including the nature of the entity or relative volatility of the profit before tax. We are of the opinion that net assets of the Bank are the most suitable benchmark for the calculation of materiality. Having applied our professional judgement, we used the benchmark of 0.9% of net assets as this value is within the acceptable range for net assets for a public interest entity.

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. In addition to the matter described in the Basis for adverse opinion section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Calculation of credit risk costs for loans and advances to customers including the impact of the ongoing COVID-19 pandemic	
In the statement of financial position as at 31 December 2021 and in Note 16 of the financial statements, the Bank presents its loans to customers of CZK 60,413 million. The risk of loan irrecoverability is an inherent part of banking activities, the quantification of credit loss allowances is the largest estimate that has a direct and significant impact on profits and therefore we consider the quantification of credit risk as a key audit matter. Management approach to determining assumptions that have the most significant impact on estimating the carrying amounts of the loans to customers is described in Note 33 of the financial statements. The Bank follows the provisions of IFRS 9 - Financial Instruments, that requires recognition of not only incurred, but also expected credit losses. Key parameters for quantification of these losses are probabilities of default, loss given defaults, including assessment of collateral quality and the identification of significant increase in credit risk (SICR) since the initial recognition of loans and advances. The ongoing COVID-19 pandemic continued to have a major impact on credit risk and	When assessing credit risk and loan impairment during the current year, we specifically focused on the continuous impact of the COVID-19 pandemic, in order to evaluate its impact on the valuation of the loan portfolio and the quantification of impairment loss allowances. Our approach was based on validation of the control system that the Bank implemented in this area and on detailed testing of financial information reported by the Bank in the financial statements. Firstly, we have assessed the policies for creation of impairment loss allowances, including the procedures for collateral valuation, their compliance with IFRS 9 and the control system ensuring that they are adhered to. We continued with verification of the changes to the models used for the expected credit loss calculation due to the impact of the ongoing COVID-19 pandemic and of the validations and sensitivity of the most significant models, where we used our credit risk modelling experts. We also assessed the approach applied to the classification of borrowers that was based on risk assessment of the industry the borrower

the Bank's performance in 2021. Despite the positive development of the market and the Czech gross domestic product grew again, in some of the impacted industries uncertainty still remains. This includes for example transportation services or the risk of significant disruption of supply chains in the automotive industry. The increase of inflation, consequential increase of interest rates by CNB and dynamic development of the energy market during the year have also contributed to increased uncertainty. As this uncertainty has not proven itself in significant clients' defaults in 2021 yet, the Bank expects them to come in the future and hence the impairment allowances have not been decreased significantly.

The Bank responded to the situation by updating credit risk models, identification of industries and borrowers at risk and applying a more prudent approach to identification of significant increase in credit risk. Due to the uniqueness of the current situation, back-testing of the credit risk models had a limited impact this year.

operated in, the rating process and the identification of significant increase in credit risk, taking into account the regulatory recommendations and best practices. We also familiarized ourselves with the authorisation procedures over using external collateral valuators and monitoring procedures over quality of their work.

Considering the key role of the banking systems and internal control systems in the process of identification of significant increase in credit risk and quantification of the expected credit losses, we also used our information technology specialists to verify access rights, accuracy of data inputs, data processing and automated calculations within the key systems, including the system for monitoring the number of days overdue and impairment loss calculation.

For a selected sample of loans, we tested the rating allocation, loan classification into the three stages as defined by IFRS 9, changes to ratings due to the impact of the COVID-19 pandemic and appropriate application of the Bank's internal policies and procedures for specific impairment loss allowances to these loans. We also assessed the identification of a significant increase in credit risk and calculation of probability of default, exposure at default and loss given default, including the identification of industries and borrowers at risk and application of expected development scenarios and forward looking information, as these factors have fundamental impact on the calculation of credit losses, both incurred and expected. We also verified the adequacy of disclosures that are required by IFRS.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Based on the risk assessment and other procedures performed during planning stage of the audit, we identified audit objectives, audit risks, audit scope and audit approach. We put focus on the control environment and current matters that the Bank addresses and its response to the impact of the COVID-19 pandemic.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

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 about the Bank obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for adverse opinion section above, had the financial statements been prepared on a non-going concern basis of accounting, we believe that it would have had a pervasive and material effect on Bank's financial position and financial performance. The other information is materially misstated for the same reason with respect to the amounts or other matters as described in the Basis for adverse opinion section above.

Responsibilities of the board of directors, supervisory board and audit committee of the Bank for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Bank is responsible for overseeing the financial reporting process.

The audit committee of the Bank is responsible for monitoring the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Audit regulations, 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 Bank'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 Bank'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.
- 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 and 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 showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the adverse audit opinion expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Bank for year 2021 by the sole shareholder of the Bank on 23 April 2021. Our uninterrupted engagement as auditors of the Bank has lasted for 2 years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the date of issuing this report to the Bank that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services that we have provided to the Bank in the period from 1 January 2021 to the date of issuing this report are disclosed in Section 14.3 of the annual report.

