

# Annual report 2021

Hello  
bank!

by Cetelem

# TABLE OF CONTENTS

<b>1.</b>	<b>FOREWORD</b> .....	<b>4</b>
<b>2.</b>	<b>OTHER INFORMATION</b> .....	<b>6</b>
<b>3.</b>	<b>AUDITORS' OPINION</b> .....	<b>7</b>
<b>4.</b>	<b>STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)</b> .....	<b>8</b>
<b>5.</b>	<b>STATEMENT OF COMPREHENSIVE INCOME</b> .....	<b>9</b>
<b>6.</b>	<b>STATEMENT OF CHANGES IN EQUITY</b> .....	<b>10</b>
<b>7.</b>	<b>STATEMENT OF CASH FLOWS</b> .....	<b>11</b>
<b>8.</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	<b>12</b>
I.	GENERAL INFORMATION .....	12
	<i>I.1 Bank origination and characteristics</i> .....	12
	<i>I.2 Governing and Supervisory Bodies as at 31 December 2020</i> .....	13
	<i>I.3 Organisational Structure</i> .....	14
II.	BASIS OF PREPARATION .....	14
	<i>II.1 Statement of Compliance</i> .....	14
	<i>II.2 Purpose of Financial Statements</i> .....	14
III.	SIGNIFICANT ACCOUNTING POLICIES AND SEGMENT INFORMATION.....	15
	<i>III.1 Significant Accounting Policies</i> .....	15
	<i>III.2 Consolidation</i> .....	15
	<i>III.3 Participations with Significant Influence</i> .....	15
	<i>III.4 Financial assets and liabilities</i> .....	15
	III.4.1 Financial assets at amortised cost .....	15
	III.4.2 Financial liabilities at amortised cost.....	17
	<i>III.5 Impairment of Financial Assets</i> .....	17
	<i>III.6 Functional currency and transactions in foreign currency</i> .....	18
	<i>III.7 Financial Assets and Liabilities Offsetting</i> .....	18
	<i>III.8 Inventories</i> .....	18
	<i>III.9 Cost of Risk</i> .....	18
	<i>III.10 Tangible and Intangible Assets</i> .....	18
	<i>III.11 Employee Costs and Benefits</i> .....	20
	<i>III.12 Provisions</i> .....	21
	<i>III.13 Cash and Cash Equivalents</i> .....	21
	<i>III.14 Revenue Accounting</i> .....	21
	<i>III.15 Income Tax and Deferred Tax</i> .....	21
	<i>III.16 Segment reporting</i> .....	22
	<i>III.17 Basic principles of the accounting rules application and key sources of uncertainty while creating estimates</i> .....	22
IV.	ADDITIONAL INFORMATION TO THE STATEMENT OF FINANCIAL POSITION.....	23
	<i>IV.1 Cash and Cash Equivalents, balances with Central bank</i> .....	23
	<i>IV.2 Receivables from Banks and Other Financial Institutions</i> .....	23
	<i>IV.3 Receivables from Clients</i> .....	23
	<i>IV.4 Investments securities</i> .....	24
	<i>IV.5 Tax Assets: Deferred Tax</i> .....	25
	<i>IV.6 Property and Equipment</i> .....	26
	<i>IV.7 Intangible Assets</i> .....	27
	<i>IV.8 Other Assets</i> .....	28
	<i>IV.9 Liabilities to Banks and clients</i> .....	28
	<i>IV.11 Provisions</i> .....	29
	<i>IV.12 Tax liabilities: Current tax</i> .....	29
	<i>IV.13 Other Liabilities</i> .....	29
	<i>IV.14 Equity</i> .....	30
V.	STATEMENT OF COMPREHENSIVE INCOME: EXPLANATORY NOTES.....	31
	<i>V.1 Net Interest Income</i> .....	31
	<i>V.2 Fees and Commissions</i> .....	31
	<i>V.3 Dividend Income</i> .....	32
	<i>V.4 Other Income and Expense</i> .....	32
	<i>V.5 Personnel Costs</i> .....	32
	<i>V.6 Operating Costs</i> .....	32
	<i>V.7 Depreciation and allowances for Property, Plant and Equipment</i> .....	33

<i>V.8 Amortisation and allowances for Intangible Assets</i> .....	33
<i>V.9 Impairment of Receivables</i> .....	33
<i>V.10 Impairment of Assets</i> .....	33
<i>V.11 Provisions</i> .....	33
<i>V.12 Income Tax</i> .....	34
<i>V.12.1. Effective tax rate</i> .....	35
VI. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS .....	35
<i>VI.1 Overall Presentation of Risks</i> .....	35
<i>VI.2 Credit Risk</i> .....	36
VI.2.1 Credit risk management.....	37
<i>VI.3 Market Risk (Risk of Loss from Assets and Liabilities Management)</i> .....	37
VI.3.1 Market Risk Management.....	38
VI.3.2 Interest Rate Risk.....	38
VI.3.3 Currency Risk.....	38
VI.3.4 Liquidity Risk.....	38
<i>VI.4 Operational Risk</i> .....	39
VI.4.1 Operational risk management .....	39
VI.4.2 Regulatory risk .....	41
VII. OTHER INFORMATION.....	43
<i>VII.1 Off-balance sheet Receivables and Payables</i> .....	43
<i>VII.2 Contingent Assets and Liabilities</i> .....	43
<i>VII.3 Related Parties</i> .....	43
VII.3.1 Income and Costs .....	43
VII.3.2 Amounts Receivable from and Payable to Related Parties.....	43
VII.3.3 Transactions with Members of the Bank's Management.....	44
<i>VII.4 Cost of Audit Fees</i> .....	44
<i>VII.5 Subsequent Events</i> .....	45

# 1. FOREWORD

Dear Ladies and Gentlemen,

We are passing the era that shows more than ever the need to be prepared to act. Whether it is the protection of our health, safety and freedom, or when it comes to the sustainability of our consumption. These issues affect every single person and sector of the economy. And the financial sector is not an exception. Over the past year, BNP Paribas has continued to pursue its sustainability strategy and policy changes so that it can respond quickly to new challenges while meeting business objectives and standing by its clients. And it is my pleasure to be involved and since the end of 2021 to contribute achieving this ambition in its foreign branch in the Czech Republic - the company BNP Paribas Personal Finance SA known locally under the Hello bank! brand. Therefore, let me take a look back not only from the perspective of our financial results for 2021, in which we managed to maintain a healthy core of our business even during the pandemic crisis, to be fully client-oriented and to develop new tools for sustainable financing.

Despite the pro-inflationary pressures and all expectations, the economic performance of the Czech Republic grew by 3.3% in 2021. Stimulus measures and household consumption were the key drivers, while the industrial production faced problems in supply chains and didn't affected this positive result significantly. The good condition of the Czech economy has also helped keep unemployment at the lowest level in the EU. Mainly due to this, wages continued to grow by more than 6% on average. However, consumers were more restrained in consumer credit causing its declining production. On the other hand, mortgages recorded an unprecedented highest volume, with the production of newly granted mortgages (excluding re-financing and re-fixing) showing a year-on-year increase of 70%. This is mainly due to rapidly rising interest rates that are expected to follow this trend also in 2022, together with the announcement of tightening the parameters for their application. Czech households also thought more about savings and their appreciation.

Last year, our company celebrated 25 years on the Czech market. And in installment sales, where our journey that time began, we are unique even today. In 2021 we offered our services to clients at 1000 points of sale or e-shops of our business partners, and we helped finance almost 75.000 installment loans in total. We are also remaining strong in the field of credit cards. Thanks to many years of experience with the credit portfolio, we are constantly improving our creditworthiness assessment processes, thus strengthening the principles of responsible lending. However, economic impact of the pandemic crises on the consumer behavior of Czech households and significant expenditures on our bank's key legislative and technological projects have affected our financial result reaching 48.9 million CZK before tax in 2021. Despite the increase in interest rates by the Czech National Bank, we maintained favorable interest rates on our loan products throughout the year and, conversely, we brought clients an attractive appreciation of their deposits in savings and even current accounts without other conditions or restrictions. Our Hello Savings Account was awarded the best savings account by the financial portal Finparáda.cz for the second year in a row. The bronze medal also belonged to our savings account in the Zlatá koruna award. I am very pleased that, in spite of the difficult times, we can be a supportive and reliable partner for our clients and their consumer decisions. We are firmly behind the bank's vision for retail consumers based on simplicity, transparency and, above all, client friendliness.

But our strength is hidden elsewhere. Even in such a short time in Hello bank! I have had the opportunity get to know many times the professionalism of our employees, who put not only many years of knowledge into their work, but also a piece of themselves. They deserve my deep admiration and many thanks for their efforts and loyalty in uncertain times. And of course, they are also our business partners, whose trust in our services we greatly appreciate. And last but not least, our parent BNP Paribas Group, which support is indispensable. Thanks to all of you, we have achieved a lot in 2021 - making significant progress in digitization and implementation of new technical solutions, expanding the range of sustainable financing products and engaging intensively in number of sustainability projects, and issuing the first report on our sustainability strategy and responsible approach. As well as we reduced our internal consumption and waste, launched the Hello Academy employee training program and also fully adapted the rules of home-office and agile management into our daily work.

And again, there are new challenges and ambitions ahead of us in 2022. At a time of rapidly rising consumer prices and interest rates, as well as other regulatory requirements that are being imposed on us, we want to be better again - for our clients, employees and the world around us. So whether they are new payment services, new operating models for our teams, or further steps towards sustainable development, I'm sure we can do it again - and hopefully also with your support.

Thank you for what we have achieved so far and I look forward to further successful cooperation. Keep safe and a stay strong in difficult times.



Head of branch

BNP Paribas Personal Finance SA

## 2. OTHER INFORMATION

No other internal events that could significantly affect the Bank's financial results and its further development were recorded from the date of the Financial Statements to the date of the Annual Report. The Bank actively responds to the development of the economic environment, in particular to the significant increase of interest rates and rising inflation. Despite the unfavourable development of macroeconomic indicators due to the Covid-19 pandemic and the actual situation in Ukraine, the Bank expects further development of business activities and new investments in order to strengthen its market position and achieve the expected financial results. However, it can be assumed that the future economic result of the Bank in the coming period will be strongly affected by the impact of the Covid-19 pandemic and geopolitical changes due to the war in Ukraine.

The Bank does not have independent research and development, but constantly pays attention to the innovation of its services and processes. In the field of environmental protection, it does not perform any special activities, but in the Bank's strategy, sustainability has an important place, which supports by special products and activities within the framework of social responsibility. Labour relations are governed by the applicable legislation of the Czech Republic, the Bank has not concluded a collective agreement. As a branch of a foreign bank, it has no organizational unit abroad.

