

Annual Report 2023

Fio banka, a.s.

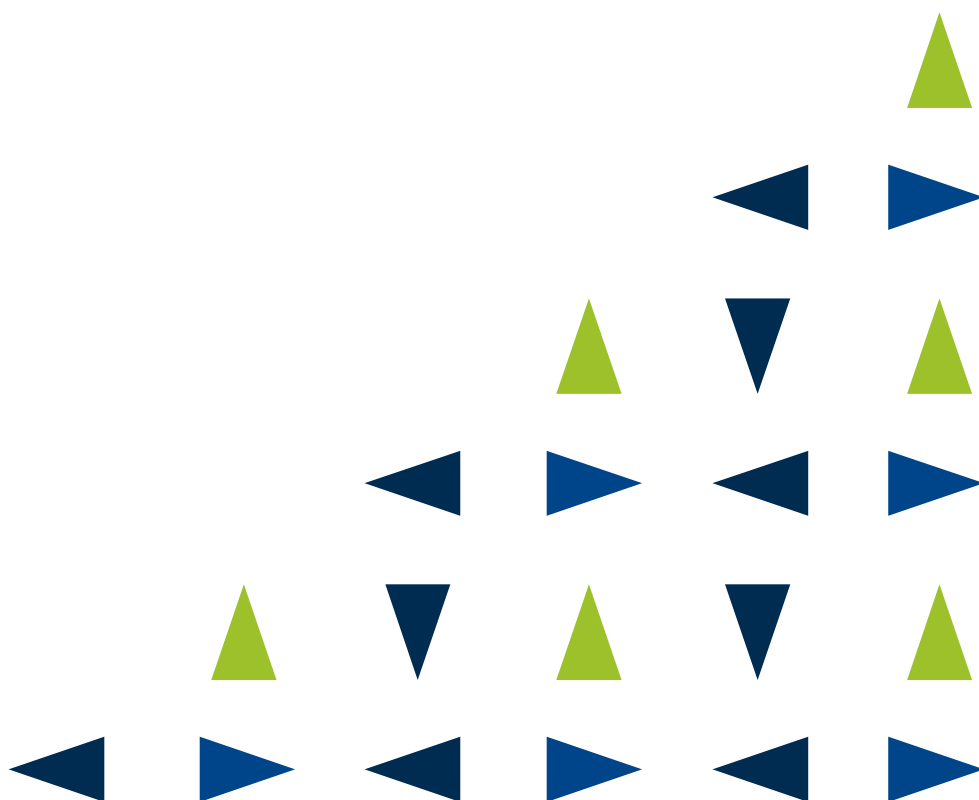


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General Part

Introduction



Dear Sirs and Madams,

As Fio banka celebrates 30 years of existence, allow me to begin with a quick retrospect.

Financial group Fio entered the market in 1993, offering investment services which were supplemented by banking services 3 years later. The main goal was to provide the investors a fast and reliable access to the exchange market and later to offer regular banking services without fees available to all. We have kept this strategy ever since.

Fio services kept gaining recognition, the growth culminated in 2010 by obtaining the banking license. Since then, Fio banka has become even more popular and, with a base of 1.4 million clients, one of the largest banks in Czechia. The number of clients is increasing, last year the bank gained 100,000 new ones.

We have remained a purely Czech bank, established in Czech Republic and owned by 2 of the 4 original Czech founders. I am proud that Fio banka is one of the highest valued Czech companies. Moreover, the bank is recognized not only in the professional field, but also by our

clients, as evidenced by repeatedly won awards and results of customer satisfaction survey.

Economic indicators confirm the bank successes. During last year, the balance sheet total has grown by 16% to CZK 267 billion, deposits by a similar percentage to CZK 241 billion. Net profit surpassed the last year's maximum and reached CZK 6.5 billion.

Last year we have focused on further growth of services to our clients. In the digitalisation area, we have provided access to Fio banking identity for commercial subjects. Therefore, clients can easily verify their identity online with more than 400 companies and institutions. Furthermore, we have continued the advancement of our application, enabling that the remote access is as easy and complex as possible. We were one of the first banks to introduce a revolutionary feature on the Czech market – contact payments. Clients can now send regular payments knowing the telephone number only, which is highly appreciated.

We have improved our offer to businessmen with a new instalment loan and more attractive conditions with respect to settlements using payment terminals and gates. We have also thought about investors. We have added to the Smartbanking mobile app the funds of our subsidiary Fio investiční společnost, which celebrated 5 years on the market in December with the total assets of CZK 2.5 billion. This provides to our clients a quick and simple way to invest via their phones. The new member of the Fio family, Fio realitní podfond, made its first acquisition and started to actively participate in the market. Real estate combined with shares belong to the assets with our long-term trust. We are confident that they are a suitable alternative to increase the value of financial assets in a long-term investment horizon.

Some of the changes we have made and put significant effort in were not so visible but are ever so important. Specifically, I am talking about continuous improvements in phishing detection systems as well as other, unfortunately more common and sophisticated, online attacks. We regularly warn about such threats and have created a dedicated website with examples of the most common frauds with the purpose of a better education of our clients.

Our Slovakian branch has continued to make us proud by surpassing the threshold of 200,000 clients and based on KPMG's customer satisfaction survey becoming the third favourite financial institution. At the end of the year, we have launched on the Slovakian market our own network of ATMs, which we plan to further expand to all branches of Fio banka and in the next phase to other strategic places in various Slovakian regions. The current plan is to reach at least 50 ATMs within 3 years.

In 2024 we expect the resurgence of the mortgage market and plan to launch instalment loans for non-retail clients. For investors, we are developing a new mobile application and aim to offer the Long-term Investment Product (Dlouhodobý investiční produkt in Czech) to help financial freedom in retirement using support from the state. We plan to introduce a pilot program of more comfortable establishing of an account online using the banking identity. We are considering other innovative opportunities for the Czech market; we want to keep up with the market trends and be the pioneers within the banking sector.

We want to continue to participate in increasing the financial literacy of the public via free investment seminars and the investment project Studentbroker aimed for students of Czech and Slovak universities.

I want to use this opportunity to thank all our clients and partners for their confidence and trust. My gratitude also belongs to those who contribute to day-to-day operations of the bank. All of you are a part of our success.

Mgr. Jan Sochor

**CEO and
Chairman of the Board of Directors**

A. Principal information

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

Auditor of the Bank and the 2023 Annual Report has been audited by PricewaterhouseCoopers Audit, s.r.o., Corporate ID 40765521, registered office Hvězdova 1734/2c, 14000 Praha 4. Registered in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637.

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

- The Company's registered capital amounting to CZK 760,000 thousand is divided into 760,000 of ordinary book-entry registered shares (ISIN: CZ0008034246) with a nominal value of CZK 1,000.
- Transferability of the shares is not restricted; the shares may be transferred based on share transfer agreements.
- The shares entail rights as provided for in legislation and the statutes; no other rights or preferential rights are attached to the shares.
- The shares are not accepted for trading on any regulated market.
- As of 31 December 2023, the Company had a sole shareholder - Fio holding, a.s., corporate ID: 60192763, Prague 1, V Celnici 1028/10, Postal Code: 117 21.
- No dividends were paid in the past twelve years.
- The Company or any entity in which the Company has a direct or indirect equity interest exceeding 50% of the share capital or voting rights own no shares of the Company.
- As of 31 December 2023, the Company had the following subsidiaries: RM-SYSTEM, ceska burza cennych papiru a.s., Corporate ID: 47116404, V Celnici 1028/10, Postal Code: 117 21, Czech Republic, RM-S FINANCE, s.r.o., Corporate ID: 62915240, V Celnici 1028/10, Postal Code: 117 21, Czech Republic (with the following subsidiaries: Fio Slovakia, a.s., Corporate ID: 35828137, Nam. SNP 21, Bratislava 811 01, Slovakia, and Fio leasing, a.s., Corporate ID: 61860841, V Celnici 1028/10, Postal Code: 117 21), Fio forexova, s.r.o., Corporate ID: 27589587, V Celnici 1028/10, Postal Code: 117 21, Czech republic, Fio Consulting, spol. s r.o., Corporate ID: 25740334, V Celnici 1028/10, Postal Code: 117 21, Czech Republic, Fio investiční společnost, a.s., Corporate ID: 06704441, V Celnici 1028/10, Postal Code: 117 21 and Fio realitní fond SICAV, a.s., Corporate ID: 14052628, V Celnici 1028/10, Postal Code: 110 00 (whereas as part of equity of its subsidiary Fio realitní podfond I. belongs the company Topas REAL spol. s r.o., Corporate ID: 60202653, Rohanské nábřeží 671/15, Praha 8, Postal Code: 186 00, Czech Republic).