The engagement partner on the audit resulting in this independent auditor's report is Marek Richter.

29 April 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

Marek Richter
Statutory Auditor, Licence No. 1800

20. Quantitative Indicators

The method used for calculation of the quantitative indicators is described and explained in Chapter 17 Alternative Performance Indicators.

CZK thousand	2021	2020	2019	2018	2017
Return on Average Assets ROAA	0.33%	0.02%	0.67%	0.47%	0.54%
Return On Average Equity ROAE	3.34%	0.2%	6.72%	4.80%	5.31%
Assets Per Employee	122,796	127,538	112,212	96,322	89,129
Administrative Expenses per Employee	2,139	1,963	1,992	1,905	1,591
Net Profit per Employee	412	17	723	455	464
Capital Structure					
Tier 1	**8,529,981**	**8,478,191**	**8,433,463**	**7,927,609**	**8,142,938**
Paid-up Registered capital	2,805,990	2,805,990	2,805,990	2,805,990	2,805,990
Paid-up Share Premium	4,015,635	4,015,635	4,015,635	4,015,635	4,015,635
Legal Reserve Funds	233,646	232,724	205,783	186,923	165,735
Retained Profit from Previous Years	2,204,529	2,187,008	1,675,124	1,316,785	1,343,477
Usable Interim Profit	0	0	491,400	260,600	290,000
Tier 2	**69,379**	**109,967**	**142,118**	**179,862**	**178,780**
Deductible Items	(729,819)	(763,166)	(760,469)	(658,322)	(477,899)
Capital	**8,599,360**	**8,588,158**	**8,575,581**	**8,107,472**	**8,321,718**
Own Fund Requirements					
Total own fund requirements relating to credit risk	3,633,434	3,623,035	3,798,100	3,675,458	3,769,348
Total own fund requirements relating to operational risk	298,617	317,262	288,906	269,522	266,461
Total own fund requirements relating to position risk	17,918	22,106	23,747	23,317	0
Total own fund requirements relating to currency risk	0	21,809	25,421	41,513	14,745
Capital Adequacy Ratio	**17.42%**	**17.24%**	**16.59%**	**16.18%**	**16.44%**

21. Capital Requirements

	2021		2020	
CZK thousand	**Exposure**	**Own fund requirement**	**Exposure**	**Own fund requirement**
Exposure to regional governments and local authorities	153,542	12,283	169,839	13,587
Exposure to public sector	216,542	17,323	291,612	23,329
Exposure to institutions	1,086,027	86,882	1,440,571	115,246
Exposure to corporates	20,528,858	1,642,309	19,899,980	1,591,998
Exposure to retail	11,552,714	924,217	11,034,471	882,758
Exposure secured by real estate properties	7,982,647	638,612	8,032,020	642,562
Exposure in default	1,214,765	97,181	653,335	52,267
High-risk exposure	519,464	41,557	1,959,806	156,784
Other items	1,973,246,	157,860	1,582,380	126,590
Total exposure for credit valuation adjustment	190,121	15,210	223,927	17,914
Total	**45,417,926**	**3,633,434**	**45,287,941**	**3,623,035**

22. Report on Relationships

The Bank's Management Board submits, for the accounting period from 1 January 2021 to 31 December 2021, the following Report on Relationships between the Related Entities in accordance with the Section 82 et seq. of Act No. 90/2012 Sb. on business corporations, as amended (the "Business Corporations Act").

1) Controlled Entity

Sberbank CZ, a.s., ID No.: 250 83 325, with its registered office at U Trezorky 921/2, Jinonice, 158 00 Prague 5, Czech Republic, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 4353 (the "Bank").

2) Controlling Entity

The sole shareholder of the Bank is the company Sberbank Europe AG with its registered office at Schwarzenbergplatz 3, 1010 Vienna, Austria (also "Sberbank Europe"). Sberbank Europe is an entity directly controlling the Bank.

Sberbank of Russia, with its registered office at 19 Vavilova St., 117997 Moscow, Russian Federation ("Sberbank of Russia") is an entity indirectly controlling the Bank through Sberbank Europe.

More than 50% of Sberbank of Russia is owned by the Russian Federation represented by the Ministry of Finance of the Russian Federation, the rest is owned by other persons, and none of them, even together with other persons acting in concert, owns more than 25% of the voting rights, owns a share in its registered capital of more than 25%, is the beneficiary of at least 25% of the profit, and controls Sberbank of Russia pursuant to the provisions of the Section 4(4)(a) points 1, 2, 3 of Act No. 253/2008 Sb., on selected measures against legitimisation of proceeds of crime and financing of terrorism (the "AML Act"). **Pursuant to Section 4(4)(a) point 4 of the AML Act, natural persons who are factually or legally able to exercise directly or indirectly a controlling influence in the Bank are the members of the governing body of the Bank.**

3) The structure of relationships between the controlling entity and the controlled entity and among the controlled entity and the entities controlled by the same controlling entity, the role of the controlled entity

The Bank is a joint-stock company incorporated under the Czech law that operates on the Czech market as an independent bank pursuant to Act No. 21/1992 Sb. on banks, as amended. The Bank provides financial services in accordance with its line of business.