### **3. AUDITORS' OPINION**

**BNP Paribas Personal Finance SA,  
odštěpný závod**

**INDEPENDENT AUDITOR'S REPORT  
AS AT 31 DECEMBER 2021**

**INDEPENDENT AUDITOR'S REPORT**  
**on the financial statements as at 31 December 2021 of**  
**BNP Paribas Personal Finance SA, odštěpný závod**

Identification data:

Branch name:	BNP Paribas Personal Finance SA, odštěpný závod
Registration number:	038 14 742
Branch address:	Karla Engliše 3208/5 150 00 Praha 5
Balance sheet date:	31 December 2021
Audited period:	from 1 January 2021 to 31 December 2021
Financial reporting framework:	International Financial Reporting Standards as adopted by the European Union
Date of issue:	31 March 2022
Auditor:	Jiří Šimek Licence number 2024
	Mazars Audit s.r.o. Licence number 158

## **Independent Auditor's Report for the founder of BNP Paribas Personal Finance SA, odštěpný závod**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of BNP Paribas Personal Finance SA, odštěpný závod (hereinafter also the "Branch") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Branch, see Note I.1. to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BNP Paribas Personal Finance SA, odštěpný závod as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other Information in the Annual Report***

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

### ***Responsibilities of the Head of the Branch for the Financial Statements***

The Head of the Branch is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Head of the Branch 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 Head of the Branch is responsible for assessing the Branch'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 Head of the Branch either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of the Branch.
- Conclude on the appropriateness of the Head of the Branch's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Head of the Branch 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.

*Mazars Audit s.r.o.*

Prague, 31 March 2022

Mazars Audit s.r.o.  
Licence number 158  
Pobřežní 620/3  
186 00 Praha 8

Represented by Jiří Šimek

Jiří Šimek  
Statutory auditor, licence number 2024

#### 4. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Statement of financial position as at 31 December 2021 (CZK '000)			
Description	Ref.	31 December 2021	31 December 2020
<b>ASSETS</b>			
Cash and cash equivalents	IV.1.	220,427	31,443
Financial assets at amortised cost			
Receivables from banks	IV.2.	512,908	830,981
Receivables from clients	IV.3.	9,182,626	10,124,317
Financial assets at fair value			
Investment securities	IV.4.	9,455	9,433
Other long-term securities and investments	IV.4.		
Property and equipment	IV.6.	115,861	156,027
Intangible assets	IV.7.	254,405	322,277
Tax assets – current tax	IV.12.		30,833
Tax assets – deferred tax	IV.5.	40,169	34,403
Other assets	IV.8.	131,657	202,165
<b>TOTAL ASSETS</b>		<b>10,467,508</b>	<b>11,741,879</b>
<b>LIABILITIES</b>			
Financial liabilities at amortised cost			
Liabilities to banks	IV.9.	5,117,071	4,324,427
Liabilities to customers	IV.9.	3,557,173	5,422,886
Provisions	IV.11.	21,358	27,484
Tax liabilities – current tax	IV.12.	18,667	
Other liabilities	IV.13.	415,296	468,983
<b>BRANCHES' RESERVES</b>		<b>1,337,943</b>	<b>1,498,099</b>
Reserves allocated to branch	IV.12.	1,303,422	1,398,761
Gains, losses from revaluation of securities	IV.12.		
Gains or losses from revaluation of assets and liabilities	IV.12.		
Deferred tax from revaluation	IV.12.		
Profit/loss for the period	IV.12.	34,521	99,338
<b>TOTAL LIABILITIES</b>		<b>10,467,508</b>	<b>11,741,879</b>

## 5. STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the year ending 31 December 2021 (in CZK '000)			
Description	Ref.	31 December 2021	31 December 2020
Interest income	V.1.	1,138,891	1,278,206
Interest expense	V.1.	-105,315	-163,282
<b>NET INTEREST INCOME</b>		<b>1,033,576</b>	<b>1,114,924</b>
Income from fees and commissions	V.2.	291,781	326,015
Fee and commission expenses	V.2.	-37,531	-23,551
<b>NET INCOME FROM FEES&amp; COMMISSIONS</b>		<b>254,250</b>	<b>302,464</b>
Dividend income	V.3.	4,510	4,158
Gains and losses from investments	V.3.	22	-507
Other income/expense	V.4.	47,273	41,691
<b>OPERATING INCOME</b>		<b>1,339,631</b>	<b>1,462,730</b>
Personnel costs	V.5.	-483,679	-496,449
Operating costs	V.6.	-546,238	-510,348
Depreciation of property and equipment	V.7.	-44,389	-44,537
Amortisation of intangible assets	V.8.	-153,360	-116,096
<b>OPERATING COSTS</b>		<b>-1,227,666</b>	<b>-1,167,430</b>
<b>OPERATING INCOME BEFORE ASSET IMPAIRMENT AND PROVISIONS</b>		<b>111,965</b>	<b>295,300</b>
Impairment of receivables	V.9.	-69,454	-174,746
Net charge/release of provisions	V.11.	6,656	2,418
Others	V.10.	-294	-531
<b>PROFIT BEFORE TAX</b>		<b>48,873</b>	<b>122,441</b>
Income tax	V.12.	-14,352	-23,103
- current tax expense	V.12.	-20,118	-3,186
- deferred tax income	V.12.	5,766	-19,917
<b>PROFIT FOR THE PERIOD, AFTER TAX</b>		<b>34,521</b>	<b>99,338</b>
Gains, losses from revaluation of securities			
Gains or losses from revaluation of assets and liabilities – re-classifiable			
Deferred tax from revaluation			
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>34,521</b>	<b>99,338</b>
Comprehensive income for the period, attributable to:			
- founder		34,521	99,338

## 6. STATEMENT OF CHANGES IN EQUITY

Changes in equity (in CZK '000)	Reserve fund & other capital funds & retained profit (*)	Revaluation differences	Total
<b>1 January 2020</b>	<b>1,287,191</b>		<b>1,287,191</b>
Capital transfer			
Capital dotation to branch reserves	111,570		111,570
Income for the accounting period	99,338		99,338
Other comprehensive income			
<b>31 December 2021</b>	<b>1,498,099</b>		<b>1,498,099</b>
<b>1 January 2021</b>	<b>1,498,099</b>		<b>1,498,099</b>
Capital transfer	-194,677		-194,677
Capital dotation to branch reserves			
Income for the accounting period	34,521		34,521
Other comprehensive income			
<b>31 December 2021</b>	<b>1,337,943</b>		<b>1,337,943</b>

Note: \*) Reserve fund and other capital funds and retained profit include the reserves allocated to branches, net profit for the period, and retained profit.

## 7. STATEMENT OF CASH FLOWS

Statement of cash flows for the year ending 31 December 2021 (in CZK '000)		
Description	31 December 2021	31 December 2020
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<b>862,424</b>	<b>1,084,541</b>
<b>PROFIT BEFORE TAX</b>	<b>48,873</b>	<b>122,441</b>
<i>Adjustment for non-cash transactions</i>	<i>-1,115,939</i>	<i>-1,217,230</i>
Fixed asset depreciation/amortisation	197,750	160,839
Change in allowances and provisions	-69,105	-23,350
Gain from the disposal of fixed assets	-6	230
Proceeds from dividends and profit sharing	-4,510	-4,158
Net interest expense and income	-1,238,522	-1,348,863
Adjustments for other non-cash transactions, if any	-1,546	-1,928
	<b>-1,067,066</b>	<b>-1,094,789</b>
<i>Change in the non-cash portion of working capital</i>	<i>1,073,889</i>	<i>1,029,633</i>
Change in receivables and deferred expenses	1,127,576	1 146 836
Change in current liabilities and deferred revenues	-53,687	-83,190
	<b>6,823</b>	<b>-31 143</b>
Interest paid	-106,437	-188,340
Interest income	1,351,641	1,525,017
Income tax paid	-32,474	-34 019
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1,219,553</b>	<b>1,271,515</b>
Fixed asset acquisition costs	-88,188	-111,659
Dividends and profit shares received	4,540	4,158
Proceeds from the disposal of fixed assets	6	10
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-83,672</b>	<b>-107,491</b>
Other change in financing activities	-1,070,293	-1,497,711
Change in cash and equivalents related to transactions with founder	-194,677	111,570
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,264,970</b>	<b>-1,386,141</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-129,089</b>	<b>-222,117</b>
<b>CASH AT THE END OF THE PERIOD</b>	<b>733,335</b>	<b>862,424</b>

## 8. NOTES TO THE FINANCIAL STATEMENTS

### I. GENERAL INFORMATION

#### I.1 BANK ORIGINATION AND CHARACTERISTICS

BNP Paribas Personal Finance, SA, odštěpný závod (hereinafter referred to as “the Bank“) was incorporated on 20 February 2015 by entry in the Companies Register. as a branch, Bank is not considered as an independent legal entity. Its founder is a foreign legal entity BNP Paribas Personal Finance with a registered office at 1 boulevard Haussmann, 75009 Paris, France, registration number: 542 097 902.

Bank started its business activity in the Czech Republic after the effective date of the cross-border merger on the 1 June 2015. With effective date of cross-border merger from 31 May 2015, all assets and liabilities including liabilities from labour relations of acquired company CETELEM ČR, a.s. with former registered office Praha 5, Karla Engliš 5/3208, Post Code 150 00, Company No. [IČ] 25 08 56 89, incorporated in the Companies Register with the Municipal Court in Prague, Section B, File 4331, were transferred to the acquiring company, BNP Paribas Personal Finance with a registered office at 1 boulevard Haussmann, 75009 Paris, France, registration number: 542 097 902 which operates in the Czech Republic through its branch BNP Paribas Personal Finance SA, odštěpný závod, incorporated in the Companies Register with the Municipal Court in Prague, Section A, File 77003.

From the accounting and tax perspective, the merger became effective on 1 January 2015 (from this date, all the transactions made by CETELEM ČR were considered to be transactions of BNP Paribas PF as acquiring company) and this day is the effective day of the merger according to Act No. 125/2008 Coll., on Transformations of Commercial Companies and Cooperatives.

#### **Registered office:**

BNP Paribas Personal Finance SA, odštěpný závod

Company No. [IČ] 03814742, incorporated in the Companies Register with the Municipal Court in Prague, Section A, File 77003

Praha 5, Karla Engliš 5/3208, Post Code 150 00

#### **Lines of business:**

- a) collecting of deposits from the public;
- b) granting loans;
- c) financial leasing;
- d) providing of payment services and electronic money issuance;
- e) providing of guarantees and acceptance of commitments;
- f) money brokering;
- g) providing banking information.

BNP Paribas Personal Finance SA, odštěpný závod is a branch of a foreign bank using benefits of a single banking license of the founder according to the law of European Union.