C. Information on Activity

Business authorisation:

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

Commencement of operation: 31 August 1994

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

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

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

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

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

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

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

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

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

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:
 - a. Acceptance of deposits from the general public;
 - b. Extension of credit;
- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:
 - a. Investing in securities on the Company's own account;
 - b. Finance lease;
 - c. Payments and clearing;
 - d. Issuance and administration of payment facilities, egg credit cards and traveller's cheques;
 - e. Issuance of guarantees;
 - f. Opening of letters of credit;
 - g. Collection services; and
 - h. Provision of investment services within the scope of principal investment services

Within the scope of principal investment services

- Under Section 4 (2) (a) of the Capital Market Undertaking Act No. 256/2004 Coll., as amended (hereinafter referred to as the "Capital Market Undertaking Act"), receipt and provision of instructions relating to investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (b) of the Capital Market Undertaking Act, performance of instructions relating to investment instruments to a customer's account, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (c) of the Capital Market Undertaking Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (d) of the Capital Market Undertaking Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (e) of the Capital Market Undertaking Act, investment advisory concerning investment tools, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (g) of the Capital Market Undertaking Act, underwriting of investment instruments or their placement with the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

- Under Section 4 (2) (h) of the Capital Market Undertaking Act, placement of investment instruments without the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- and within the scope of additional investment services
- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies, and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
 - Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
 - i. Financial brokerage;
 - k. Foreign exchange services;
 - l. Provision of banking information;
 - m. Proprietary trading or trading on a client's account with foreign currencies and gold;
 - n. Rental of safe-deposit boxes; and
 - o. Activities that directly relate to the activities in the banking licence.

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

Assessment of retail banking:

In 2023, the banking market was driven by high interest rates and digital innovations. High interest rates led to increased clients' interest in deposit products. On the other hand, it led to further decline of the mortgage market.

Fio banka confirmed its position as a dynamically growing bank and gained more than 100,000 new clients. The volume of deposits increased by 14% to CZK 241 billion, balance sheet increased by 16% to CZK 267 billion. The largest growth of deposits in absolute terms belongs to the new product Fio savings account with a favourable interest rate without limits on deposit amount. In relative terms the volume of term deposits more than doubled. With respect to modernisation, we have followed our clients' demands and cancelled the minimum required balance on regular accounts in all currencies we offer.

On the mortgage market, the decline caused by high interest rates continued, nevertheless, the overall volume of new mortgages on the Czech market increased slightly. On the Slovak market, the volume increased by about a third. The corporate loans segment performed quite well, especially towards the end of the year. Overall, Fio banka was very successful in growing its loan portfolio in 2023. During the year we have complemented our loan offer with instalment loans for businessmen.

Businessmen also appreciated the improved offer of payment terminals and gates. Due to next day payment settlements including weekends (D+1), they now have quicker access to their finances which can be put to use right away.

The continued digitalisation has brought development of current products as well as one revolutionary innovation. As always, we have focused on enhancement of Smartbanking which was aimed at wider usage and increased comfort of the clients. In Czech Republic, we have added the possibility to use Fio Bank Identity to commercial subjects, so that clients can easily prove their identity online, not only at the government offices, but for instance also in communication with their health insurance company or in a supermarket in nonstop regime. Towards the end of the year we have, as one of the first Czech banks, allowed our clients to use the innovative contact payment, thanks to which clients can send regular payments knowing only the phone number of the counterparty.

The development of services happened in our Slovakian branch as well; their client total surpassed 200,000 at the end of the year. We have also launched our own network of ATMs in Slovakia. Clients currently have access to 14 recycling ATMs, which are part of branches throughout Slovakia. All of the ATMs support contactless transactions and all services conducted via these ATMs are free for all clients of Fio banka – both in Czech Republic and Slovakia.

We have slightly enhanced the network of ATMs in Czech Republic too and also have changed its structure in favour of recycling ATMs. In total in both countries, Fio banka already has 241 ATMs with the ability to insert cash in most than half of them.

Assessment of investment banking:

Despite multiple predictions, the year 2023 was successful for investors. The volume of individual trades brokered by Fio banka was approximately CZK 200 billion. After years of the US market dominant position, investors turned to the local market and increased their participation, which contributed to the total trading volume by more than 50%.

As part of dividend payout, for the first time on the Czech market, the investors could use a technological innovation – online settlement via Fio Bank Identity (Bank iD). The very first electronic dividend payout was offered by ČEZ and later Kofola, more participants are expected to join in the future. It is another step towards greater digitalization enabling increased comfort for investors to a great degree.

Fio mutual funds offered by bank in cooperation with the subsidiary Fio investiční společnost, performed well, mainly due to positive developments on the markets and quality portfolio management. For them, year 2023 was according to all metrics very successful. Popularity of investments into funds grew via access of their offering in the mobile application Fio Smartbanking. Clients can now invest and easily track their performance not only on their computers, but their phones as well.

Fio Domestic Market Fund reached its maximum at the end of the year both with respect to the exchange rate and volume of assets. With the performance of +24.56% in 2023, it reached a total performance increase of 48.3% since initiation. As of year-end 2023, assets under management reached the value of CZK 413 million, corresponding to a year-to-year increase of 22%.

Fio Global Equity Fund has changed the structure of the portfolio as a reaction to market developments and expectations. The viability of these changes was confirmed at the end of the year where fund experienced a significant boost in performance. The total assets under management increased by 30% to the record value of CZK 1.26 billion. The performance in 2023 was 24.6%, contributing to the overall performance since initiation of over 70%.

As part of expansion of the fund offer, Fio investiční společnost introduced in 2022 Fio Real Estate Fund I, aimed at the premium commercial real estate segment which announced its first acquisition – the office building Rohan Business Centre. The fund is another alternative for clients wishing to appreciate their financial resources. Fund's assets under management as of the year-end were CZK 882 million. Fio banka continued to educate the public in the area of investing and conducted 82 free of charge seminars in 2023. Students in the participating schools had the opportunity to gain practical experience on the capital markets via the Studentbroker project.

Most important events of 2023

Mutual funds investment via phone

Fio banka provided access to its clients to invest in mutual funds via its banking mobile application. Clients can establish a trading account and enter a regular or one-off buy or sell order. They can also see the performance of their investments via easy-to-read charts.

New savings product on the Slovakian market

As a response to the European Central Bank policies, Fio banka increased the interest rates on Slovakian savings accounts and included in its portfolio of products a new type of Fio savings account with a favourable rate without any limit on deposit volume. This offer was later amended to include non-retail clients as well.

Public investment seminars

The traditional free Fio Investment School organized 70 seminars all over Czech Republic and 12 seminars in Slovakia during 2023. It brought to the public theoretical and practical information regarding capital markets including interactive examples of buying and selling of shares.

Fio Bank Identity to communicate with companies

Client of Fio banka can, since May, use the Bank iD in full scale, i.e. for communication with commercial subjects as well. It means saving time in dealing with government offices, as well as health insurance companies or energy suppliers.

First acquisition of Fio Real Estate Fund

Fio investiční společnost, subsidiary of Fio banka, announced its first acquisition into the Fio Real Estate Fund, the Rohan Business Centre, an office building in Prague. The transaction fee was EUR 31.3 million, i.e. approximately CZK 740 million. Investing in the fund is possible via bank's applications.

Instalment loans for small business owners

A new product was added into the portfolio for small business owners – instalment loans from CZK 10,000 to CZK 6,000,000. It can be used without stating the intended purpose. One of the benefits is online approval, possibility of free prepayment or change of instalment without any fees.

New branch in Slovakia

Fio banka expanded its network in Slovakia to 25 branches. As the latest addition, bank opened a branch in Rožňava, which will provide full banking and investment services primarily for local clients from the Rožňava, Revúca, Rimavská Sobota and neighbouring areas.

News in Smartbanking

The continuous improvement of mobile banking in Fio banka brought new functionalities to the clients, e.g. possibility of an authorized call, easier loading of QR payments straight from the phone applications, editing of personal information or digitalization of Visa cards.

Improved offering of payment terminals and gates

Businessmen who have a payment terminal or gate provided by Fio banka will now receive their money during the day after payment (D+1), including weekends/holidays. The bank has unified the process of settlements for all card types and payment methods.

Contact payment

Fio banka, as one of the six banks, has launched a revolutionary innovation on the Czech banking market – contact payments. Clients, physical persons, can now send a payment up to CZK 5,000 only knowing the phone number of the recipient, making remembering the account number obsolete.

30 years of Fio banka on the market

Fio banka celebrated its 30-year anniversary since it began operations in 1993. Its original purpose was equity trading on the market, later it expanded its services to banking which resulted in creating one of the highest valued Czech banks and companies.

Network of ATMs in Slovakia

Towards the end of the year, Fio banka launched its own network of ATMs in Slovakia with the initial number of 14 ATMs placed at the branches with plans for further expansion. All ATMs are recycling, allowing for both deposit and withdrawal of cash.