The Bank is a part of the international financial group Sberbank. The group is headed by Sberbank of Russia, which owns a number of companies, a list of which is available on the website as well as in the annual report of Sberbank of Russia. Sberbank of Russia operates primarily in the Russian Federation, the Central and Eastern Europe (Sberbank Europe), the Republic of Kazakhstan (Subsidiary Bank Sberbank JSC), the Ukraine (SBERBANK PJSC), the Republic of Belarus (BPS-Sberbank OJSC), and the Swiss Confederation (Sberbank Switzerland AG). It also has representatives in the Federal Republic of Germany and the People's Republic of China and also owns a branch in the Republic of India.

The structure of relationships among the related entities within the Sberbank Group is listed in Annex 1 to this Report. This structure shows the mutual relationships among individual related entities within the Group. The structure shows the status as of 31 12. 2021.
Other entities controlled by the same (directly and indirectly) controlling entity with which the Bank maintains regular mutual relationships are, in particular, the following entities:

Sberbank banka d.d. (Slovenia), Sberbank Magyarország Ztr. (Hungary), Sberbank a.d. BL (Bosnia and Herzegovina), Sberbank Srbija a.d. (Serbia), Sberbank BH d.d. (Bosnia and Herzegovina), Sberbank d.d. (Croatia)

The Bank does not control or mediate the control of another entity.

4) Method and means of controlling

The control is exercised mainly through decisions of the sole shareholder exercising the powers of the General Meeting (e.g. through an amendment to the Bank's Articles of Association) and through the members in the bodies of the Bank, i.e. the Supervisory Board and the Audit Committee (e.g. the Supervisory Board appoints and dismisses the members of the Management Board of the Bank).

Sberbank Europe AG exercises its shareholder rights in accordance with the Articles of Association of the Bank and the applicable laws and regulations.

5) Overview of acts performed at the initiative or in the interest of the controlling entity or the entities controlled by it if such acts related to assets exceeding 10% of the equity of the controlled entity established according to the last financial statements

Unless otherwise stated below, in 2021 the Bank neither adopted nor performed any legal acts relating to assets exceeding 10% of the equity of the controlled entity identified by the last financial statements, at the initiative or in the interest of the related entities.

In 2021, the Bank repeatedly entered into transactions with Sberbank Europe AG in the area of short-term money market deposits, the value of which exceeded 10% of the Bank's equity. These transactions arose under comparable conditions (including interest rates and collateral) as transactions with third parties, and the Bank did not suffer any loss as a result of fulfillment of these obligations.

6) Overview of mutual agreements between the controlled entity and the controlling entity or among the controlled entities

Below is the list of the most important contracts and agreements concluded between the related entities and effective in 2021:

Name of the contract	Subject matter of the contract	Performance provider	Performance recipient	Market conditions
Service Statement to the Service Agreement	Provision of the Technical Support Services for the components of the systems for the period from 01.07.2021 to 30.09.2021	Sberbank of Russia	Sberbank CZ	Standard
Service Statement to the Service Agreement	Provision of the Technical Support Services for the components of the systems for the period from 01.04.2021 to 30.06.2021	Sberbank of Russia	Sberbank CZ	Standard
Service Statement to the Service Agreement	Provision of the Technical Support Services for the components of the systems for the period from 01.01.2021 to 31.03.2021	Sberbank of Russia	Sberbank CZ	Standard