## I.2 GOVERNING AND SUPERVISORY BODIES AS AT 31 DECEMBER 2021

Statutory body of the founder	Management Board	A member since
JEAN-MARIE BELLAFFIORE	Member of Management Board and Deputy CEO	12 June 2015
ALAIN VAN GROENENDAEL	Member of Management Board	17 November 2018
BRUNO SALMON	Member of Management Board	29 October 2003
SYLVIE DAVID-CHINO	Member of Management Board	24 May 2016
VIRGINIE ZISSWILLER KORNILOFF	Member of Management Board	24 May 2016
BENOÎT CAVELIER	Deputy CEO	17 November 2018
JANNY GEROMETTA	Deputy CEO	17 November 2018
GILDAS GUYOT	Member of Management Board	28 March 2020
CAROLINE SOETAERT TCHEKHOFF	Member of Management Board	27 August 2020
THIERRY LABORDE	Chairman of Management Board	18 May 2021
CHARLOTTE PASCALE DUFOURCQ DENNERY	Member of Management Board	18 May 2021

Head of the branch	
BRUNO LEROUX	Until 1 January 2022
PATRICK ALEXANDRE	From 1 January 2022

Changes in the position of the Head of branch were registered by the Commercial Register on March 2, 2022.

Procuration
BLAŽENA VALKOŠÁKOVÁ
MILAN BUŠEK

Changes in the commercial register		Date of change
THIERRY LABORDE	Appointed as the Member of Management Board	11 September 2021
CHARLOTTE PASCALE DUFOURCQ DENNERY	Appointed as the Member of Management Board and Deputy CEO	11 September 2021
LAURENT DAVID	Removed as the Member of Management Board and CEO	11 September 2021
JACQUES TENAILLE D'ESTAIS	Removed as the Chairman of Management Board	11 September 2021
PERRET ISABELLE NOTO	Removed as the Member of Management Board	11 September 2021
CHARLOTTE PASCALE DUFOURCQ DENNERY	Removed as the Member of Management Board	11 September 2021

### **I.3 ORGANISATIONAL STRUCTURE**

There has been no change in the organizational structure of the company in 2021.

## **II. BASIS OF PREPARATION**

### **II.1 STATEMENT OF COMPLIANCE**

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (version in force as at 31 December 2021).

The new standards, amendments and interpretations adopted by the European Union but not compulsory for the year 2021 were not used by the entity.

### **II.2 PURPOSE OF FINANCIAL STATEMENTS**

The BNP Paribas consolidation group, which also includes BNP Paribas Personal Finance SA, odštěpný závod, applies the International Financial Reporting Standards, adopted as binding for use in the European Union.

As the successor company, the Bank has fully taken over the accounting principles applied by the acquired company CETELEM ČR, a.s., which has issued the bonds accepted for trading on the free market of the Prague Stock Exchange, a.s. and at the same time, as a branch of a foreign bank, it is obliged to submit to the preparation of consolidated financial statements using the International Financial Reporting Standards. For this reason, only the International Financial Reporting Standards are being applied for the accounting and for the preparation of the financial statements.

### **III. SIGNIFICANT ACCOUNTING POLICIES AND SEGMENT INFORMATION**

#### **III.1 SIGNIFICANT ACCOUNTING POLICIES**

New Standards published but not yet applicable for annual periods beginning after 1 January 2021:

IFRS 17 “Insurance Contracts”, issued in May 2017 and amended in June 2020, will replace IFRS 4 “Insurance Contracts”. It was adopted by the European Union in November 2021. It shall enter into force on a mandatory basis for the years beginning on or after 1 January 2023.

An amendment to IFRS 17 relating to the presentation of the IFRS 9/IFRS 17 comparison was also published by the IASB (international Accounting standards Board) in December 2021 and is still to be approved by the European Union.

#### **III.2 CONSOLIDATION**

Under the rules of the Group, the consolidation group comprises the accounting entities over which the Bank solely exercises control, jointly exercises control or is under the significant influence of the Bank with the exception of entities which are immaterial for the Group. The Bank is not obliged to prepare consolidated financial statement if its individual financial statement is sufficient for filling a true and fair view of the accounting and financial situation of the consolidation unit. The reason is that controlled entities are immaterial individually and in aggregate.

The Bank’s equity interests do not meet any of the above conditions and are disclosed in “Other Long-term Securities and Investments”.

#### **III.3 PARTICIPATIONS WITH SIGNIFICANT INFLUENCE**

Investments in participations with significant influence are valued by the equity method, i.e. on the basis of the share of equity held. To have a significant influence means to participate in the financial and operating policy decisions of another company in which the Bank holds an equity interest but which it does not control fully. To have significant influence, the Bank must hold directly or indirectly at least 20% of the voting rights.

In the financial statements, equity securities are presented in “Investment securities” in the Assets part of the Balance Sheet and revaluated to Profit and Loss.

#### **III.4 FINANCIAL ASSETS AND LIABILITIES**

Financial assets are classified at amortised cost or at fair value through profit or loss depending on the business model and the contractual features of the instruments at initial recognition.

Financial liabilities are classified at amortised cost or at fair value through profit or loss at initial recognition.

##### **III.4.1 Financial assets at amortised cost**

Financial assets are classified at amortised cost if the following two criteria are met:

- business model objective is to hold the instrument in order to collect the contractual cash flows,
- cash flows consist solely of payments relating to principal and interest on the principal.

### **Business model**

Financial assets are managed within a business model whose objective is to hold financial assets in order to collect cash flows through the collection of contractual payments over the life of the instrument.

The realisation of disposals close to the maturity of the instrument and for an amount close to the remaining contractual cash-flows, or due to an increase in the counterparty's credit risk is consistent with a business model whose objective is to collect the contractual cash flows. Sales imposed by regulatory requirements or to manage the concentration of credit risk (without an increase in the asset's credit risk) are also consistent with this business model when they are infrequent or insignificant in value.

Financial assets at amortised cost include, without being limited to, the loans provided by the Bank. Loans and receivables are financial assets with fixed or pre-determinable payments, which are not tradable in an active market.

### **Cash flow**

The cash flow criterion is satisfied if the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely repayments of principal and interest on the principal amount outstanding.

Contractual terms that introduce risks or volatility unrelated to the underlying credit arrangement into contractual cash flows, such as the risk of changes in equity or commodity prices, do not give rise to contractual cash flows that are merely repayments of principal and interest on the principal outstanding.

Interests consist of consideration for the time value of money, for the credit risk, and for the remuneration of other risks (e.g. liquidity risk), costs (e.g. administration fees), and a profit margin consistent with that of a basic lending arrangement. The existence of negative interests does not call into question the cash flow criterion.

The time value of money is the component of interest - usually referred to as the 'rate' component which provides consideration for only the passage of time. The relationship between the interest rate and the passage of time shall not be modified by specific characteristics that would likely call into question the respect of the cash flow criterion.

### **Recognition and measurement**

Upon acquisition, at the moment of entering into an agreement concerning the financial instrument in question, loans are measured at fair value, which includes the initial costs of acquisition of the asset plus the payments of fees and commissions received, accrued by the effective interest rate method. Trade and other current non-interest-bearing receivables are being recognized in the nominal value, which due to maturity approximates the fair value of the receivable.

Subsequently, loans are measured at amortized cost, i.e., the value of the financial asset at acquisition reduced by the instalments on the principal and further reduced or increased by the

cumulative amortisation of the difference between the initial value and value at maturity, measured on the basis of the effective interest rate, and further reduced by impairment losses, if any.

Income from loans includes interest and the amortisation of transaction costs and received fees (commissions that are included in the initial acquisition cost of the loans, using the effective interest rate method, and are recognised in revenues and expenses over the maturity of the asset).

### **III.4.2 Financial liabilities at amortised cost**

#### **Liabilities to banks and customers**

Financial liabilities to banks and customers include interest-bearing bank loans, bank overdrafts.

Interest-bearing bank loans and overdrafts are measured at amortized cost using the effective interest rate. At the acquisition interest-bearing liabilities are recognized at fair value modified by the transaction costs, which are directly attributable to the liability. Trade and other current non-interest-bearing liabilities at the acquisition are recognized at nominal value, which due to maturity approximates the fair value of the liability.

### **III.5 IMPAIRMENT OF FINANCIAL ASSETS**

The impairment model for credit risk is based on expected losses applying to the following financial assets:

- loans and debt instruments measured at amortised cost,
- loan commitments.

The expected impairment loss method takes into account the present value of all losses due to the default of the borrower.

The impairment model identifies three ‘stages’ that correspond each to a specific status with regards to the evolution of counterparty credit risk since the initial recognition of the asset:

- **Stage 1** If at the reporting date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is impaired at an amount equal to 12-month expected credit losses. Interest income is calculated on gross carrying amount.
- **Stage 2** The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk of the financial instrument has increased significantly since initial recognition, but the financial asset is not credit impaired. Interest income is calculated on gross carrying amount.
- **Stage 3** When an asset is “credit-impaired”, the loss allowance is also measured for an amount equal to the lifetime expected credit losses. Interest income is calculated on the amortised cost.

For the calculation of expected credit losses following parameters are used:

- Probability of entry to litigation (CTX) over a given horizon,
- Activation rate is a parameter expressing expected ratio of withdrawal from disposable off-balance commitments”,
- CTX loss rate – loss rate expected on entry / stock of litigation contracts.

Estimation of expected credit loss takes into account information about past events and current

conditions as well as rational and convincing forecasts of future events and economic conditions. Estimating and applying information about future developments requires significant use of estimates.

The impairment is deducted from the gross carrying amount in the case of a financial asset measured at amortized cost and recognized as a liability in the event of an impairment for loan commitments.

### **III.6 FUNCTIONAL CURRENCY AND TRANSACTIONS IN FOREIGN CURRENCY**

Foreign currency transactions are transactions denominated or requiring settlement in a currency other than the functional currency. A functional currency is CZK, which is the currency of the primary economic environment in which the Bank operates. Transactions denominated in other currencies (foreign currencies) than functional currency are being translated into the functional currency at the spot exchange rate, which is the exchange rate valid at the transaction date.

At each closing date monetary assets and liabilities held in foreign currencies are being revaluated at the closing exchange rate. Non-monetary items, that are measured at historical cost and have been initially acquired in the foreign currency, are not being revaluated at the closing date. Exchange rate differences arising from settlement of the items in a foreign currency or from their revaluation, are being recognized in the Profit and loss of the current period.

### **III.7 FINANCIAL ASSETS AND LIABILITIES OFFSETTING**

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet only when the Bank has a legally enforceable right to offset the recognised amounts and intends to settle the respective asset and the respective liability on a net basis or to realise the asset and settle the respective liability at the same time.

### **III.8 INVENTORIES**

With regard to its line of business, the Bank does not recognise inventories. Consumption of overhead material is charged to costs on the accrual basis. Material remaining unconsumed at the date of financial statements is recognised as 'Other assets'.

### **III.9 COST OF RISK**

Cost of risk includes allowances corresponding to the impairment of fixed-income assets, in particular receivables on loans and receivables from financial institutions. The cost of risk item also includes the reported losses caused by bad debt write-off and proceeds from written-off receivables, and damage caused by fraud.

### **III.10 TANGIBLE AND INTANGIBLE ASSETS**

Property and equipment are stated in the Balance Sheet as operating assets. The Bank currently records operating assets that are used for the provision of services. Internal software which fulfils the capitalization rules is capitalized at the amount of direct development expenses including external costs and labour costs of employees directly participating in the project.