Major awards

Fio banka won in four categories in competition Zlatá mince 2023 which has been awarding the best financial products on the Czech market since 2003. It claimed first place for regular account, business account, business loan and investment app Fio e-Broker.

As part of the products assessment by a specialized server Finparáda, the bank has won three Public Awards – for personal account, business account and mortgage. Fio business account also won third place in the professional panel assessment.

In Slovakia, we have scored well in an independent competition of financial products Zlatá minca, where we have won one gold, one silver and two bronze medals. Fio business account won first place for the third straight year, silver medal was won by the savings account. Fio personal account and term deposit contributed with bronze medal.

Fio banka confirmed its position also in a customer satisfaction survey conducted by KPMG, based on which it is the second favourite brand in financial services and fourth overall in Czech Republic. In Slovakia, it is the third favourite financial institution.





1. Miesto
Podnikateľské účty



2. Miesto
Sporiace účty



3. Miesto
Termínované vklady



3. Miesto
Bankové účty

Structure of the branch network

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

Corporate ID: 61858374

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

Branches (as of 31. 12. 2023) – town, street, postal code, e-mail:

Czech Republic

Beroun, nám. M. Poštové 854, 266 01, beroun@fio.cz
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Brno, Nové Sady 988/2, 602 00, brno.sady@fio.cz
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Organisational branch:

Fio banka, a.s., pobočka zahraničnej banky (Slovakia)
Corporate ID: 36 869 376, registered office: Dunajská 1, Bratislava 811 08

Offices:

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Trading on the markets in the Czech Republic

The Prague Stock Exchange was one of the best performing markets in Europe. If we include paid out dividends, measured by the PXTR index, it increased by 28.1%. Index PX without dividends added for 17.67%. After an unsuccessful year 2022, the investors rebounded on the domestic market.

One of the negatives could be a decline on trading volume on Prague Stock Exchange equity market, which after three years of growth, decreased by 26% to CZK 123.5 billion. On the other hand, the START market's volumes increased year-on-year by 143%.

The best performing equity was the banking group Erste, which grew by 25.8%. The bank shows great results, regardless of the windfall tax in Austria. Part of the positive results was caused by buy back of own shares (EUR 270 million) and devaluation of the Czech Crown; for Erste the reference price is in EUR on the Vienna Stock Exchange. The second place was taken by ČEZ, with year-on-year appreciation of 24.48%. Furthermore, ČEZ paid out a historic dividend of CZK 145 per share. Considering this dividend, the best strategy was to hold shares of energy providers. It was also a great year for shares of domestic banks. Moneta appreciated by 23.16%, helped by the information about the intention to pay out 80% of net profit to the shareholders. Behind Moneta was the insurance company VIG (+19.71%), high interest rates correspond well with its business model. Additionally, Kofola ended the year with a profit, its share gained 13.11%. From the banking sector, the worst performer was Komerční banka, shares of which appreciated by "only" 10.61%. On the other side of the spectrum, the biggest loser on the Exchange were the shares of Pilulka, which lost a significant 62.15%. The company is struggling with international expansion and previous plan about sales growth went out of the window. We put to the losing group the shares of Photon Energie (-31,7 %), Philip Morris ČR (-6,5 %) a COLT CZ (-3,8 %). Shareholder of Philip Morris ČR had to deal with increasing consumption taxes. To their benefit, however, they had a gross dividend of CZK 1,310 per share (+8.4%). Dividend of CZK 30 was paid out to shareholders of Colt CZ. Mmcité entered the START market, aimed for small and medium enterprises. The company Gevorkyan, which manufactures metal parts using dust metallurgy, transferred from START to the regulated PRIME Market. It was the first such transfer on the Prague Stock Exchange ever.

Foreign market trading

The equity markets in 2023 corrected the losses from 2022. Compared to last year the situation has changed and the equity indices were led by growing segments of the equity market. Shares of growth companies are typically higher valued and more sensitive to interest rate movements. The investors started, due to fading inflation, to account for relatively quick decrease in interest rates in 2024, which led to higher valuation of such companies.

Considering the increased representation of growth companies, the US equity market had the best performance as part of a gain of 24.2% of the S&P500 index. Relatively lower performance was seen on the European indices with larger participation of the more traditional sectors. Paneuropean index Stoxx Europe 600 gained 12.7%. The Japanese market also performed well. On the other hand, Chinese equity continued to struggle. Out of individual equity sectors, we highlight the growth of the technology sector, specifically share of companies with exposure to AI development. Technological index Nasdaq Composite grew by 43.4%.

Higher interest rates are gradually cooling the economy and inflation is decreasing via fading of supply shocks. Some European countries are going through a mild recession, due to weak industry sector. Services and the labour market remain in a relatively robust state. The development of the bond and equity markets considers a soft landing of the economy, i.e. return of the inflation to the target of central banks without a deep recession and return to economic growth and acceleration of corporate profits in 2024.

Proprietary trading

In 2023, Fio banka continued its market maker role in the Prague Stock Exchange in all issues placed on the PRIME Market which are also part of the PX index. The total volume of stock market trades decreased to CZK 41.433 billion from CZK 60.66 billion after the total trading volume on the Prague Stock Exchange decreased as well. In terms of ranking of the participants with respect to the volume of realized trades, the bank placed third. In total volume of bond trades, Fio banka increased the volume from CZK 543 million to CZK 1.19 billion, leading to a second place on the exchange.

During 2023, Fio banka kept building its bond portfolio. Specifically, it replaced maturing issues, increased its portfolio volume, and increased the clients' deposits volume. The conditions on the bonds market were very favourable, the performance reached multiyear maxima. The total portfolio volume grew by 27.76% year-to-year to CZK 160.52 billion at the 2023 year-end. Individual trades were conducted via primary auctions. Government bonds remain the only instruments in the portfolio, mostly the issues of Czech Ministry of Finance with the remaining being Slovakian government bonds.

The conditions on the money market were favourable as well since the two-week repo rate was set at the level of 7% since June 2022 and maintained for most of the 2023. The first decrease to 6.75% happened towards the end of the year as a reaction by the Czech National Bank to lower inflation. Further rate cuts are expected in 2024. Therefore, Fio banka was able to advantageously allocate available resources using the two-week repo transactions with the Czech National Bank.

Information on the Company's assets and financial situation

The Bank's total assets amounted to CZK 266,392,362 thousand as of 31 December 2023, principally comprising cash in hand and balances with central banks of CZK 39,958,738 thousand, government zero-coupon bonds of CZK 9,104,319 thousand, loans and receivables to banks and cooperative credit unions of CZK 2,507,363 thousand, loans and receivables to customers of CZK 50,454,057 thousand, debt securities of CZK 160,519,676 thousand, shares, share certificates and other equity investments of CZK 1,079,279 thousand, investments in subsidiaries of CZK 115,277 thousand and other assets of CZK 2,171,355 thousand.

In 2023, the Company recorded a net fee and commission income of CZK 1,024,110 thousand, a net interest income of CZK 7,603,134 thousand and income from financial transactions of CZK 889,034 thousand. The Bank's profit from ordinary activities before tax was CZK 7,511,296 thousand.

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

After assessing the impacts of the war between the Russian Federation and Ukraine on its business activities, the Bank has concluded that no negative events occurred that would have a material impact on its ability to continue as a going concern and generate profit. The Bank will continue to monitor the possible impact of this military conflict and accept all necessary measures to mitigate the impacts not only on the Bank and its employees but primarily on its clients.

Successful expansion of the Bank's credit portfolio as well as an increase in other indicators resulted in a larger volume of risk exposures. As of 31 December 2023, the Bank's capital ratio was 33.32% (of which 33.32% constitutes the Tier 1 capital ratio), which is above the level of regulatory requirements, constituting a secure level for risk coverage.

Information on the contribution to the Guarantee Fund

As a securities trader, Fio banka, a.s., contributes to the Securities Traders Guarantee Fund, that provides for a guarantee scheme, from which compensation is paid to clients of securities traders that become unable to honor their obligations. The basis for calculating the Bank's contribution to the Securities Trader Guarantee Fund paid in 2023 amounted to CZK 180,545,298.64. The Bank's contribution amounted to CZK 3,610,905.97.

Information on the promotion of environmental or social performance and sustainable investment

Fio banka does not promote environmental or social characteristics or a combination of these characteristics. The bank does not pursue the goal of sustainable investment. The bank does not pursue the goal of reducing carbon emissions.

The Bank does not invest purposefully in economic activity that contributes to an environmental objective within the meaning of Article 2(17) of Regulation (EU) 2019/2088.

The Bank's investments do not consider the EU criteria for environmentally sustainable economic activities.