Equipment lease agreement no. RUSCZ001	Temporary lease of possession and use of ATM equipment	Sberbank of Russia	Sberbank CZ	Standard
Annexes B to the agreement “Data Transfer Agreement	Description of the Transfer	Sberbank of Russia	Sberbank CZ	Standard
Service Level Agreement AMRLiRT	Ensuring maintained of the ratings calculation	Sberbank of Russia	Sberbank CZ	Standard
Service Level Agreement Mercury	Ensuring maintained of Mercury functional coverage	Sberbank of Russia	Sberbank CZ	Standard
Service Level Agreement Zeus	Ensuring maintained of Zeus functional coverage	Sberbank of Russia	Sberbank CZ	Standard
Service Level Agreement Murex MX3	Ensuring maintained of Murexl MX3 functional coverage	Sberbank of Russia	Sberbank CZ	Standard
Service Agreement	Provision of the services listed in the Service Level Agreements to the Customer	Sberbank of Russia	Sberbank CZ	Standard
Contract “Sublicensing Murex - Order + Acceptance”	Provision of the sub-licence for Murex	Sberbank of Russia	Sberbank CZ	Standard
Contract “Sublicensing QRIC – Order + Acceptance”	Provision of the sub-licence for QRIC software	Sberbank of Russia	Sberbank CZ	Standard
Contract “Licence Order (ORACLE)”	Provision of licence and support for Oracle software	Sberbank of Russia	Sberbank CZ	Standard
Annexes 1 to 8 and 10 to 13 to the contract “Licence Order (ORACLE)”	Specific conditions for provision of and support for Oracle software	Sberbank of Russia	Sberbank CZ	Standard
Agreement – “Non-Disclosure Agreement”	Arrangement on the obligation to maintain confidentiality of the confidential information under the cooperation	Sberbank of Russia	Sberbank CZ	Standard
Agreement “Data Transfer Agreement”	Determination of the conditions for processing of the personal data of data subjects	Sberbank of Russia	Sberbank CZ	Standard
Agreement “Sublicensing Agreement”	Provision of a sub-licence for Oracle software	Sberbank of Russia	Sberbank CZ	Standard
Agreement for Provision of Services	Provision of services of the data centre (the use and operation of technical equipment server + software)	Sberbank of Russia	Sberbank CZ	Standard
Contract “Sublicensing	Provision of a sub-licence for Mercury software	Sberbank of Russia	Sberbank CZ	Standard

Mercury – Order + Acceptance”				
Contract “Sublicensing Zeus – Order + Acceptance”	Provision of a sub-licence for Zeus software	Sberbank of Russia	Sberbank CZ	Standard
Agreement “Connection Agreement No. 40 (FPSU Tokens)”	Provision of services – secure VPN network	Sberbank of Russia	Sberbank CZ	Standard
Agreement “Connection Agreement No. 30 (FPSU Unit)”	Provision of services – secure VPN network	Sberbank of Russia	Sberbank CZ	Standard
Annexes 1 to 2 to the contract “Connection Agreement No. 30 (FPSU Unit)”	Acknowledgement of receipt of equipment for implementation of provision of services	Sberbank of Russia	Sberbank CZ	Standard
Agreement “Computer Programme Sublicensing Agreement”	Provision of the sub-licence and support for the software (computer programs)	Sberbank of Russia	Sberbank CZ	Standard
Master Agreement “ISDA – Master Agreement, Schedule, CSA”	Determination of the framework conditions for OTC derivative transactions	Sberbank of Russia Sberbank CZ	Sberbank CZ Sberbank of Russia	Standard
Annex to the master agreement entitled “ISDA Master Agreement – Credit Support Annex”	Specification of the framework conditions for OTC derivative transactions	Sberbank of Russia Sberbank CZ	Sberbank CZ Sberbank of Russia	Standard
Sberbank Markets System User Agreement	Sberbank Markets System	Sberbank of Russia	Sberbank CZ	Standard
Master Agreement “ISDA – Master Agreement, Schedule, CSA”	Determination of the framework conditions for OTC derivative transactions	Sberbank Europe Sberbank CZ	Sberbank CZ Sberbank Europe	Standard
Amendment “ISDA VM Credit Support Annex”	Changing the conditions for OTC derivative transactions	Sberbank Europe Sberbank CZ	Sberbank CZ Sberbank Europe	Standard
Contract “Service Level Agreement for Development of IFRS 9 Models”	Development of a model for estimation of risk parameters, probability of default and loss given default according to	Sberbank Europe	Sberbank CZ	Standard

	International Financial Reporting Standards, 9 impairment models			
Agreement “Agreement on Provision of Services”	Adjusting conditions for provision of IT services	Sberbank Europe	Sberbank CZ	Standard
Master Agreement “Master Agreement – Granting SW Licences and Services”	Determination of the master conditions for provision of the licence and support for software (individual software listed in the appendices to the Master Agreement)	Sberbank Europe	Sberbank CZ	Standard
Annexes 1 to 2 to the Master Agreement “Granting of Licence – Midas”	Provision of licence and support for Midas software	Sberbank Europe	Sberbank CZ	Standard
Master Agreement “Master Agreement for Granting of Software Licences and Services”	Determination of the master conditions for provision of licence and support for software (Thomson Reuters – software for trading on markets)	Sberbank Europe	Sberbank CZ	Standard
Agreement “Services Agreement – Strategy Reporting Center”	Provision of services (designing credit strategies and policies for the approval process of retail products)	Sberbank CZ	Sberbank Europe	Standard
Annexes 1 to 7 to the Master Agreement “Master Services Agreement”	Specific conditions for underwriting HUB	Sberbank CZ	Sberbank Europe	Standard
Contract “Contract on Confidentiality of Protected Information”	Arrangement on the obligation to maintain confidentiality of confidential information	Sberbank Europe	Sberbank CZ	Standard
Master agreement “Master Participation Agreement”	Determination of the master conditions for mutual cooperation in provision of financial transactions	Sberbank Europe	Sberbank CZ	Standard
Contract “Audit Group Contract”	Group audit regulation	Sberbank Europe	Sberbank CZ	Standard
Agreement “Guarantee and Indemnity”	Guarantee to cover potential losses as a result of what is known as the “haircut” in the real property value for the selected loan transactions	Sberbank Europe	Sberbank CZ	Standard
Data Processing Agreement	Specification of data protection related rights and obligations	Sberbank Europe	Sberbank CZ	Standard