Under IFRS 16, the Bank identified rights to use leased assets. Goods are considered leased if the contract gives the lessee the right to control the use of a particular asset for a period of time

for consideration. In each case, the Bank assessed:

- the identifiable nature of the asset, which assumes that the lessor has no substantial right to be replaced at the date of the contract;
- the actual nature of the control over the asset, which presupposes to the lessor the right to obtain substantially all the economic benefits arising from the use of the asset, as well as the ability to decide on its use.

In the event that the lease agreement also contains a component that is not part of the lease, such as the provision of services, the Bank takes into account only the share of the rent corresponding to the component of the lease when valuing the right of use.

### **Methods of valuation of non-current assets**

Tangible and intangible non-current assets acquired are valued at acquisition cost at the date of the accounting transaction. The acquisition cost also includes the costs directly related to the acquisition of the asset.

Thereafter the value of non-current assets is reduced by accumulated depreciation and amortisation and further losses caused by impairment.

### **Allowances for non-current assets**

As at each date of financial statements, the Bank assesses the book value of its tangible and intangible assets, taking into account its possible impairment. If there are signals that the book value of an asset is higher than its estimated realisable value, the Bank re-measures the asset to its realisable value by a one-time write-off. The asset impairment losses are recognised in the item of Impairment assets. A stock-take of the assets was performed and no reasons were found for reducing their value by allowances for tangible and intangible non-current assets.

### **Methods of depreciation/amortisation**

In its accounting, the Bank depreciates its non-current assets on a straight-line basis according to the approved depreciation plan, which reflects an expert assessment of the economic and technical useful life of the assets. Improvements of leased assets are depreciated over the period of use of the assets. The depreciation is recognised through the asset depreciation part of the Statement of Comprehensive Income.

When parts of an asset have different useful lives, requiring replacement at different times, such components are depreciated as separate items (e.g. technical equipment of leased premises).

Impairment of non-current assets is assessed at least once a year. When impairment of an asset is identified, the Bank posts an allowance that reduces the value of the asset and is recognised in profit or loss (impairment of assets). The allowances are reversed when the estimate of asset impairment is changed or when reasons for reducing the value of the asset no longer exist.

The loss or gain from the disposal of the tangible assets that were used for operating activities is recognised as 'impairment' (Statement of Comprehensive Income).

### **Depreciation/amortisation plan:**

Name	Accounting depreciation
	Period of depreciation

Software and other intangible non-current assets	3 or 5 years
Office buildings / improvement	Term of lease (in fixed-term agreements)
- building	60 years
- facade	30 years
- technical equipment	20 years
- fixtures and fittings	10 years
Machines, instruments and equipment	5
Passenger cars	3
Equipment and furniture	5 or 8
Computers	3

### III.11 EMPLOYEE COSTS AND BENEFITS

Employee benefits are classified in one of four categories:

- 1) short-term benefits, such as salary, annual leave, incentive plans, profit-sharing, contribution from the social fund and additional payments,
- 2) long-term benefits, including compensated absences, and other types of cash based deferred compensation,
- 3) termination benefits,
- 4) post-employment benefits, including pension plans.

The Bank registers only short-term emoluments with maturity up to 12 months to its employees, specifically the wages, compensation for wages, other contributions, and benefits, expensed when paid.

Long-term benefits are benefits other than short-term benefits, post-employment benefits and termination benefits. This relates, in particular, to compensation deferred for more than 12 months, which is accrued in the financial statements for the period in which it is earned.

Provisions are created for potential liabilities arising from employees' termination for redundancy and for remuneration of management where the payment depends on the fulfilment of conditions in the future periods.

The Company has no others long-term liabilities and no pension liabilities to its employees. Under Czech legislation, the State is responsible for the payment of pensions to employees. The Bank pays regular contributions as required by the law, which are expensed when incurred.

### **III.12 PROVISIONS**

A provision is recognised in liabilities when i) the Bank has a present or constructive obligation as a result of a past event, ii) it is probable that a transfer of economic benefits will be required to settle the obligation and iii) a reliable estimate can be made of the amount of the obligation. If the effect of discounting is material, provisions are determined by discounting the expected future cash flows, reflecting the current market-based time value of money.

### **III.13 CASH AND CASH EQUIVALENTS**

Cash comprises cash on hand, accounts balances and cash in transit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of encashment in the near future rather than as investment.

### **III.14 REVENUE ACCOUNTING**

Interest income and expense related to all interest-bearing instruments are recognised in the Statement of Comprehensive Income in the relevant period, using the effective interest rate. Default interest is included in interest income once paid by the debtor. Fees related to loan provision are a part of the effective interest rate. Other fees and commissions are allocated to their relevant periods. Dividends from investments are recognised when shareholders' entitlement to dividend payment arises.

### **III.15 INCOME TAX AND DEFERRED TAX**

The resultant tax amount stated in the Statement of Comprehensive Income includes the tax payable for the period and the deferred tax.

#### ***Deferred tax***

The Bank measures the deferred tax liability on the basis of the temporary differences caused by the different accounting and tax treatment of certain items. The bank accounts for a deferred tax asset only in case the Bank expects to generate a future taxable income against which the temporary differences can be offset. The bank always accounts for the deferred tax liability. The corporate income tax rate enacted for the next taxation period, or the expected rate, is used for the measurement of deferred tax.

#### ***Current tax***

Current tax is based in the taxable income of the current period, while the taxable income (profit/loss) differs from the income presented in the Statement of Comprehensive Income due to the existence of the tax-deductible and non-tax-deductible expenses and revenues, by which the accounting profit is being decreased or increased.

The Bank prepares its financial statements before filing the annual tax return and therefore it is not possible to fully eliminate a difference between the reported income tax payable and the actual tax liability. Such a difference, if any, is recognised in the period when the tax return is filed and the tax paid. The amount of the current tax is based on the result for the current period, adjusted by items that are not taxable or tax deductible, and is measured using the tax rates enacted at the date of the financial statements.

The income tax for the current period and the deferred tax are recognised in the 'Income tax' section of the Statement of Comprehensive Income. Part of the deferred tax related to the fair

value revaluation of hedging instruments is recognized in the Balance sheet in part Owners' equity ("Gains or losses from revaluation of assets and liabilities") and in the Statement of Comprehensive Income.

### **III.16 SEGMENT REPORTING**

The Bank operates in the sector of loan provision to the retail segment. Its services are, for the most part, provided in the Czech Republic. Only a minor portion of its services are provided to other segments and therefore separate reporting by segment is not used.

### **III.17 BASIC PRINCIPLES OF THE ACCOUNTING RULES APPLICATION AND KEY SOURCES OF UNCERTAINTY WHILE CREATING ESTIMATES**

#### **Basic principles of the accounting rules application**

When applying the accounting rules of the Bank stated above, the management is required to assess the content of the economical transactions and events and to make a decision about the usage of the accounting rules in a way, that the financial statement would provide its users useful information for their decision making.

#### **Key sources of uncertainty while creating estimates**

The preparation of financial statements in accordance with the IFRS requires the Bank's management to make estimates and determine assumptions that can affect reported expenses and revenues in the Statement of Comprehensive Income, the amounts of the assets and liabilities reported at the end of the reporting period in the Balance Sheet and the information published in the Financial Statement for the period. These estimates, which apply in particular to the valuation of assets, and determination of impairment of assets and provisions, are based on information available at the end of the reporting period. The actual results may significantly differ from these estimates mainly due to the changes in market conditions. That can have a significant impact on the financial statements and presented financial situation and performance in the future.

The main areas in which material differences may occur between the actual result and the estimate include, in particular, allowances for loans, revaluation of derivative instruments for cash flow hedge including measurement of its effectiveness and provisions for potential liabilities.

Information about the key forward-looking assumptions and about other key sources of uncertainty in the estimates at the end of the reporting period, which involves a significant risk of causing material adjustments to the carried amounts of assets and liabilities in the next period, is provided within the relevant chapters.

## IV. ADDITIONAL INFORMATION TO THE STATEMENT OF FINANCIAL POSITION

### IV.1 CASH AND CASH EQUIVALENTS, BALANCES WITH CENTRAL BANK

Cash and cash equivalents (in CZK '000)	31 December 2021	31 December 2020
Cash, balances with Central bank and valuables	220,427	31,443
<b>TOTAL</b>	<b>220,427</b>	<b>31,443</b>

### IV.2 RECEIVABLES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Receivables from financial institutions (in CZK '000)	31 December 2021	31 December 2020
Bank accounts	12,908	20,980
Term-accounts	500,000	810,001
<b>TOTAL</b>	<b>512,908</b>	<b>830,981</b>
Allowances for receivables		
<b>NET VALUE OF RECEIVABLES</b>	<b>512,908</b>	<b>830,981</b>

### IV.3 RECEIVABLES FROM CLIENTS

Receivables from clients (in CZK '000)	Stage 1	Stage 2	Stage 3	Total 31 December 2021	Total 31 December 2020
Loans provided	7,983,655	1,040,717	1,005,637	10,030,009	11,034,679
Allowances for receivables	-54,085	-66,127	-727,171	-847,383	-910,362
<b>NET VALUE OF RECEIVABLES</b>	<b>7,929,570</b>	<b>974,590</b>	<b>278,466</b>	<b>9,182,626</b>	<b>10,124,317</b>

Change in allowances (in CZK '000)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	-38,430	-95,629	-796,169	-930,228
New loans	-45,578	-	-	-45,578
Maturity	9,146	12,900	254,422	276,468
Transfer to (from) Stage 1	-3,301	21,663	-	18,362
Transfer to (from) Stage 2	2,423	-27,333	1,568	-23,342
Transfer to (from) Stage 3	708	21,815	-171,786	-149,263
Change due to restructuring w/o derecognition	-32	-18	42	-8
Charge/Reversal	10,569	-9,244	-370,881	-369,556
Reversal of used provisions			312,783	312,783
<b>Balance as at 31 December 2021</b>	<b>-64,495</b>	<b>-75,846</b>	<b>-770,021</b>	<b>-910,362</b>
Balance as at 1 January 2021	-64,495	-75,846	-770,021	-910,362
New loans	-40,126			-40,126
Maturity	14,620	12,298	179,671	206,589
Transfer to (from) Stage 1	-3,607	22,497		18,890
Transfer to (from) Stage 2	2,055	-29,079	8,332	-18,692
Transfer to (from) Stage 3	618	8,387	-117,951	-108,946
Change due to restructuring w/o derecognition	-165	64	-130	-231
Charge/Reversal	37,015	-4,448	-233,484	-200,917
Reversal of used provisions			206,412	206,412
<b>Balance as at 31 December 2021</b>	<b>-54,085</b>	<b>-66,127</b>	<b>-727,171</b>	<b>-847,383</b>

#### IV.4 INVESTMENTS SECURITIES

Name, registered office (in CZK '000)	% of share capital	Amount of equity for the 2020 accounting period <small>*preliminary data</small>	Accounting income for the 2020 accounting period <small>*preliminary data</small>
Společnost pro informační databáze, a.s. Praha 4, Antala Staška 510/38	27.96%	33,820	16,632

Společnost pro informační databáze, a.s. (SID, a.s.) was not included in the consolidation group because BNP Paribas Personal Finance SA, odštěpný závod does not have the position of a controlling or managing entity and because the investment in SID, a.s. is without any significance for the Bank in terms of the Balance sheet total, net turnover and equity.