The Company does not consider the adverse impacts of its investment decisions on sustainability factors (within the meaning of Article 2(24) of the SFDR) primarily due to the Bank's business decision. Some of these reasons are discussed in more detail in Article XVII "Sustainability Policy" in the "Information on Investment Instruments, Protection of Investment Instruments and Client Money and Certain Other Information Regarding Trading in Investment Instruments" document, available at <https://www.fio.cz/o-nas/dokumenty-ceniky/vzory-smluv>.

E. Statutory, Supervisory and Other Bodies

Board of Directors:

Mgr. Jan Sochor, Chairman of the Board of Directors

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

Mgr. Josef Valter, Member of the Board of Directors

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

Ing. Jan Blaha, Member of the Board of Directors

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

Mgr. Filip Novotný, Member of the Board of Directors

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

Ing. Jakub Schmid, Member of the Board of Directors

Mr Schmid graduated from the Faculty of Finance and Accounting at the Prague University of Economics and Business. He has been working for Fio Financial Group since July 2001, when he joined the Group as an employee of the Client Division Headquarters, then he assumed the position of the Director of the North-Bohemian sector within the Client Division, followed by the position of the Director of the Branch Network and since October 2014, the Director of the Client Division. In July 2022, he became the Director of the Credit Division and a member of the Bank's Board of Directors.

Daniel Ditrich, Member of the Board of Directors

Mr Ditrich studied IT at Perth Commercial College in Australia. He has been with Fio Financial Group since 2001, when he joined the Technical Support Department. Since 2010, he has been responsible for managing the Bank's technical departments. In 2014, he became the Director of Operations Management and was responsible for managing the departments of network administrators, servers and databases, payment cards and ATM management, technical support, and software testing. He has been a member of the Bank's Board of Directors and Director of the Operations Division since 1 July 2022.

Under Section 8 (1) of Act No. 21/1992 Coll. on Banks, as amended, the Bank's Board of Directors had six members as of 31 December 2023.

Supervisory Board:**Mgr. Romuald Kopún**, Chairman of the Supervisory Board

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

RNDr. Petr Marsa, LL.M. MBA, Member of the Supervisory Board

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

Ing. Marek Polka, Member of the Supervisory Board

Mr Polka graduated from the Faculty of Finance and Accounting at the Prague University of Economics and Business. He has been with Fio Financial Group since May 2001, when he joined the Prague branch as a client officer. Over time, he progressed through the positions of Temporary Branch Manager in Plzeň, Manager of the largest branch of the Financial Group in Prague and then Head of the entire Client Service Department, in April 2006, he became the Head of the Client Division of Fio Financial Group. On 1 April 2006, he became a member of the Board of Directors of Fio, družstevní záložna and on 3 May 2010, the Chairman of the Board of Directors of Fio, družstevní záložna. As Head of the Client Division, his primary tasks were to ensure the proper operation of branches, manage customer relations and the product line. From 24 September 2014 to 30 June 2022, Mr Polka held the position of the Director of the Bank's Credit Division. He was a member of the Bank's Board of Directors from 25 March 2015 to 30 June 2022. Since 1 July 2022, he has been a member of the Bank's Supervisory Board.

Audit Committee:

Ing. Jan Kotíšek, MBA, Chairman of the Audit Committee

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

RNDr. Petr Marsa, LL.M. MBA, Vice-chairman of the Audit Committee

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

Ing. Václav Svoboda, Member of the Audit Committee

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

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

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

F. Other Information

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

The number of average recalculated headcount and changes thereof are disclosed in the notes to the financial statements for the year ended 31 December 2023 which are part of this annual report. Increasing the number of the Company's staff corresponds to the Company's strategy aimed at the continuous increase of the quality of provided services.

The Company incurred no costs on research, development, and environmental protection in 2023. The costs of labour relations incurred in 2023 are disclosed in the notes to the financial statements for the year ended 31 December 2023 which are part of this annual report.

Based on a decision of the Board of Directors of 5 May 2010, an organisational branch of the Company was established in Slovakia: Fio banka, a. s., pobočka zahraničnej banky, corporate ID: 36 869 376, Dunajská 1, Bratislava – mestská časť Staré mesto, PC: 811 01, Slovakia.

The Company will continue to operate as a going concern.

The Company did not acquire any treasury shares during the audited period.

Significant Post Balance Sheet Events

No events occurred subsequent to the balance sheet date on 31 December 2023 that would have a material impact on the Bank's operation and financial performance.

Impacts of the war between Russia and Ukraine on the Bank

Fio banka, a.s. operates only on the Czech and Slovak markets, and it is, therefore, not directly affected by the ongoing war conflict in Ukraine, nor does the conflict affect Fio banka's investments or other projects.

During 2023 and between January and April 2024, the Bank introduced measures in line with the relevant sanction regulations; however these sanctions have an impact only on marginal share of the Bank's clients.

Head of the organisational unit:

Ing. Roman Vitek

Mr Vitek is a graduate of the Faculty of Finance and Accounting at the Prague University of Economics and Business in the field of Economic Analysis. While still studying, he started working at the Fio Financial Group, when in 2010 he joined the Prague branches as a client officer. Subsequently, he held the position of Branch Manager and in 2013, he became the Regional Manager for Central Bohemia. In 2018, he was appointed Deputy Head of the Client Division, responsible for the Bank's branch network in the Czech Republic. He was appointed Head of the Client Division in July 2022. In August of the same year, he became the Head of the Organisational Unit in Slovakia.

G. Persons Responsible for the Annual Report

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

In Prague on 24 April 2024

Mgr. Jan Sochor
Chairman of the Board of Directors

Mgr. Josef Valter
Member of the Board of Directors



Auditor's Report



English translation

Independent Auditor's Report

To the shareholders of Fio banka, a.s.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fio banka, a.s., with its registered office at V Celnici 1028/10, Praha 1 (the "Bank") as at 31 December 2023, and of the Bank's financial performance and cash flows for the year ended 31 December 2023 in accordance with Czech accounting legislation.

What we have audited

The Bank's financial statements comprise:

- the balance sheet as at 31 December 2023;
- the income statement for the year ended 31 December 2023;
- the statement of changes in equity for the year ended 31 December 2023;
- the statement of cash flows for the year ended 31 December 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the "EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

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Our audit approach

Overview

Materiality	CZK 375,5 million, which represents 5% of profit for the period before tax
Key audit matters	Risk of impairment of loans and other receivables from clients

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate, on the financial statements as a whole.

Overall materiality for the Bank	CZK 375.5 million
How we determined it	Materiality for the Bank was determined as 5% of profit before tax of CZK 7 514 million.
Rationale for the materiality benchmark applied	We decided to use profit before tax as the main goal is profit generation and the users focus on this information. To use 5 % of profit before tax corresponds to optimal audit practice for public interest entities.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Risk of impairment of loans and other receivables from clients</p> <p>In the statement of financial position and in Note 4.3 of the financial statements as of 31 December 2023, the Bank reported a portfolio of loans to customers in the gross amount of CZK 50,454 million. As of 31 December 2023, the Bank reported provisions in the amount of CZK 1,762 million against the loan portfolio.</p> <p>The risk of loan irrecoverability is an inherent part of banking activities, the quantification of credit loss allowances is the largest estimate that has a direct and significant impact on profits. Management's approach for determining the assumptions that have the greatest influence on the proper valuation of loans is described in Notes 3.14 and 6.4 of the financial statements.</p> <p>Key parameters for quantification of these losses in accordance with IFRS 9 Financial instruments are probabilities of default, loss given defaults, including assessment of collateral quality and the identification of a significant increase in credit risk (SICR) since the initial recognition of loans and advances. Forward-looking information and expected development scenarios derived from it also play a significant role.</p> <p>In 2023, the performance of the Bank's loan portfolio and the related provisions for credit losses were affected by a number of external factors: the economy was still under the influence of reduced global demand and high (albeit no longer accelerating) inflation, which caused an environment of high interest rates, a decline in consumption and continued market uncertainty and volatility.</p> <p>The Bank responded to this mainly by updating the model of the probability of loan defaults in both the short and long term.</p>	<p>When assessing credit risk and loan impairment, we specifically focused on whether the updating of the credit risk models, including the updating of key parameters, reflects significant uncertainties related to the current and future situation and what effect this had on the calculation of expected credit losses.</p> <p>Our approach was based on the verification of the control system that the Bank has built within this area and on the direct verification of the financial information reported by the Bank in the financial statements.</p> <p>Firstly, we have assessed the policies for creating impairment loss allowances, including the procedures for collateral valuation, their compliance with IFRS 9 and the control system ensuring that they are adhered to.</p> <p>We continued with the verification of individual parameters entering into the calculation of provisions for loans. Our experts for credit risk modelling assessed whether the key parameters were correctly set up in the models for calculating expected credit losses and subsequently correctly used in the calculation of expected credit losses.</p> <p>In connection with the forward-looking information estimation model, taking into account regulatory recommendations and established practices, we assessed the underlying macroeconomic forecasts from external sources that were chosen by the Bank and the weights assigned to the expected scenarios.</p> <p>We also assessed the approach to the classification of borrowers according to the Bank's relevant policies, based mainly on days past due and on the identification of a significant increase in credit risk (SICR) since the initial recognition of the loan.</p> <p>We also assessed on a chosen sample the correct allocation of days past due, the classification of loans into the three stages as defined by IFRS 9 and collateral valuation procedures.</p> <p>With regard to the process of calculating expected credit losses being carried out in banking systems, we also used our IT specialists to verify access rights, accuracy of data inputs, data processing and automated calculations within these banking systems.</p> <p>Our credit risk modelling experts subsequently performed an independent recalculation of expected credit losses, including individual key parameters entering into the calculation of expected credit losses.</p> <p>We also verified the adequacy of disclosures that are required by IFRS, as adopted by the European Union.</p>

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Bank obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements, both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- 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 has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Bank for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board of the Bank is responsible for overseeing the financial reporting process.