Amendment No. 1 to the Master Data Protection and Processing Agreement	Master Data protection and data processing - GDPR	Sberbank Europe	Sberbank CZ	Standard
Service Level Agreement for application “Redis (Internal Audit System)”	Determination of conditions for provision of the application	Sberbank Europe	Sberbank CZ	Standard
Amendment Agreement for the “Service Level Agreement for application ´EWS and DRDB – RADAR´”	Change of service fee provisions	Sberbank Europe	Sberbank CZ	Standard
Service Level Agreement for application “ABACUS/ Solution Suite (Abacus/ Transaction)” (EMIR reporting)	Determination of conditions for provision of the application	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master Agreement	License and maintenance cost - zeb.control.accounting	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master Agreement	Maintenance cost - REDIS - internal audit system	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master Agreement	VisionR - maintenance cost	Sberbank Europe	Sberbank CZ	Standard
Annex 4 to the Master Agreement	Framework agreement on the level of IT services provided by Sberbank Europe	Sberbank Europe	Sberbank CZ	Standard
Annex 1 to the Master Agreement	Local regulations and requirements	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master Agreement	License (APA, ARM, RHUB, systematic internaliser) and maintenance (Murex) cost	Sberbank Europe	Sberbank CZ	Standard
Master Agreement “Master Agreement for Granting of Software licences and Service”	Determination of conditions for provision of services	Sberbank Europe	Sberbank CZ	Standard
Agreement “Service Level Agreement for Application	Determination of conditions for provision of the application	Sberbank Europe	Sberbank CZ	Standard

zeb.control.accounting”				
Annex to the Master Agreement	MIDAS - the cost of development, maintenance and license	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master Agreement	Misys S1/FES, Midas FRA/IRS - license and maintenance cost	Sberbank Europe	Sberbank CZ	Standard
Annex to the Master agreement for granting of software licences and services	Change of Service Provider for Group EMIR/MiFIR reporting	Sberbank Europe	Sberbank CZ	Standard
Annex to the master agreement for granting of software licences and services	Blue Prism License	Sberbank Europe	Sberbank CZ	Standard
Master Data Protection and Processing Agreement	Master Data protection and data processing - GDPR	Sberbank Europe	Sberbank CZ	Standard
Service Level Agreement for application of Forbearance tool	Provision of a centralised SBEU group solution for forbearance exposures	Sberbank Europe	Sberbank CZ	Standard
SLA for MS Reporting Services	Provision of MS reporting	Sberbank Europe	Sberbank CZ	Standard
SLA for BART	Provision of BART	Sberbank Europe	Sberbank CZ	Standard
SLA Annex for Abraxas	Annex for Abraxas provision	Sberbank Europe	Sberbank CZ	Standard
SLA Annex for Multicash Telebanking	Annex for Provision of Multicash Telebanking	Sberbank Europe	Sberbank CZ	Standard
SLA Annex for Apello - Collateral Management System	Annex for SLA – Collateral Management system	Sberbank Europe	Sberbank CZ	Standard
SLA Annex for BART – Operational Risk System	Annex to SLA for provision of BART app	Sberbank Europe	Sberbank CZ	Standard
SLA for SAP BOFC	Provision of SAP BOFC	Sberbank Europe	Sberbank CZ	Standard
Term Loan Agreement	Term loan facility	Sberbank CZ	Sberbank Europe	Standard
Correspondent Account Agreement	Correspondent Account	Sberbank Europe	Sberbank CZ	Standard

Master Agreement “ISDA – Master Agreement, Schedule, CSA – Bosna and Hercegovina”	Determination of framework conditions for OTC derivative transactions	Sberbank BH Sberbank CZ	Sberbank CZ Sberbank BH	Standard
Amendment “ISDA VM Credit Support Annex”	Changing the conditions for OTC derivative transactions	Sberbank BH Sberbank CZ	Sberbank CZ Sberbank BH	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank BH	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank Hungary	Standard
Nostro Account Agreement	Nostro Account	Sberbank Hungary	Sberbank CZ	Standard
Master Agreement “ISDA – Master Agreement, Schedule, CSA – Hungary”	Determination of the framework conditions for OTC derivative transactions	Sberbank Hungary Sberbank CZ	Sberbank CZ Sberbank Hungary	Standard
Amendment “ISDA VM Credit Support Annex”	Changing the conditions for OTC derivative transactions	Sberbank Hungary Sberbank CZ	Sberbank Hungary Sberbank CZ	Standard
Master Agreement “ISDA – Master Agreement, Schedule, CSA – Slovenia”	Determination of the framework conditions for OTC derivative transactions	Sberbank banka d.d. Sberbank CZ	Sberbank CZ Sberbank banka d.d.	Standard
Amendment “ISDA VM Credit Support Annex”	Changing the conditions for OTC derivative transactions	Sberbank banka d.d. Sberbank CZ	Sberbank CZ Sberbank banka d.d.	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank banka d.d.	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank banka d.d.	Sberbank CZ	Standard
Agreement for Provision of IT Services	Adjusting conditions for provision of IT services	ALB EDV-Service GmbH	Sberbank CZ	Standard