In 2021, the value of this ownership interest was revaluated using the equity method at the closing date. The Bank is not a member with unlimited liability.

Incomes, losses from revaluation and revaluation of assets and liabilities represent revaluation of shares in SID, a.s. and revaluation of hedging derivatives at fair value and deferred tax from revaluation.

Name, registered office (in CZK '000)	% of share capital	Acquisition cost of financial asset	Valuation difference (equity method) * preliminary data	Value on re-measurement at 31 December 2021 (equity method) * preliminary data
Společnost pro informační databáze, a.s. Praha 4, Antala Staška 510/38	27.96%	572	9,433	9,455

#### IV.5 TAX ASSETS: DEFERRED TAX

Deferred tax (in CZK '000)	31 December 2021			31 December 2020		
	Temporary difference	Tax rate	Deferred tax	Temporary difference	Tax rate	Deferred tax
Tangible and intangible non-current assets	-126,984	19%	-24,127	-238,152	19%	-45,249
Allowance for receivables	165,209	19%	31,390	208,995	19%	39,709
Rental incentives	2,949	19%	560		19%	
<b>TOTAL ASSETS</b>	<b>41,174</b>		<b>7,823</b>	<b>-29,157</b>		<b>-5,540</b>
Liabilities arising from labour relations	72,337	19%	13,744	67,216	19%	12,772
Lease liabilities	98,314	19%	18,680	128,339	19%	24,384
Provision for commitments given	9,011	19%	-1,790	14,669	19%	2,787
Tax losses		19%			19%	
<b>TOTAL LIABILITIES</b>	<b>170,239</b>		<b>32,346</b>	<b>210,224</b>		<b>39,943</b>
<b>TOTAL DEFERRED TAX ASSET</b>	<b>211,413</b>		<b>40,169</b>	<b>181,067</b>		<b>34,403</b>

## IV.6 PROPERTY AND EQUIPMENT

Tangible non-current assets (in CZK '000)	Buildings and constructions	Machines, instruments and equipment and furnishings	Computers	Tangible non-current assets total
<b>ASSETS AS AT 1 JANUARY 2020 AT COST</b>	<b>353,990</b>	<b>8,468</b>	<b>65,139</b>	<b>427,597</b>
Increase of right of use assets	2,233			2,233
Additions to non-current assets	487	157	2,489	3,133
Disposals of non-current assets		-1,309	-18,817	-20,126
Transfer of completed capital projects			-276	-276
<b>ASSETS AS AT 31 December 2020 AT COST</b>	<b>356,710</b>	<b>7,316</b>	<b>48,535</b>	<b>412,561</b>
Accumulated depreciation as at 1 January 2020	-167,354	-4,643	-60,089	-232,086
Current year depreciation	-41,365	-1,046	-2,382	-44,793
Current year provisions			222	222
Accumulated depreciation of non-current assets disposed of during the period		1,309	18,814	20,123
Accumulated depreciation and provisions as at 31 December 2020	-208,719	-4,380	-43,435	-256,534
<b>Net book value of tangible non-current assets as at 31 December 2020</b>	<b>147,991</b>	<b>2,936</b>	<b>5,100</b>	<b>156,027</b>
<b>ASSETS AS AT 1 JANUARY 2020 AT COST</b>	<b>356,710</b>	<b>7,316</b>	<b>48,535</b>	<b>412,561</b>
Increase of right of use assets	1,524			1,524
Additions to non-current assets	2,699	254		2,953
Disposals of non-current assets		-194	-5,477	-5,671
Transfer of completed capital projects	-254			-254
<b>ASSETS AS AT 31 December 2021 AT COST</b>	<b>360,679</b>	<b>7,376</b>	<b>43,058</b>	<b>411,113</b>
Accumulated depreciation as at 1 January 2021	-208,719	-4,380	-43,435	-256,534
Current year depreciation	-41,860	-1,008	-1,521	-44,389
Current year provisions				
Accumulated depreciation of non-current assets disposed of during the period		194	5,477	5,671
Accumulated depreciation and provisions as at 31 December 2021	-250,579	-5,194	-39,479	-295,252
<b>Net book value of tangible non-current assets as at 31 December 2021</b>	<b>110,100</b>	<b>2,182</b>	<b>3,579</b>	<b>115,861</b>

## IV.7 INTANGIBLE ASSETS

Intangible non-current assets (in CZK '000)	Software	Additions to intangible non-current assets	Intangible non-current assets
<b>ASSETS AS AT 1 JANUARY 2020 AT COST</b>	<b>810,427</b>	<b>22,124</b>	<b>832,551</b>
Additions to intangible non-current assets		108,802	108,802
Disposals of intangible non-current assets	-100,551		-100,551
Transfer of completed capital projects	70,812	-70,812	
<b>ASSETS AS AT 31 December 2020 AT COST</b>	<b>780,688</b>	<b>60,114</b>	<b>840,802</b>
Accumulated amortisation as at 1 January 2020	-502,774		-502,774
Current year amortisation	-116,301		-116,301
Current year provisions			
Net book value of intangible non-current assets disposed of during the period	100,550		100,550
Accumulated amortisation as at 31 December 2020	-518,525		-518,525
<b>Net book value of intangible non-current assets as at 31 December 2020</b>	<b>262,163</b>	<b>60,114</b>	<b>322,277</b>
<b>ASSETS AS AT 1 JANUARY 2020 AT COST</b>	<b>780,688</b>	<b>60,114</b>	<b>840,802</b>
Additions to intangible non-current assets		85,488	85,488
Disposals of intangible non-current assets	-18,197		-18,197
Transfer of completed capital projects	92,542	-92,542	
<b>ASSETS AS AT 31 December 2021 AT COST</b>	<b>855,0330</b>	<b>53,060</b>	<b>908,093</b>
Accumulated amortisation as at 1 January 2020	-518,525		-518,252
Current year amortisation	-153,360		-153,360
Current year provision			
Net book value of intangible non-current assets disposed of during the period	18,197		18,197
Accumulated amortisation as at 31 December 2021	-653,688		-653,688
<b>Net book value of intangible non-current assets as at 31 December 2021</b>	<b>201,345</b>	<b>53,060</b>	<b>254,405</b>

## IV.8 OTHER ASSETS

Accruals and other assets (in CZK '000)	31 December 2021	31 December 2020
Trade receivables	117,304	179,001
Prepaid expenses	14,353	23,164
<b>TOTAL ACCRUALS AND OTHER ASSETS</b>	<b>131,657</b>	<b>202,165</b>

Temporary asset accounts contain prepaid expenses (prepaid overhead consumables, technical support for information systems, etc.), and other assets, including trade receivables related to other income.

## IV.9 LIABILITIES TO BANKS AND CLIENTS

Liabilities to financial institutions (in CZK '000)	31 December 2021	31 December 2020
Secured bank loans	4,435,978	3,491,781
Unsecured bank loans	681,093	832,646
<b>TOTAL LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>5,117,071</b>	<b>4,324,427</b>

Secured bank loans are covered by the guarantee provided by the parent company BNP Paribas S.A. Unsecured bank loans are provided by related parties.

Changes of Liabilities' from financing transactions (in CZK'000)	31 December 2021	31 December 2020
<b>OPEN BALANCE AS AT 1 JANUARY 2021</b>	<b>4,324,427</b>	<b>8,007,081</b>
Cash - liabilities repayment	-5,688,386	-7,945,290
New drawdowns	6,481,030	4,262,636
<b>CLOSING BALANCE AS AT 31 December 2021</b>	<b>5,117,071</b>	<b>4,324,427</b>

Liabilities to customers (in CZK '000)	31 December 2021	31 December 2020
Current accounts	250,181	381,123
Saving accounts	3,242,129	4 980,362
Other liabilities	64,863	61,401
<b>TOTAL LIABILITIES TO CUSTOMERS</b>	<b>3,557,173</b>	<b>5,422,886</b>

Other liabilities to clients include mainly overpayments recorded in client contracts and received payments from clients not yet assigned to individual contracts. Due attention is given to these items in order to return them in time, or to identify and associate them with the client contract.

## IV.11 PROVISIONS

Provisions (in CZK '000)	31 December 2021	31 December 2020
Provision for the tangibles	4,811	4,811
Provision for litigation	1,950	1,950
Provision for payroll	3,995	3,465
Provision for loan commitments		
Stage 1	4,608	6,351
Stage 2	5,397	9,717
Stage 3	597	1,190
<b>TOTAL PROVISIONS</b>	<b>21,358</b>	<b>27,484</b>

Change of provisions (in CZK '000)	Other	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	11,292	4,303	12,768	2,605	30,968
Maturity		-1,101	-1,609	-959	-3,669
Transfer to (from) Stage 1		503	-7,066		-6,563
Transfer to (from) Stage 2		-164	3,649	-40	3,445
Transfer to (from) Stage 3		-16	-544	966	406
Charge/Reversal	-1,066	2,826	2,519	-1,382	2,897
<b>Closing balance as at 31 December 2020</b>	<b>10,226</b>	<b>6,351</b>	<b>9,717</b>	<b>1,190</b>	<b>27,484</b>
Balance as at 1 January 2021	10,226	6,351	9,717	1,190	27,484
Maturity		-1,861	-1,281	-242	-3,384
Transfer to (from) Stage 1		274	-5,182		-4,908
Transfer to (from) Stage 2		-127	2,084	-443	1,514
Transfer to (from) Stage 3		-18	-203	244	23
Charge/Reversal	530	-11	262	-152	629
<b>Closing balance as at 31 December 2021</b>	<b>10,756</b>	<b>4,608</b>	<b>5,397</b>	<b>597</b>	<b>21,358</b>

## IV.12 TAX LIABILITIES: CURRENT TAX

Income tax payable (in CZK '000)	31 December 2021	31 December 2020
Current period income tax	-20,212	-3,186
Income tax advance	1,545	34,019
<b>INCOME TAX ASSETS</b>	<b>-18,667</b>	<b>30,833</b>

## IV.13 OTHER LIABILITIES

Accruals and other liabilities (in CZK '000)	31 December 2021	31 December 2020
Accrued income	32	65
Prepaid expenses	12,121	9,936
Trade payables and other liabilities	295,406	303,500
Lease liabilities	98,314	141,911
Rent incentives	9,423	13,571
<b>ACCRUALS AND OTHER LIABILITIES</b>	<b>415,296</b>	<b>468,983</b>

Accrued revenue consists of payments received from clients in respect of a future period and amortised by the effective interest rate.