The audit committee of the Bank is responsible for monitoring the financial statements' preparation process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued today in accordance with Article 11 of the EU Regulation.

**Appointment of auditor and period of engagement**

We were appointed as the auditors of the Bank for year 2023 by the general meeting of shareholders of the Bank on 3 March 2023. Our uninterrupted engagement as auditors of the Bank has lasted for one year.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Bank that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services that we have provided to the Bank in the period from 1 January 2023 to 31 December 2023 are disclosed in Note 4.21 of the notes to the financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Eva Loulová.

24 April 2024

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

Eva Loulová
Statutory Auditor, Licence No. 1981

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.



The Company's Financial Statements for the Year Ended 31 December 2023

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

Registered Office: V Celnici 1028/10,117 21 Praha 1

Legal Status: Joint Stock Company

Corporate ID: 618 58 374

Components of the Financial Statements:

Balance Sheet

Off Balance Sheet Accounts

Profit and Loss Account

Cash Flow Statement

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 24 April 2024.

Statutory body of the reporting entity	Signature
Mgr. Jan Sochor Chairman of the Board of Directors	
Mgr. Josef Valter Member of the Board of Directors	

Financial Statements for the Year Ended 31 December 2023

Business name: Fio banka, a.s.
Registered office: Praha 1, V Celnici 1028/10, PSČ 11721
Company ID: 61858374

Balance sheet as of 31.12.2023

in CZK thousand

No.	Text	Line	Current period			Prior period
			Gross	Adjustment	Net	Net
1.	Cash in hand and balances with central banks	1	39 958 738	0	39 958 738	57 145 311
2.	Government bonds and other securities received by the Central Bank	2	9 104 319	0	9 104 319	0
2.a)	Government securities	3	9 104 319	0	9 104 319	0
3.	Loans and receivables to bank and cooperative credit unions	5	2 507 363	0	2 507 363	3 189 912
3.a)	Repayable on demand	6	2 404 763	332	2 404 431	2 725 835
3.b)	Other receivables	7	102 932	0	102 932	464 077
4.	Loans and receivables to customers	8	52 215 814	1 761 757	50 454 057	41 255 472
4.a)	Repayable on demand	9	1 278 003	561 903	716 100	676 197
4.b)	Other receivables	10	50 937 811	1 199 854	49 737 957	40 579 275
5.	Debt securities	11	160 519 676	0	160 519 676	125 639 582
5.a)	Issued by government institutions	12	160 507 825	0	160 507 825	125 630 000
5.b)	Issued by other entities	13	11 851	0	11 851	9 582
6.	Shares, share certificates and other equity investments	14	1 079 279	0	1 079 279	211 016
8.	Investments in associates	17	115 277	0	115 277	82 582
9.	Intangible fixed assets	19	59 112	44 300	14 812	19 508
9.b)	Goodwill	21	-1 143	-1 143	0	0
10.	Tangible fixed assets	22	712 544	373 382	339 162	362 119
	Land and buildings for operating activities	23	480 720	275 219	205 501	245 822
11.	Other assets	24	2 171 567	212	2 171 355	1 437 709
13.	Prepayments and accrued income	26	128 324	0	128 324	85 001
TOTAL ASSETS		27	268 572 013	2 179 651	266 392 362	229 428 212
1.	Due to banks and cooperative credit unions	28			179 212	33 215
1.a)	Repayable on demand	29			179 167	33 171
1.b)	Other payables	30			45	44
2.	Due to customers	31			241 058 067	212 102 283
2a)	Repayable on demand	32			229 569 114	204 643 283
2b)	Other payables	33			11 488 953	7 459 000
3.	Payables from debt securities	34			601 417	601 417
3a)	Issued debt securities	35			601 417	601 417
4.	Other liabilities	37			4 545 906	3 531 167
6.	Provisions	39			1 035 678	724 300
6.b)	Provisions for taxes	41			1 030 814	721 804
6.c)	Other provisions	42			4 864	2 496
7.	Subordinated liabilities	43			90 000	90 000
8.	Share capital	44			760 000	760 000
8.a)	Share capital paid up	45			760 000	760 000
13.	Valuation gains or losses	55			58 827	510
13.a)	Retranslation of assets and liabilities	56			58 170	0
13.c)	Retranslation of equity holdings	58			657	510
14.	Retained earnings or accumulated losses brought forward	59			11 585 320	7 179 786
15.	Profit/(loss) for the period	60			6 477 935	4 405 534
TOTAL LIABILITIES		61			266 392 362	229 428 212

Off balance sheet accounts as of 31 December 2023

In CZK thousand

No.	Text	Current period	Prior period
1.	Issued commitments and guarantees	26 480 253	28 171 668
4.	Receivables from fixed term transactions	18 837 068	22 853 498
10.	Received pledges and collateral	66 267 484	74 165 908
12.	Liabilities from fixed term transactions	18 716 688	23 351 302
14.	Assets received into custody administration and safe keeping	99 449 616	83 996 560

Profit and loss account for the year ended 31 December 2023

In CZK thousand

No.	Text	Line No.	Current period	Prior period
1.	<i>Interest income and similar income</i>	PL1	11 064 379	6 924 622
	Interest income from debt securities	PL2	5 744 527	4 215 774
2.	<i>Interest expense and similar expense</i>	PL3	3 461 245	1 512 377
	Interest expense from debt securities	PL4	268 409	338 077
3.	<i>Income from shares and participation interests</i>	PL5	11 825	6 107
3.c.	Income from other shares and participation interests	PL8	11 825	6 107
4.	<i>Commission and fee income</i>	PL9	1 024 110	1 018 694
5.	<i>Commission and fee expense</i>	PL10	380 787	366 667
6.	<i>Profit or loss on financial operations</i>	PL11	889 034	795 697
7.	<i>Other operating income</i>	PL12	41 960	57 388
8.	<i>Other operating expense</i>	PL13	172 627	160 060
9.	<i>Administrative expenses</i>	PL14	1 433 442	1 126 484
9.a.	Staff costs	PL15	321 097	184 172
9.a.1.	Of which: social security and health insurance	PL16	53 755	36 852
9.b.	Other administrative expenses	PL17	1 112 345	942 312
11.	<i>Depreciation/amortisation, charge for and use of provisions and allowances for tangible and intangible fixed assets</i>	PL19	110 261	96 414
12.	<i>Releases of provisions and reserves for receivables and guarantees, gains from written-off assets</i>	PL20	2	0
13.	<i>Write-offs, charge for and use of allowances and provisions for receivables and guarantees</i>	PL21	-5 653	423 178
17.	<i>Charge for and use of other provisions</i>	PL25	0	-539
18.	<i>Share of profits/(losses) of subsidiaries and associates</i>	PL26	32 695	10 976
19.	<i>Profit/(loss) for the period from ordinary activities before taxes</i>	PL27	7 511 296	5 128 843
23.	<i>Income tax</i>	PL31	1 033 361	723 309
24.	<i>Profit/(loss) for the period</i>	PL32	6 477 935	4 405 534