Licence Agreement	Provision of a software sub-licence	ALB EDV-Service GmbH	Sberbank CZ	Standard
Master Agreement "Master Agreement No. 01-1.12/2/2015"	Determination of the master conditions for provision of technological support	Sberbank Technologies Minsk (Controlled entity Sberbank of Russia)	Sberbank CZ	Standard
Agreement "Non-Disclosure Agreement No. NDA-01-1-12/2/2015"	Arrangement on obligation to maintain confidentiality of confidential information under cooperation	Sberbank Technologies Minsk (Controlled entity Sberbank of Russia)	Sberbank CZ	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank a.d. Banja Luka	Standard
Master Agreement "ISDA – Master Agreement, Schedule, CSA – Banja Luka"	Determination of the framework conditions for OTC derivative transactions	Sberbank a.d. Banja Luka Sberbank CZ	Sberbank CZ Sberbank a.d. Banja Luka	Standard
Amendment "ISDA VM Credit Support Annex"	Changing the conditions for OTC derivative transactions	Sberbank a.d. Banja Luka Sberbank CZ	Sberbank CZ Sberbank a.d. Banja Luka	Standard
Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank Srbija a.d.	Standard
Master Agreement "ISDA – Master Agreement, Schedule, CSA – Serbia"	Determination of the framework conditions for OTC derivative transactions	Sberbank Srbija a.d. Sberbank CZ	Sberbank CZ Sberbank Srbija a.d.	Standard
Amendment "ISDA VM Credit Support Annex"	Changing the conditions for OTC derivative transactions	Sberbank Srbija a.d. Sberbank CZ	Sberbank CZ Sberbank Srbija a.d.	Standard
Amendment "ISDA VM Credit Support Annex"	Changing the conditions for OTC derivative transactions	Sberbank d.d. Sberbank CZ	Sberbank CZ Sberbank d.d.	Standard
Amendment "ISDA VM Credit Support Annex"	Changing the conditions for OTC derivative transactions	Sberbank d.d. Sberbank CZ	Sberbank CZ Sberbank d.d.	Standard
Master Agreement "ISDA – Master Agreement, Schedule, CSA – Croatia"	Determination of the framework conditions for OTC derivative transactions	Sberbank d.d. Sberbank CZ	Sberbank CZ Sberbank d.d.	Standard

Agreement on opening and management of a correspondent account	Correspondent Account	Sberbank CZ	Sberbank d.d.	Standard

One-off contracts and agreements with insignificant performance concluded with Sberbank Europe AG, Sberbank of Russia, as well as other related parties are not mentioned.

The Bank and Sberbank of Russia enter, on a continuous basis and under standard market conditions, into other relationships as follows:

a) relationships regarding the interbank deposits, for which the Bank paid or received interest under standard market conditions,
b) relationships regarding the maintenance of a current account for which the Bank paid or received fees and paid or received interest under standard market conditions,
c) credit transactions in trade finance, for which the Bank received a fee or interest under standard market conditions,
d) operations in the foreign exchange market under standard market conditions,
e) relationships regarding the maintenance of nostro and loro accounts.

The Bank and Sberbank Europe AG enter, on a continuous basis and under standard market conditions, into other relationships as follows:

a) relationships regarding the interbank deposits for which the Bank paid or received interest under standard market conditions,
b) relationships regarding the maintenance of a current account for which the Bank paid or received fees and paid or received interest under standard market conditions,
c) credit transactions in corporate financing for which the Bank paid or received a fee or interest under standard market conditions,
d) operations in the foreign exchange market under standard market conditions,
e) relationships regarding the maintenance of loro accounts.

The Bank, together with other controlled entities, enters, on a continuous basis and under standard market conditions, into other relationships as follows:

a) money market operations,
b) foreign exchange market operations,
c) maintenance of loro and nostro accounts,
d) maintenance of current accounts for which the Bank paid or received fees and paid or received interest under standard market conditions.

Within the Sberbank Group, the Bank cooperates in group projects, the overall objective of which is to fully exploit the business potential of the Central European markets in all segments. The governing body concluded that the relationships are fully comparable with similar contractual relationships which the Bank enters in the field of interbank transactions.