Prepaid expenses consist of trade payables affected by the time lag occurring during the operations related to loan provision as at the book closing date (time lag between the date on which loans are granted and the date on which the relevant funds are debited to the Bank's bank accounts to be credited to authorised dealers' and clients' accounts).

Trade payables and other payables comprise payables arising from labour-law relations, specifically unpaid wages, unpaid insurance and the down payment for employees' income tax for December 2021, payable in January 2022, the tax liability in respect of indirect taxes payable in January 2022, and liabilities to suppliers, including estimated items. Estimated items comprise the costs related to the current period, the amount of which was not precisely known as at the date of the financial statements. They include, in particular, unbilled supplies of services and goods (services purchased in connection with loan provision, supplies of utilities, postal charges, telecommunications services, database administration etc.).

As at 31 December 2021, the Bank had no payables overdue for more than 180 days, nor did it have any other liabilities not stated in the Balance Sheet.

#### **IV.14 EQUITY**

As at 31 December 2021, the Bank's equity was 1,337,943 thousand CZK; as at 31 December 2020 amounted to 1,498,099 thousand CZK. The equity comprises Reserves allocated to branch, Profit for the current period, and other comprehensive gains and losses from revaluation of hedging derivatives.

Until the Balance sheet preparation date the founder has not decided on a capital transfer the year 2021.

## V. STATEMENT OF COMPREHENSIVE INCOME: EXPLANATORY NOTES

### V.1 NET INTEREST INCOME

Net interest income (in CZK '000)	31 December 2021			31 December 2020		
	Income	Expense	Net income	Income	Expense	Net income
<b>Client transactions</b>						
Credit and loans	1,138,891		1,138,891	1,278,206		1,278,206
Deposits		-103,661	-106,331		-161,106	-161,106
<b>Transactions with banks and other financial institutions</b>						
Deposits, interest and loans		-1,654	-1,654		-2,176	-2,176
<b>NET INTEREST INCOME / (EXPENSE)</b>	<b>1,138,891</b>	<b>-105,315</b>	<b>1,033,576</b>	<b>1,278,206</b>	<b>-163,282</b>	<b>1,114,924</b>

Net interest income comprises all income and expenses related to financial instruments and reported using the method of amortisation of costs (interest, fees, commissions, and transaction costs), the amount of which is measured using the effective interest rate method.

Average effective interest rates on the production of interest - bearing financial assets and liabilities:

	31 December 2021	31 December 2020
Receivables from clients	12.40%	12.63%
Liabilities due to banks	2.06%	3.78%
Liabilities due to clients	2.96%	3.01%

### V.2 FEES AND COMMISSIONS

Fees and commissions (in CZK '000)	31 December 2021			31 December 2020		
	Income	Expense	Net	Income	Expense	Net
Client transaction charges	132,003		132,003	159,480		159,480
Payment transaction charges	1,271	-34,804	-33,533	1,051	-18,333	-17,282
Fees for foreign currency operations		-1,732	-1,732		-3,627	-3,627
Commissions from insurance	158,507		158,507	165,484		165,484
Other income/expenses		-995	-995		-1,591	-1,591
<b>NET INCOME ON FEES</b>	<b>291,781</b>	<b>-37,531</b>	<b>254,250</b>	<b>326,015</b>	<b>-23,551</b>	<b>302,464</b>

Charge and commission income and expense comprise, in particular, the fees, commissions and contract penalties related to the Banks's core business – the provision of loans; they do not constitute the initial direct income and expense reflected in the measurement of interest income using the effective interest rate.

### V.3 DIVIDEND INCOME

In 2021, the Bank received dividends at the amount of 4,510 thousand CZK. In 2020 the Bank received dividends at the amount of 4,158 thousand CZK.

### V.4 OTHER INCOME AND EXPENSE

Net income from other activities includes the Bank's income and expenses related to the provision of non-core services. In 2021, other net income amounted to 47,273 thousand CZK, in 2020 other net income to 41,691 thousand CZK.

### V.5 PERSONNEL COSTS

Employee costs (in CZK '000)	31 December 2021	31 December 2020
Wage costs	-336,454	-348,566
Personnel costs	-27,592	-24,417
Social and health insurance	-111,133	-114,816
Social fund (Short-term benefits)	-8,500	-8,650
<b>TOTAL PAYROLL COSTS</b>	<b>-483,679</b>	<b>-496,449</b>

Number of employees - average number of employees:

Year	Total	Of whom, managers
2020	494	12
2021	479	14

### V.6 OPERATING COSTS

Operating costs (in CZK '000)	31 December 2021	31 December 2020
<b>External services and other operating costs</b>	<b>-420,433</b>	<b>-434,560</b>
IT a telecom	-236,745	-232,363
Marketing	-117,913	-96,695
Other services and costs net	-65,775	-105,502
<b>Services and other costs with related parties</b>	<b>-125,805</b>	<b>-75,788</b>
IT a telecom	-88,517	-70,601
Other services and costs net	-37,288	-5,187
<b>NET OPERATING COSTS</b>	<b>-546,238</b>	<b>-510,348</b>

## V.7 DEPRECIATION AND ALLOWANCES FOR PROPERTY, PLANT AND EQUIPMENT

Depreciation and allowances for property and equipment (in CZK '000)	31 December 2021	31 December 2020
Buildings and equipment	-42,868	-41,367
Computers	-1,521	-2,124
Other tangible assets		-1,046
<b>TOTAL DEPRECIATION AND ALLOWANCES FOR PROPERTY AND EQUIPMENT</b>	<b>-44,389</b>	<b>-44,537</b>

## V.8 AMORTISATION AND ALLOWANCES FOR INTANGIBLE ASSETS

Amortisation and allowances for intangible assets (in CZK '000)	31 December 2021	31 December 2020
Software	-153,360	-116,096
<b>TOTAL AMORTISATION AND ALLOWANCES FOR INTANGIBLE ASSETS</b>	<b>-153,360</b>	<b>-116,096</b>

## V.9 IMPAIRMENT OF RECEIVABLES

Cost of risk for the current period (in CZK '000)	31 December 2021	31 December 2020
Stage 1	10,410	-26,065
Stage 2	9,719	19,783
Stage 3	-89,583	-168,464
<b>TOTAL COST OF RISK</b>	<b>-69,454</b>	<b>-174,746</b>

Cost of risk for the current period by type of asset (in CZK '000)	31 December 2021	31 December 2020
Loans to and receivables from clients	-69,454	-174,746
<b>TOTAL ALLOWANCE</b>	<b>-69,454</b>	<b>-174,746</b>

The Bank wrote off the loss-making receivables whose value decreased due to permanent impairment caused by completion the litigation proceeding or death of the debtor, and the write-off of which is, under the income tax act, tax allowable, and also receivables which the Company, given its long-term experience, does not expect to recover or the Company is not able to collect actively because the period expired. The amount written-off was 53,482 thousand CZK in 2021 and 105,019 thousand CZK in 2020. In 2021, the income from written-off outstanding amounted to 53,563 thousand CZK, in 2020 to 90,341 thousand CZK.

## V.10 IMPAIRMENT OF ASSETS

Asset impairment means a realised loss or gain from the disposal of the non-current assets used for operating activities and intended for replacement.

Impairment of assets (in CZK '000)	31 December 2021	31 December 2020
Impairment of assets	6	-230
Others	-300	-301
<b>Total</b>	<b>-294</b>	<b>-531</b>

## V.11 PROVISIONS

Provisions (in CZK '000)	31 December 2021	31 December 2020
Provisions for loan commitments		
Stage 1	1,743	-2,048
Stage 2	4,320	3,051
Stage 3	593	1,415
<b>Total</b>	<b>6,656</b>	<b>2,418</b>

## V.12 INCOME TAX

Income tax (in CZK '000)	31 December 2021	31 December 2020
Profit before tax under IFRS	<b>48,873</b>	<b>122,441</b>
IFRS adjustments	-5,006	2,116
Profit before tax under CAS	<b>43,867</b>	<b>124,557</b>
- Non-tax deductible income	-414,122	-737,189
- Non-tax deductible costs	477,067	629,909
Income tax rate	19%	19%
- Tax deductions	-82	-97
Current income tax (provision for income tax)	-20,212	-3,186
The rest of income tax for previous year	94	
<b>Total income tax</b>	<b>-20,118</b>	<b>-3,186</b>
Other items – temporary differences	211,413	181,067
The change of deferred tax against previous year	30,346	-104,830
IFRS 16 impact		
Tax rate for deferred tax calculation	19%	19%
<b>Deferred tax</b>	<b>5,766</b>	<b>-19,917</b>
<b>INCOME TAX</b>	<b>-14,352</b>	<b>-23,103</b>

As at 31 December 2021, the effective tax rate was 29.37 %.

## V.12.1. EFFECTIVE TAX RATE

Effective tax rate (in CZK '000)	31 December 2021		31 December 2020	
Profit before tax under IFRS	48,873		122,441	
Theoretical tax	9,286	19%	23,264	19%
Tax non-deductible costs and revenues	62,945		-107,279	
Tax reliefs	-82		-97	
<b>Total due tax</b>	<b>20,118</b>		<b>3,186</b>	
Deferred tax	-5,766		19,917	
Total income tax	14,352	29,37%	23,103	18,87%

## VI. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### VI.1 OVERALL PRESENTATION OF RISKS

The management strategy of BNP Paribas Personal Finance SA, odštěpný závod is to apply a prudent and balance approach in all areas of taken risks – credit risk, market risk, particularly in the area of liquidity risk, interest rate risk, operational risk and regulatory risk. The Bank's core business in the Czech Republic is the provision of consumer loans to private individuals and the provision of services related thereto. The Bank is mainly exposed to risks concerning to this segment. The objective of risk management is to maintain stable long-term profitability of the Company through various risk management tools, especially statistical models and processes, skilled employees and the application of the rules of BNP Paribas Group.

The Bank has been and still can be exposed particularly to the external environment influence due to a significant deterioration in market, economic and regulatory conditions, in particular the deterioration in the credit or liquidity market, increasing protection of consumer or from macroeconomic situation (recession, decline in household consumption, unemployment, etc.).

Market failure and a sharp economic decrease, which may occur rapidly and therefore they cannot be fully predicted, could impact the business environment for the financial institutions for a short or long period of time. They could have had a significant adverse impact on the financial situation of the Bank, its business, economical result or the cost of risk.