Financial Statements for the Year Ended 31 December 2023

Cash Flow Statement

For the year ended 31 December 2023

In CZK thousand

		Year ended 31.12.2023	Year ended 31.12.2022
P.	Opening balance of cash and cash equivalents	59 975 594	56 817 080
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	7 511 296	5 128 843
A.1.	Adjustments for non-cash transactions	-7 295 566	-3 249 704
A.1.1.	Impairment loss on loans, receivables and financial investments	-5 653	423 178
A.1.2.	Depreciation of fixed assets	110 261	96 414
A.1.3.	Change in provisions	728	27
A.1.5.	Revenues from dividends/profit shares	-11 825	-6 107
A.1.6.	Interest expense and interest income and fees	-8 246 457	-6 064 272
A.1.7.	Revaluation of securities and derivatives	138 238	781 131
A.1.8.	Profit/(loss) on the sale of financial assets and liabilities	-53 565	16 337
A.1.9.	Unrealised foreign exchange gains and losses	772 708	1 503 588
A.*	Net operating cash flow before changes in working capital	215 730	1 879 139
A.2.	Change in operating assets and liabilities	-21 290 165	-757 370
A.2.1.	Change in loans and receivables to bank and customers	-8 831 787	-4 087 725
A.2.2.	Change in due to banks and customers	28 348 647	7 641 573
A.2.3.	Change in securities	-41 862 881	-4 480 373
A.2.4.	Change in other assets, prepayments, and accrued income	-94 134	-1 322 721
A.2.5.	Change in other liabilities, deferred income, and accrued expenses	1 149 990	1 491 876
A.**	Net cash flow from operations before tax	-21 074 434	1 121 770
A.3.	Interest paid	-3 907 401	-1 838 728
A.4.	Interest received	9 104 327	4 614 654
A.5.	Income tax paid from ordinary operations	-1 517 778	-609 474
A.6.	Received profit shares	11 825	6 107
A.***	Net operating cash flows	-17 383 461	3 294 329
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-120 888	-148 514
B.***	Net investment cash flows	-120 888	-148 514
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-30 000	12 699
C.***	Net financial cash flows	-30 000	12 699
F.	Net increase or decrease in cash and cash equivalents	-17 534 349	3 158 514
R.	Closing balance of cash and cash equivalents	42 441 245	59 975 594

Financial Statements for the Year Ended 31 December 2023

Statement of changes in equity

In CZK thousand

	Share capital	Valuation gain or losses	Retained earnings/(loss) brought forward	Profit or loss in the approval process	Total
Balance as of 1 January 2022	760 000	285	4 841 777	2 338 009	7 940 071
FX differences and valuation differences not included in profit or loss		225			225
Net profit/loss for the period				4 405 534	4 405 534
Transfers to funds			2 338 009	-2 338 009	0
Balance as of 31 December 2022	760 000	510	7 179 786	4 405 534	12 345 830
FX differences and valuation differences not included in profit or loss		58 317			58 317
Net profit/loss for the period				6 477 935	6 477 935
Transfers to funds			4 405 534	-4 405 534	0
Balance as of 31 December 2023	760 000	58 827	11 585 320	6 477 935	18 882 082

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

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

Legal status: Joint Stock Company

Corporate ID: 618 58 374

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1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

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

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

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:
 - a) Acceptance of deposits from the general public;
 - b) Extension of credit; and
- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:
 - a) Investing in securities on the Company's own account;
 - b) Finance lease;
 - c) Payments and clearing;
 - d) Issuance and administration of payment facilities, e.g. credit cards and traveller's cheques;
 - e) Issuance of guarantees;
 - f) Opening of letters of credit;
 - g) Collection services;
 - h) Provision of investment services within the scope of principal investment services.

Within the scope of principal investment services:

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

And within the scope of additional investment services

- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
 - Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
 - Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
- i) financial brokerage;
 - k) foreign exchange services;
 - l) provision of banking information;
 - m) proprietary trading or trading on a client's account with foreign currencies and gold;
 - n) rental of safe-deposit boxes; and
 - o) activities that directly relate to the activities in the banking licence
 - p) provision of identification services in the sense of 1 paragraph (4) (c) Act No. 21/1992 Coll., on banks,
 - q) activities performed for others, if they are related to operation of the bank and operation of securities dealers, financial institutions and auxiliary service enterprises controlled by the bank.

Company's share capital: CZK 760,000 thousand
 Balance sheet date: 31 December 2023
 Financial statements prepared on: 30 April 2024
 Accounting period: Calendar year
 Currency used in the financial statements: Czech crown (CZK)

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

Shareholder	Ownership percentage
Fio holding, a.s., V Celnici 1028/10, PSČ 117 21, Praha 1	100 %
Total	100 %

Fio holding, a.s. is owned by its shareholder Mr Petr Marsa and Mr Romuald Kopun, who both own 50% of the shares of Fio holding, a.s. and who act in concert. Thus, they indirectly control Fio banka, a.s.

Subject of business of the organisational branch of Fio banka, a.s. operating in the Slovak Republic (Fio banka, a.s., pobočka zahraničnej banky):

- Acceptance of deposits from the general public
- Extension of credit
- Finance lease
- Payments and clearing
- Issuance and administration of payment facilities, e.g. credit cards and travellers' cheques

- Issuance of guarantees
- Proprietary trading and trading on client accounts in foreign exchange
- Portfolio management in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings
- Custody and administration of financial instruments for the account of clients, including safekeeping and related services, such as management of cash or guarantees, in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures which may be settled physically or in cash, (d) options, futures, swaps, forward rate agreements and other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), (e) options, futures, swaps and other derivative contracts relating to commodities which must be physically settled provided they relate to a regulated market and/or MTF, (f) options, futures, swaps, forwards and other derivative contracts relating to commodities which may be physically settled by no other means than those referred to in the preceding point and which do not serve a commercial purpose, which have different characteristics from derivative financial instruments with regard to, inter alia, whether they are cleared or settled through recognised clearing houses or are subject to customary margin calls, (g) derivative instruments for the transfer of credit risk, (h) contracts for differences, (i) options, futures, swaps, forward rate agreements and other derivative contracts relating to climate variables, transport rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), as well as other derivative contracts relating to assets, rights, obligations, indices and measures that are not otherwise listed in Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council with regard to, inter alia, whether they are traded on a regulated market or MTF, cleared and settled through recognised clearing houses or subject to normal margin calls

The granting of credit and loans to an investor to enable a transaction in one or more financial instruments to be carried out, where the company granting the credit or loan is involved in the transaction, in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings.

- The issuance of electronic money
- Receiving and transmitting instructions relating to one or more financial instruments in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures which may be settled physically or in cash, (d) options, futures, swaps, forward rate agreements and other derivative contracts relating to commodities which must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), (e) options, futures, swaps and other derivative contracts relating to commodities which must be physically settled provided that they relate to a regulated market and/or MTF, (f) options, futures, swaps, forwards and other derivative contracts relating to commodities which may be physically settled in no other means than those referred to in the previous point and which do not serve a commercial purpose, which have different characteristics from derivative financial instruments with regard to, inter alia, whether they are cleared or settled through recognised clearing houses or are subject to normal margin calls, (g) derivative instruments for the transfer of credit risk, (h) contracts for differences, (i) options, futures, swaps, forward rate agreements and other derivative contracts relating to climate variables, transport rates, emission allowances or inflation rates or other official economic statistics which must be settled in cash or may be settled at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), as well as other derivative contracts relating to assets, rights, obligations, indices and measures that are not otherwise listed in Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council with respect to, inter alia, whether they are traded on a regulated market or MTF, cleared and settled through recognised clearing houses, or subject to normal margin calls

- Investment advisory services in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, (d) options, futures, swaps, forward rate agreements and other derivative contracts relating to commodities that must be settled in cash, or may be settled in cash at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), (e) options, futures, swaps and other derivative contracts relating to commodities which must be physically settled provided they relate to a regulated market and/or MTF, (f) options, futures, swaps, forwards and other derivative contracts relating to commodities which may be physically settled by no other means than those referred to in the preceding point and which do not serve a commercial purpose, which have different characteristics from derivative financial instruments with regard to, inter alia, whether they are cleared or settled through recognised clearing houses or are subject to normal margin calls, (g) derivative instruments for the transfer of credit risk, (h) contracts for differences, (i) options, futures, swaps, forward rate agreements and other derivative contracts relating to climate variables, traffic rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), as well as other derivative contracts relating to assets, rights, obligations, indices and measures that are not otherwise listed in Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council with respect to, inter alia, whether they are traded on a regulated market or MTF, cleared and settled through recognised clearing houses or subject to normal margin calls.