7) Assessment of the potential damage to the controlled entity

In 2021, the Bank did not suffer any damage/loss as a result of relationships among the related entities.

8) The assessment of relationships between the controlling entity and the controlled entity and among the controlled entity and the entities controlled by the same controlling entity

The Bank operates on the Czech market as a universal and an independent bank in accordance with the applicable laws and regulations, providing financial services to its clients in accordance with its line of business and banking licence. In 2021, the Bank duly observed and complied with the legal and regulatory requirements.

The Bank confirms that in 2021 the controlling entity did not abuse the influence (whether directly or indirectly) of a controlling entity to force adoption of any measure or to conclude any contract that could result in any damage to the Bank.

The relationships among the Bank and other related entities in 2021 corresponded to standard market conditions and the contracts and agreements concluded with these related entities can be regarded as mutually beneficial. The mutual cooperation among the related entities within the Sberbank Group brings benefits for the Bank, among other things also in the form of strengthening the position of the Bank in the market and expanding the range of financial services to its clients.

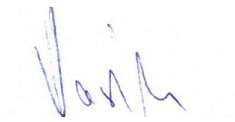
The Bank is not aware that the above-mentioned relationships within the Sberbank Group create any disadvantages for the Bank.

9) Statement of the Management Board

The Management Board hereby declares that this Report has been prepared in accordance with Section 82 et seq. of the Business Corporations Act. This Report has been prepared with due care and to the best knowledge of the Management Board so as to fulfil the purpose of the Business Corporations Act and provide a credible Report on relationships among the related entities within the Sberbank Group.

In Prague on 29 April 2022

On behalf of Sberbank CZ, a.s.



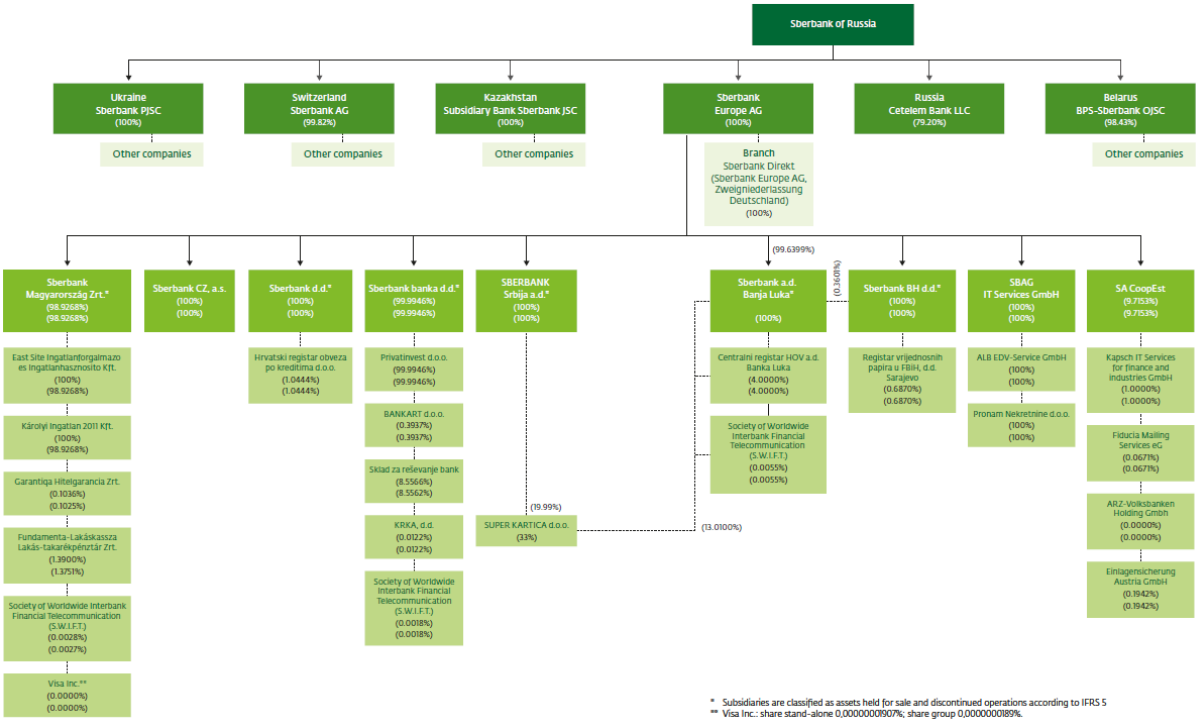
Marijana Vasilescu
Chairman of the Management Board

Dušan Baran
Vice-chairman of the Management Board

Annex No. 1 to the Report on Relationships

Sberbank Group – Group Structure

Valid as of 31 December 2021



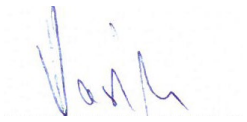
* Subsidiaries are classified as assets held for sale and discontinued operations according to IFRS 5
** Visa Inc.: share stand-alone 0,00000001907%; share group 0,0000000189%.