The following major risks have been identified in the context of these activities:

- **Credit risk** – in terms of receivables from clients or business partners represents an existing or threatening risk of loss in economic value due to the failure of clients to meet their obligations, it is associated with changing creditworthiness of a debtor;
- **Interest rate risk (market risk)** – the Bank provides loans to private individuals and/or business owners under terms and conditions that are fixed contractually when the loan is being granted. Interest rate risk is a change in market interest rates during the contractual relationship. To ensure the stability of net interest income, the tariff rate must be ensured against any fluctuations in the economic environment, especially against changes in the market rates (interest rate risk);
- **Liquidity risk** – represents potential loss due to lack of sufficient financial means to cover liabilities from the business. The Bank must ensure that mainly sufficient funds to cover the loans provided to its clients are available to it throughout its life (liquidity risk);

- **Operational risk** – risk of loss due to shortcomings or failures of internal processes, the human factor or the system, or risk of loss due to external factors, which lead or could lead to the loss of opportunity or to the loss of profit. Operational risk includes legal risks, but excludes strategic and reputational risks;
- **Regulatory risk** – risk of loss due to legal regulation changes which influence significantly entrepreneurship of the Bank.

## **VI.2 CREDIT RISK**

Credit risk represents an existing or potential risk of loss of economic value of receivables on loans due to clients' default. It is associated with deterioration in the borrowers' credit quality, which may lead to losses for the Bank. The estimated probability of a credit event (litigation, failure), as well as expected effectiveness of recovery actions in case of credit event (litigation, failure) are key parameters of credit quality measurement. The loan portfolio does not contain any significant individual items: it consists of a large number of loans with relatively small amounts to be repaid, and with a small correlation between loans.

The risk of other counterparties, where exists or may arise financial obligatory to the Bank, is also monitored within credit risk management.

### **Risk of clients' insolvency**

The risk of insolvency proceedings comprises the risk of court decision allowing discharge of part of overall client debt subject to conditions prescribed by insolvency law. Therefore, the Bank is exposed to a risk of financial losses due to a limitation of recoverable debt and limitation of means applicable to standard debt recovery (civil proceeding with execution). The risk of clients' insolvency is regularly monitored within the uniform system for evaluating credit risk.

### **Risk of early repayment**

The risk of early repayment is the risk that clients could pay their liabilities earlier and higher amount than expected, resulting in a financial loss for the Bank. The risk of early repayment of granted loans is regularly observed and monitored. In the current period was not achieved significant deviation from the anticipated development.

### **Impact of the macroeconomic development on the credit risk management**

The credit risk development can be adversely affected by the macroeconomic development. The credit risk in the area of providing consumer loans is particularly sensitive to rising unemployment, prices and the gradually increasing indebtedness of households even leading to excessive indebtedness and growing number of personal bankruptcies. The Bank's used criteria for an approval of loans are focused to minimize the losses caused by the aforementioned negative effects. A part of risk management standard procedures is an assistance service for clients having problems with the repayment of their loans.

Moreover for determination of impairment the Bank takes into account various macroeconomic scenarios (baseline, adverse) and defines impairment as scenario weighted outcome.

## VI.2.1 Credit risk management

In order to manage the credit risk, the Bank uses the uniform methodology defined by the central risk management and is adjusted in procedures of the Group applied by the BNP Paribas Personal Finance. The methods and tools for risk management depend on the type of loans. Selection and ongoing monitoring of distribution channel is critical for consumer loans. Loans are provided to clients in accordance with the segmentation by using scoring models and expert systems. Credit risk of business partners is restricted by monitoring of maximum limits of risk set for each vendor.

External databases are used for appraisal of creditworthiness of clients and business partners. Used databases are Solus and CBCB – Czech Banking Credit Bureau and both are operated by interest associations of legal entities.

The highest internal body for credit risk management in particular areas, for assessing and approving limits on credit risk for all credit transactions and products is a **Risk Committee**. The Risk Committee assesses and approves the principles of business policy with respect to credit risk management; assesses and approves non-standard loan transactions exceeding the limits defined for system assessment and approval of credit transactions; defines and approves the system of measurement and management of credit risk, including the level structure of credit portfolio of the Bank to achieve specified levels of financial goals; compares and assesses actual development of credit risk with defined goals; monitors and manages changes in setting rules for loan approval and approves corrective measures in case of exceeding set limits. During risk management of other counterparties, where exists or may arise financial obligatory to the Bank, monitors mainly compliance with the exposure to individual counterparties. The Risk Committee has one subcommittee which main purpose is consulting, evaluating and taking action in the area connected with providing funding to cooperating business partners.

The Risk Direction is a separate organisational unit, independent of the Banks's business and financial activities and is responsible for overseeing the Banks's credit risk, including:

- Determination of the conditions for lending and conditions of co-operation with trading partners;
- Provision of system support for loan transactions;
- Credit risk monitoring, measuring and reporting;
- Realizing remedial measures when limits are exceeded or adverse trends emerge;
- Management of data infrastructure and the analytical systems that support risk management;
- Definition of procedures for the prevention of fraudulent operations;
- Contributing to the formulation of the Company's internal rules and work procedures;
- Review of the credit risk scoring models.

## VI.3 MARKET RISK (RISK OF LOSS FROM ASSETS AND LIABILITIES MANAGEMENT)

All financial instruments and positions of the Bank are exposed to market risk, i.e. the risk that a future change in the market conditions may impair the value of or may disadvantage a certain instrument.

The Bank uses methods and procedures for credit risk and currency risk management applied by the BNP Paribas Group. The purpose is to manage the risk of the fluctuations in net interest income which are caused by changes in interest rates, foreign exchange rates, and the maturities of financial instruments, through the asset/liability gap analysis and the approved limits in each

of the groups.

### **VI.3.1 Market Risk Management**

**The Committee for assets and liabilities management** is the supreme authority for the management of assets and liabilities; discusses the analysis of the structure of assets and resources to cover them. The Committee mainly monitors and manages interest rate risk and liquidity risk; assesses actual amount of available resources and proposes requirements of refinancing for the specified following period; interprets risk and in case of need takes decision; decides about the securing from; supervises compliance of limits set for a different types of refinancing and their correspondence with the Group's policy; reviews the availability of resources, their amount in relation to business plans and plans for future development of the Bank; seeks and evaluates alternative refinancing options and monitors compliance with the capital adequacy required by law and discusses its amount with competent units of the Group.

The Pricing Policy Committee discusses and proposes pricing policy in accordance with the Group's price management rules, which include the requirements of CRD IV to cover the risks to which the Bank is exposed, in particular interest rate, liquidity, credit and operational. The Committee evaluates the pricing of individual products and distribution channels, monitors their development, including market developments, assesses profitability and, if necessary, proposes measures to be taken.

### **VI.3.2 Interest Rate Risk**

Interest rate risk is the risk of a change in the value of a financial instrument as a result of a change in the market interest rates. The period of time for which the financial instrument's interest rate is fixed indicates the extent to which the instrument is exposed to the interest rate risk resulting from different maturities. Interest rate risk is also caused by the different maturities of underlying floating-rate financial instruments. The Bank provides, for the most part, fixed-rate loans with fixed maturity, which bear no interest rate risk attributable a variable nature of their pricing conditions. Interest rate risk is also minimised by the selection of a refinancing form corresponding to the financial asset's profile at the time of its inception.

### **VI.3.3 Currency Risk**

Currency risk emerges when the economic value of a foreign-currency financial instrument is affected by changes in foreign exchange rates. To eliminate this risk, such financial asset must be matched by a liability denominated in the same currency in which the asset was provided. The currency risk management is governed by the principle that customer products are funded by refinancing sources in the same currency. The Bank does not record foreign-currency assets and liabilities in amounts at which a change caused by exchange rate fluctuations could cause material impact on Profit and Loss. The functional currency of the Bank is the Czech crown and its activities are carried out mainly in Czech crowns.

### **VI.3.4 Liquidity Risk**

Liquidity risk is the risk that the Bank will be unable to obtain sufficient readily available funds to meet its liabilities resulting from financial contracts. Assignable financial instruments (assets/liabilities) with a variable interest rate, identical underlying rate, but different maturity, cause the liquidity risk. The liquidity risk results from various maturities of assets and liabilities, and it comprises the risk that the Bank would not be able to finance its assets as of the relevant maturity date and in the corresponding rate, and the risk that the Issuer would not be able to fulfil its liabilities as they become due.

The Bank's approach to liquidity management is based on providing for sufficient liquidity to

pay all of its liabilities as they fall due under both ordinary and extraordinary circumstances without incurring any material losses. The Bank monitors on a regular basis the maturities of the various financial assets and liabilities and the information supporting the planned cash flows. The daily liquidity position is recorded and is regularly tested against various scenarios reflecting both normal and adverse market conditions.

The Bank creates a liquidity reserve in the form of short-term deposit in case of the liquidity crisis.

The Bank uses different refinancing methods. For the most part, financing is provided for through bank loans from third parties, bank loans within the Group and the Bank's own funding. Support by the BNP Paribas Group, also in the form of hedging liabilities of the Bank, is one of the pillars of the Bank's liquidity management; it improves financing flexibility and reduces the risks inherent in the dependence on other sources and the risk of potential adverse impacts.

Financial assets and liabilities by maturity as at 31 December 2021 (in CZK '000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Loans to and other receivables from clients	756,608	1,043,119	3,805,572	3,408,051	169,276	9,182,626
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>756,608</b>	<b>1,043,119</b>	<b>3,805,572</b>	<b>3,408,051</b>	<b>169,276</b>	<b>9,182,626</b>
Liabilities to financial institutions	150,940	652,206	2,623,925	1,690,000		5,117,071
Lease liabilities				98,314		98,314
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>150,940</b>	<b>652,206</b>	<b>2,623,925</b>	<b>1,788,314</b>		<b>5,215,385</b>
<b>NET POSITION</b>	<b>605,668</b>	<b>390,913</b>	<b>1,181,647</b>	<b>1,619,737</b>	<b>169,276</b>	<b>3,967,241</b>

Financial assets and liabilities by maturity as at 31 December 2020 (in CZK '000)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Loans to and other receivables from clients	462,358	542,430	2,310,423	4,275,764	2,533,342	10,124,317
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>462,358</b>	<b>542,430</b>	<b>2,310,423</b>	<b>4,275,764</b>	<b>2,533,342</b>	<b>10,124,317</b>
Liabilities to financial institutions	24,919	849,856	1,259,652	2,190,000		4,324,427
Lease liabilities	9,627	365	29,851	102,068		141,911
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>34,546</b>	<b>850,221</b>	<b>1,289,503</b>	<b>2,292,068</b>		<b>4,466,338</b>
<b>NET POSITION</b>	<b>427,812</b>	<b>-307,791</b>	<b>1,020,920</b>	<b>1,983,696</b>	<b>2,533,342</b>	<b>5,657,979</b>

## VI.4 OPERATIONAL RISK

Operational risk is the risk resulting from inadequacy or failures of internal processes, people and systems or from external events, which had, could have or could have had the consequence of the lost or opportunity cost.

Operational risk comprises the human resource risks, the compliance risk, legal risks, tax risks, information system risks, outage risks, risks related to financial information disclosure, and the reputation risk (public reputation of the Bank).

### VI.4.1 Operational risk management

The main target of operational risk management is to identify, assess bank's operational risks and to take measures to mitigate potential losses. To manage the operational risk bank has implemented 3 lines of defence organization together with strong control system.