- Investment research and financial analysis or other forms of general advice concerning transactions in financial instruments in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures which may be settled physically or in cash, (d) options, futures, swaps, forward rate agreements and other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), (e) options, futures, swaps and other derivative contracts relating to commodities which must be physically settled provided they relate to a regulated market and/or MTF, (f) options, futures, swaps, forwards and other derivative contracts relating to commodities which may be physically settled by no other means than those referred to in the preceding point and which do not serve a commercial purpose, which have different characteristics from derivative financial instruments with respect to, inter alia, that they are cleared or settled through recognised clearing houses or are subject to normal margin calls, (g) derivative instruments for the transfer of credit risk, (h) contracts for differences, (i) options, futures, swaps, forward rate agreements and other derivative contracts relating to climate variables, traffic rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), as well as other derivative contracts relating to assets, rights, obligations, indices and measures that are not otherwise listed in Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council with respect to, inter alia, whether they are traded on a regulated market or MTF, cleared and settled through recognised clearing houses or subject to normal margin calls

- Proprietary trading in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, (d) options, futures, swaps, forward rate agreements and other derivative contracts relating to commodities which must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of insolvency or other event resulting in termination), (e) options, futures, swaps and other derivative contracts relating to commodities which must be physically settled provided they relate to a regulated market and/or MTF

- Foreign exchange services, where these are linked to the provision of investment services, in relation to the following financial instruments: (a) transferable securities, (b) shares in collective investment undertakings, (c) options, futures, swaps, forward rate agreements and other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivative instruments, financial indices or financial measures which may be settled physically or in cash, (d) options, futures, swaps, forwards and other

derivative contracts relating to commodities which must be settled in cash or may be settled in cash at the option of one of the parties otherwise than by reason of insolvency or other event resulting in termination, (e) options, futures, swaps and other derivative contracts relating to commodities which may be physically settled provided they are traded on a regulated market, MTF or OTF, except for wholesale energy products traded on an OTF which must be settled physically, (f) options, futures, swaps, forwards and other derivative contracts relating to commodities that may be physically settled, which are not listed in point 6 of this Section and do not serve a commercial purpose, which have characteristics like other derivative financial instruments, (g) derivative instruments for the transfer of credit risk, (h) contracts for differences, (i) options, futures, swaps, forward rate agreements and other derivative contracts relating to climate variables, transport rates, emission allowances or inflation rates or other official economic statistics, which must be settled in cash or may be settled at the option of one of the parties otherwise than by reason of insolvency or other event resulting in termination, as well as other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise listed in this section with respect to, inter alia, whether they are traded on a regulated market, OTF or MTF

- Money market intermediation

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

In the year ended 31 December 2023, the following changes were made in the Register of Companies held by the Municipal Court in Prague in respect of Fio banka, a.s. (in chronological order):

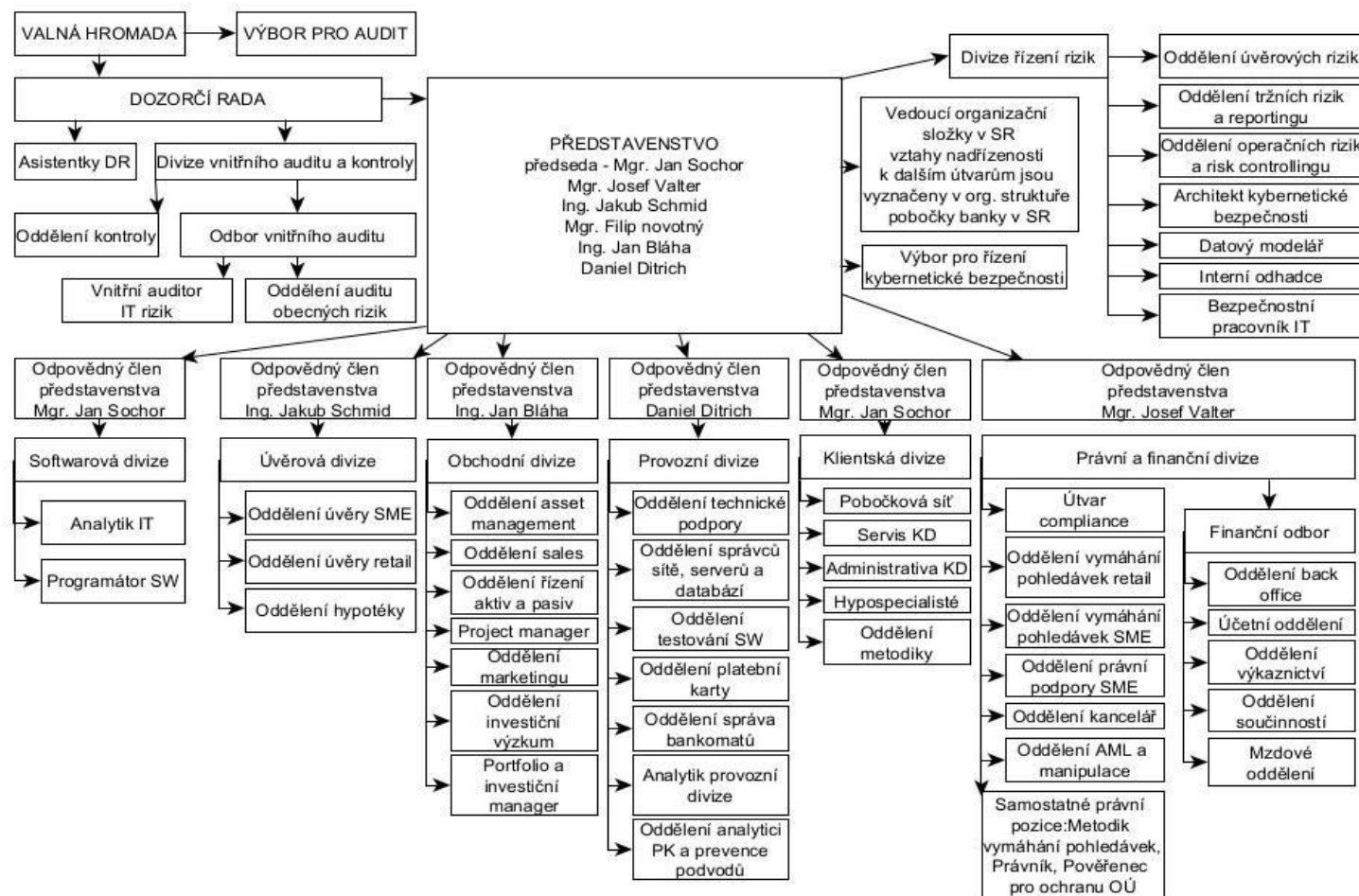
1. On 21 February 2023 the following changes were made (entered into the Register of Companies on 21 March 2023):
 - Termination of membership of Mgr. Romuald Kopún in the Supervisory Board of Fio banka, a.s.
 - Termination of position of Mgr. Romuald Kopún as the Chairman of the Supervisory Board of Fio banka, a.s.
 - Termination of membership of RNDr. Petr Marsa, MBA, LL.M. in the Supervisory Board of Fio banka, a.s.
 - Termination of the position of RNDr. Petr Marsa, MBA, LL.M. as the Vice Chairman of the Supervisory Board of Fio banka, a.s.
 - Termination of membership of Ing. Marek Polka in the Supervisory Board of Fio banka, a.s.
 - Establishment of membership of Mgr. Romuald Kopún in the Supervisory Board of Fio banka, a.s.
 - Establishment of position of Mgr. Romuald Kopún as the Chairman of the Supervisory Board of Fio banka, a.s.
 - Establishment of membership of RNDr. Petr Marsa, MBA, LL.M. in the Supervisory Board of Fio banka, a.s.
 - Establishment of position of RNDr. Petr Marsa, MBA, LL.M. as the Vice Chairman of the Supervisory Board of Fio banka, a.s.
 - Establishment of membership of Ing. Marek Polka in the Supervisory Board of Fio banka, a.s.
2. On 13 April 2023 the following changes occurred (entered in the Register of Companies on 13 April 2023):
 - Change of the residential address of Ing. Marek Polka (member of the Supervisory Board of Fio banka, a.s.)

3. On 1 August 2023 the expansion of business activity of the bank was entered into the Register of Companies, specifically expansion in terms under points q) and r).
4. On 27 September 2023 the following change occurred (entered in the Register of Companies on 11 November 2023)
 - Termination of membership of Mgr. Filip Novotný in the Board of Directors of Fio banka, a.s.
5. On 28 September 2023 the following change occurred (entered in the Register of Companies on 11 November 2023):
 - Establishment of membership of Mgr. Filip Novotný in the Board of Directors of Fio banka, a.s.