23. Affidavit

We, the undersigned, hereby declare that the Annual Report for the year 2021 provides, to the best of our knowledge, a true and accurate picture of the financial position, business activities and profit and loss of the Bank for the previous fiscal period and of the outlook of the future financial situation, business activities and profit and loss. Information on significant subsequent events that occurred after 31 December 2021 is described in particular in Chapter 1, Chapter 10.1.2. and Note 1 (a) to Chapter 18.

In Prague on 29 April 2022

On behalf of Sberbank CZ, a.s.



Marijana Vasilescu
Chairperson of the Management Board

Dušan Baran
Deputy Chairman of the Management Board

24. Our Network

Head office

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Corporate centres

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Ostrava
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Plzeň
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Zlín
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Brno
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602 00 Brno

Brno
Galerie Vaňkovka, Ve Vaňkovce 1
602 00 Brno

České Budějovice
nám. Přemysla Otakara II. č. 27
370 01 České Budějovice

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OC Frýda, Na Příkopě 3727
738 01 Frýdek-Místek

Hradec Králové
Gočárova třída 718/13
500 02 Hradec Králové

Jihlava
Matky Boží 1
586 01 Jihlava

Karlovy Vary
T. G. Masaryka 854/25
360 01 Karlovy Vary

Liberec
Soukenné náměstí 26
460 01 Liberec

Olomouc
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772 00 Olomouc

Ostrava
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702 00 Ostrava

Pardubice
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530 02 Pardubice

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301 00 Plzeň

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110 00 Prague 1

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120 00 Prague 2

Prague 2
Náměstí I. P. Pavlova 3
120 00 Prague 2

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Karla Engliše 1 (Anděl)
150 00 Prague 5

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Stross5. erovo náměstí 967/12
170 00 Prague 7

Prague 9
Centrum Černý Most, Chlumecká 765/6
198 19 Prague 9

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OC Galerie, Náměstí Svobody 3316
415 01 Teplice

Ústí nad Labem
Mírové náměstí 3428/5A
400 01 Ústí nad Labem

Zlín
Štefánikova 5293
760 01 Zlín

Znojmo
Jana Palacha 1262/11
669 02 Znojmo

ATMs

Brno
Panská 2/4
602 00 Brno
Open 24 hours

Brno
M-Palác, Heršpická 5
658 26 Brno
Open 24 hours

Brno
Galerie Vaňkovka, Ve Vaňkovce 1
602 00 Brno
Open 7 a.m. – 10 p.m.

České Budějovice
nám. Přemysla Otakara II. č. 89/27
370 01 České Budějovice
Open 24 hours

Frýdek-Místek
OC Frýda, Na Příkopě 3727
738 01 Frýdek-Místek
Open Mon – Sat: 7 a.m. - 8 p.m.
Sun: 8 a.m. - 8 p.m.

Hradec Králové
Gočárova třída 718/13
500 02 Hradec Králové
Open 24 hours

Jihlava
Matky Boží 1
586 01 Jihlava
Open 24 hours

Karlovy Vary
T. G. Masaryka 854/25
360 01 Karlovy Vary
Open 24 hours

Liberec
Soukenné náměstí 26
460 01 Liberec
Open 24 hours

Olomouc
Horní náměstí 14/17
772 00 Olomouc
Open 24 hours

Ostrava
Nádražní 643/11
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Open 24 hours

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530 02 Pardubice
Open 24 hours

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Americká 1981/24
301 00 Plzeň
Open 24 hours

Prague 1
Na Příkopě 860/24
110 00 Prague 1
Open 24 hours

Prague 2
Lazarská 8/13
120 00 Prague 2
0-24 hodin

Prague 2
Náměstí I. P. Pavlova 3
120 00 Prague 2
Open 24 hours

Prague 4
Na Pankráci 1724/129
140 00 Prague 4
Open 24 hours

Prague 5
Karla Engliše 1
150 00 Prague 5
Open 24 hours

Prague 5
U Trezorky 921/2
158 00 Prague 5
Open 24 hours

Prague 7
Stross5. erovo náměstí 967/12
170 00 Prague 7
Open 24 hours

Prague 9
Centrum Černý Most, Chlumecká 765/6
198 19 Prague 9
Open Mon-Sun: 8 a.m.-10 p.m.

Teplice
OC Galerie, Náměstí Svobody 3316
415 01 Teplice
Open 24 hours

Ústí nad Labem
Mírové náměstí 3428/5A
400 01 Ústí nad Labem
Open 24 hours

Zlín
Štefánikova 5293
760 01 Zlín
Open 24 hours

Znojmo
Jana Palacha 1262/11
669 02 Znojmo
Open 24 hours

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