The operational risk management in the Bank takes into account:

- Own risk profile – own general exposure to the potential operational risk events;
- Risk tolerance – the degree of exposure to the operational risk, which the Bank is able to accept.

The Bank set up these objectives and principles of operational risk management:

- Involvement of all employees in the operational risk management;
- Reduce the likelihood of operational risk incidents that could threaten:
  - The good name of the Bank;
  - The confidence of the clients, shareholders, investors, employees and supervising authorities towards the Bank;
  - The quality of services and products;
  - The profitability of its business;
  - The efficiency of processes;
- Maintaining effective management and control system with appropriate level of formalization;
- Set up an appropriate balance between risks taken and the cost of operational risk management system.

The Bank has put in place operational risk management standards and processes for compliance with these principles and objectives including:

- Monitoring of compliance with statutory regulations and other legal requirements;
- Definition and separation of each individual's competences;
- 4 eyes principle application in transactions' authorisations and their ex post checking and monitoring;
- regular identification and assessment of operational risks;
- Formalisation and implementing of procedures, checks and other organisational elements designed to help to control risk, such as segregation of duties, management of access rights or information barriers;
- Implementation of controls to identify and monitor operational risk areas and set-up of action plans for correction of deficiencies;
- Regular reporting of operational risk incidents, assessment of its losses and definition of appropriate action plans;
- Measures to mitigate the impacts of risks, including insurance if considered to be effective;
- Preparation of crisis plans to manage emergency situations;
- Establishment of a reporting system so that the management body is aware of the deficiencies, risks and actions taken to mitigate those risks;
- System of training and professional development;
- Ethics and business standards.

**The Internal Control Committee** is the supreme authority for operational risk management. The agenda of the Committee is following:

- Discussion and evaluation of activities related to operational risk and security risk (physical and informational) including business continuity management;
- Status of operational risk incidents (historical and potential) and their coverage by internal controls.

## **VI.4.2 Regulatory risk**

### **General information**

The provision of financial services is a business sector that is strongly affected by the setting of the regulatory framework and its constant changes. Application practice requires continuous interpretation of new legislation by financial service providers, taking into account also supervisory activities of the state authorities. The immanent self-regulation of the banking sector also plays an important role.

As a foreign banking entity, the Bank has been subject to the supervision of the founder in France since mid-2015. In the Czech Republic, the Czech National Bank exercises its supervisory authority over the Bank's branch through which the Bank operates on the Czech market. This is particularly in the area of consumer protection, payments, bank secrecy, provision of consumer credit, insurance distribution and AML.

Any change in legislation or decision-making practice of the state authorities, which would result in a significant change of conditions for the provision of financial services or their mediation, could adversely affect the Bank's business in the Czech Republic, its economic results, financial situation, liquidity and business prospects. In order to eliminate such a regulatory risk, the Bank has created a mechanism for monitoring changes in legislation and evaluating their impacts. Either on its own or as a member of professional organizations, the Bank continuously monitors and evaluates legislative intentions itself, as well as specific proposals of participants in the law-making process in the Czech Republic, France and the EU.

The Bank is obliged to respect a number of regulatory requirements resulting from the legal framework of the Czech Republic and France, as well as from directly applicable EU legal norms. This means especially the general legal regulation established by the civil law, as well as special legal regulation of consumer loans, insurance distribution, personal data protection, AML, regulations concerning payment services, tax, accounting or reporting regulations and banking regulation in general. The change in the above-mentioned legal regulations may significantly affect the Bank's market conditions. However, these changes are not always completely predictable.

Fully in accordance with the principles applied within the EU, the Bank's activities in the Czech Republic are mainly affected by the growing interest in strengthening consumer and individual protection. Adherence to the principles of their protection is also emphasized by the supervisory authorities in the exercise of their powers.

Due to the fact that the legal framework in which the Bank carries out its business activities in the Czech Republic is constantly evolving, its future form cannot be fully predicted and the impacts on the Bank's activities in the Czech Republic therefore cannot be fully assessed.

### **Evaluation of the year 2021**

In 2021, the Bank introduced new processes to comply with the legal obligation imposed on banks by an amendment to the Code of Civil Procedure, namely to establish and lead to the

debtor's application in execution free of charge a so-called protected account and to deposit protected amounts, that cannot be enforced, on such protected account.

The Bank also reacted on the adoption of the Amendment to the Act on Electronic Communications. This Amendment not only affected the possibility of using cookies, but also brings changes to the area of telemarketing. Newly, it will be possible to send marketing offers only to people who express their consent in so-called public list of participants.

The Bank's position as a regulated banking entity implies the obligation to continuously meet the quality criteria of setting and functioning of the internal management and control system, requirements for process management, risk management, the existence of appropriate technical, personnel and organizational prerequisites for prudent providing of payment services, payment security or protection of banking secrecy, all also at the level of a branch in the Czech Republic.

The Bank is aware of and fulfils its regulatory reporting obligations.

However, the Consumer Credit Act and the Act on Payments remain the basic legal regulations with an impact on the Bank's activities.

In the event that the Bank's business practice in the Czech Republic will not be carried out in accordance with the requirements of the Consumer Credit Act or the Act on Payments, imposed in particular on the content of the contract, advertising or fulfilment of information obligations before and during the contractual relationship, or assessing the client's creditworthiness, an administrative sanction may be imposed on the Bank.

As a result of breaches of the Consumer Credit Act, in particular the obligation to assess the creditworthiness of the loan applicant, the Bank may also face financial losses in individual credit cases due to the risk of retroactive reduction of the contractual interest rate or may bear the consequences of non-compliance with information obligation towards the clients on the side of the Bank's business partners - credit intermediaries.

## **View to 2022**

The new Consumer Credit Directive, prepared by the European Commission, can bring about fundamental changes for the bank.

In the field of European legislation, the Bank also monitors the process of approving the Regulation on digital operation resilience for the financial sector (so-called DORA) which aims to regulate the requirements for risk management in the field of information and communication technologies.

For the Bank's activities, the adoption of Directive on credit servicers and credit purchasers, which shall be implemented to the Czech law until the end of 2023, is also important.

The Bank also pays attention to developments in the field of enacting so-called collective actions.

The Bank also noticed the submission of the draft Act on requirements for the accessibility of services, the aim of which is to ensure the accessibility of banking services to people with disabilities or other disadvantages and thus enable their full participation in the society.

The Bank will also continue to monitor the methodological and interpretative materials of the Czech National Bank as a supervisory body, in order to best fulfil its obligations under legal regulations, especially in the area of consumer protection.

## Information on court and administrative proceedings with a possible significant impact on the Bank

As at the date of preparation of the financial statements, the Bank does not have any exceptional case or litigation that could have a material impact on its financial position, operations, results or assets. The Bank's dispute agenda focuses primarily on the recovery of receivables from clients due to the recovery of overdue receivables. The isolated other disputes that the Bank has are of a minority nature without any impact on the operation and situation of the Bank.

## VII. OTHER INFORMATION

### VII.1 OFF-BALANCE SHEET RECEIVABLES AND PAYABLES

Loan commitments to customers (in CZK '000)	31 December 2021	31 December 2020
Stage 1	9,819,919	11,310,639
Stage 2	350,903	573,286
Stage 3	15,835	30,361
<b>TOTAL</b>	<b>10,186,657</b>	<b>11,914,286</b>

Liabilities arising from approved lines of credit do not necessarily imply future disbursements, because a part of the future liabilities will be discharged without the funds being drawn in full.

### VII.2 CONTINGENT ASSETS AND LIABILITIES

The Bank is not aware of any material contingent liabilities and does not record any contingent assets. As of the date of financial statements, the Bank does not register any exceptional case of dispute. The Bank is not aware of any risks resulting from potential administrative proceedings conducted by the inspectional or supervisory bodies.

### VII.3 RELATED PARTIES

#### VII.3.1 Income and Costs

Relationships with the related parties Income Statement items (in CZK '000)	31 December 2021		31 December 2020	
	Parent company	Other related parties	Parent company	Other related parties
Interest expenses	-6,422	-3,035	-12,792	
Interest revenues	114	1,491	5,730	
Commissions and fees	-10,222	-17,135	-4,128	165,483
Services provided		223,329		112,603
Services received		-163,381		-212,768
<b>TOTAL</b>	<b>-16,530</b>	<b>41,270</b>	<b>-11,190</b>	<b>65,318</b>

#### VII.3.2 Amounts Receivable from and Payable to Related Parties

Relationships to related parties Balance Sheet items (in CZK '000)	31 December 2021	31 December 2020
<b>Assets</b>		

Term-accounts	500,986	810,001
Other assets	90,561	152,020
<b>TOTAL ASSETS</b>	<b>591,547</b>	<b>962,021</b>
<b>Liabilities</b>		
Amounts payable on loans	682,268	832,646
Other liabilities	68,490	93,878
<b>TOTAL LIABILITIES</b>	<b>750,776</b>	<b>926,524</b>

BNP Paribas Personal Finance, SA, odštěpný závod is not a separate legal entity. The founder of the bank is a foreign legal entity BNP Paribas Personal Finance, with its registered office at 75009 Paris, 1 boulevard Haussmann, French Republic, registration number: 542 097 902.

The parent company is BNP Paribas S.A. with its registered office at 16, boulevard des Italiens 750 09 Paris, French Republic. BNP Paribas Personal Finance, odštěpný závod, is consolidated part of the BNP Paribas S.A.

### VII.3.3 Transactions with Members of the Bank's Management

Bank's Management	Receivables in respect of the loans and credit lines provided	Personnel expenses (wages, statutory payments)	Other benefits
31. 12. 2021	720	48,480	2,904
31. 12. 2020		29,043	2,641

Other benefits include income quantified under Act No 586/1992 Coll., for the purpose of determining income tax. They include, in particular, the free-of-charge availability of a car for both business and private use and contributions to private pension schemes and with-profits life assurance policies. Personnel costs fall into the category of short-term employee benefits.

The Bank's management were not granted any loans, credit or security by the Bank under conditions other than at arm's length in the relevant accounting period or in any previous periods. The interest rates and the terms and conditions of the loans provided to such persons corresponded to the terms and conditions offered by financial institutions at similar times and locations.

### VII.4 COST OF AUDIT FEES

Information about the total cost of fees paid to auditor's company of the financial year ended 31 December 2021 is listed in the notes of consolidated financial statements of the parent company.

## VII.5 SUBSEQUENT EVENTS

At the time of publication of these financial statements, the business environment is affected by the impact of the war in Ukraine, the energy crisis and the significant rise of inflation. The Bank's management follows the situation and works with several scenarios of the expected development and impact on the bank's operations. Due to the uncertain prediction of further development, the Bank's management believes that it is not possible to provide quantified estimates of the potential impact on the Bank's financial result. Any negative influence resp. losses will be included by the Bank in the accounts and financial statements in 2022.

Prague, 31 March 2022

Statutory authority



Patrick Alexandre  
Head of Branch

Person responsible for  
the Financial Statements



Blažena Valkošáková  
Financial Director