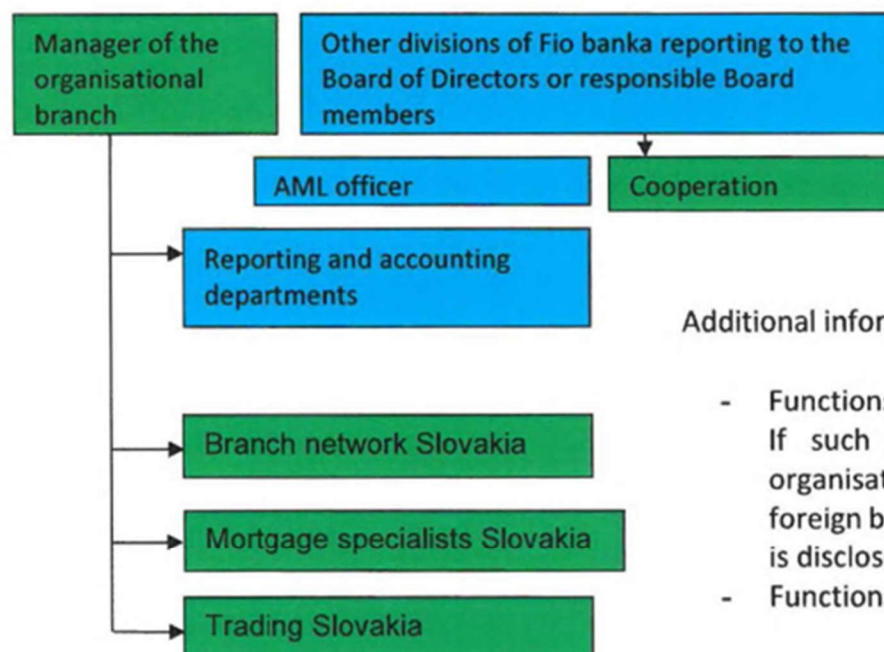
In 2023, no changes occurred in the Register of Companies maintained in the Slovak Republic by the District Court Bratislava I in the case of Fio banka, a.s. pobočka zahraničnej banky.

1.3. Organisational Structure (as of 31 December 2023)

1.3.1. Fio banka, a.s.



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



Additional information:

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

1.4. Group Identification

The Company is part of the Fio financial group.

1.5. Board of Directors and Supervisory Board

	Role	Name
Board of Directors	Chairman	Mgr. Jan Sochor
	Member	Mgr. Josef Valter
	Member	Ing. Jan Bláha
	Member	Mgr. Filip Novotný
	Member	Daniel Ditrich
	Member	Ing. Jakub Schmid
Supervisory Board	Chairman	Mgr. Romuald Kopún
	Vice Chairman	RNDr. Petr Marsa, MBA., LL.M.
	Member	Ing. Marek Polka

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

2. PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements have been prepared as of 31 December 2023 for the year ended 31 December 2023.

These financial statements are separate.

These financial statements are unconsolidated. The ultimate owner of the Bank is Fio holding, a.s., which consolidates the Group in accordance with Czech accounting regulations.

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

The past year was predominantly marked by rising inflation. In the Czech Republic, a rapid increase in interest rates was followed by a significant growth in demand for deposit products. Fio banka responded by adding the Fio Savings Account with a favourable rate without any deposit limit, not only for individuals but also for companies.

The rise in interest rates slowed down the increase in the volume of credit drawdown. It was evident in the area of mortgage lending, where interest rates, following interbank market rates, attacked multi-year highs. The situation was somewhat different in Slovakia, where European Central Bank rates started rising later.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Recognition Date

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

3.2. Financial Assets

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

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

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

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

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

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

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

The Bank distinguishes the following business models:

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

Some of the debt securities are held with trading intent and valued at fair value through P&L (FVPL); CZK 173 million in 2023).

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

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

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

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

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

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

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

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

Levels of fair value determination:

1. Price of securities on active markets (Level 1)
2. Price on other markets or price derived from them (Level 2)

3. Price not derived from the market, rather for example by the Bank's model (Level 3)

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

Derivatives are valued using Level 2 method. The future cash flows from the derivative are transferred into CZK using the market forward rate (based on the settlement date), these amounts are discounted using the PRIBOR rate as of valuation date and summed, i.e. cash inflows and outflows are netted. The valuation is performed on the individual transaction level.

Receivables from clients at amortized cost (except for bonds) are valued using Level 3 method. Future cash flows from each receivable are discounted by the risk-free yield curve based on the currency of the receivable and then are summed up. The risk-free yield curves are derived from the yield curves of government bonds based on the currency of the state, for EUR the bonds of Slovakia are used.

Transactions where securities are sold with the obligation of repurchase (repo operations) for a predetermined price or which are bought with the obligation of future resell (reverse repo operations) are treated as collateralized loans. The ownership of the security is transferred to the provider of the loan. Securities included in the repo transactions are included in the securities FSLs on the balance sheet of the bank and the amount received due to the transfer of the securities as part of the repo transaction is included in the "Payables due to banks" or "Payables due to clients". Securities received as part reverse repo transactions are treated on the off-balance sheet only, specifically in the "Received collaterals and guarantees". The loan provided as part of a reverse repo transaction is treated as "Receivables due from banks" or "Receivables due from customers". Accrued interest is included for bonds part of repo transactions, in case of bonds part of reverse repo transactions, accrued interest is not included.

Revenues and costs incurred as part of the repo or of reverse repo operations as the difference between the sale and purchase price are accrued for the duration of the transaction and reported in the profit and loss statement as "Interest income and similar income" or "Interest expense and similar expenses". Debt financial assets held by the Bank at the date of the financial statements are included in the business model whose objective is to hold the financial asset until maturity and collect the contractual cash flows and at the same time in the business model whose objective is to trade the financial asset. In the case of a business model whose objective is to hold a financial asset and collect contractual cash flows, it is not assumed that the bonds will be sold before maturity.

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

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

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

When identifying a significant increase in credit risk (SICR), the Bank follows not only a quantitative criterion (exceeding the threshold of 30 days from the due date of the contractual payment), but also qualitative criteria based on an expert assessment of the credit risk of the claim or the client (e.g. a significant decrease in the client's turnover/income, a significant increase the level of client indebtedness, frequent short-term overdraft of the credit account, non-fulfillment of the contractual terms of the credit obligation and other factors that may affect the degree of credit risk of the claim).

The Bank considers as impaired those assets for which the borrower is in arrears by 91 or more days from the due date of the contractual payment. The significance of the credit obligation for determining the category is determined by comparing the balance sheet and off-balance sheet amount of the receivable with a threshold value of CZK 2,000. The transfer of receivables from Stage 1 to Stage 2 or from Stage 2 to Stage 3 is carried out by the Bank immediately after the identification of risk factors, for transfers in the opposite direction the Bank applies a conservative approach in the form of a three-month time test, during which the given receivable is maintained in the original category and stricter monitoring the development of the credit risk level.

The allowances are created against costs and are reported in the item "Depreciation, creation and use of allowances and provisions for receivables and guarantees". When calculating allowances, i.e. expected credit losses (ECL) the Bank proceeds in accordance with accounting standards IFRS 9, or other related legislative standards. The calculation of allowances for credit losses is based on the formula $ECL = EAD \times PD \times LGD$, where:

- EAD = expected amount of receivables in default
- PD = probability of default in a specific time horizon. For receivables classified in Stage 1, the PD is calculated for a 12-month horizon, for receivables classified in Stage 2, the PD is calculated until the due date of the claim.
- LGD = rate of loss in default, adjusted by the ratio of the value of the collateral of the given receivable to its balance sheet value.

The amount of ECL is determined on a monthly basis. The Bank calculates the ECL exclusively on an individual basis, the Bank does not currently use the calculation of portfolio ECLs.

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

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

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

3.2.2. Shares, Share Certificates and Other Equity Investments

Equity financial assets are classified and valued at fair value according to IFRS 9 and reported in the profit and loss statement under the item "Profit or loss from financial operations" if the Bank did not determine during the initial reporting of this asset that it will be classified and valued at fair value reported in valuation differences within the item "Valuation differences" without the possibility of reclassifying the cumulative change in fair value from valuation differences to the profit and loss statement. Dividends from equity securities are always reported in the profit and loss statement under the item "Profit or loss from financial operations".

3.2.3. Financial Derivatives

Financial derivatives include the following financial instruments:

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

Financial derivatives are reported at fair value, with nominal values recorded off-balance sheet. The fair value is determined according to the procedure in section 3.2.1. The bank does not account for CVA or DVA in the fair value of financial derivatives.

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

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

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

3.3. Financial Liabilities

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

A financial liability or its part ceases to exist if the obligation defined by a contract is fulfilled, cancelled or its validity ends, and the reporting entity will no longer report the financial liability or its part in the balance sheet.

The difference between the value recorded in accounting of a liability or its part that ceased to exist or was transferred to another entity and the amount paid for this liability is recognised in profit or loss.

3.4. Issued Debt Securities

In 2021, the Bank issued bonds in line with minimum requirements for own funds and eligible liabilities (MREL). These securities are measured at amortised cost and reported as liabilities from debt securities. In 2022 and 2023, the Bank issued no MREL bonds.

3.5. Transactions with Securities on behalf of Clients

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

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

3.6. Investments in Subsidiaries and Associates

Investments in subsidiaries refer to investments in an entity in which the Company is a majority shareholder. In such a case, the Company has controlling influence on the entity's management, exercising full control over its activity. The influence is based on the ownership percentage or an agreement or the Articles regardless of the participation interest value. Investments in associates refer to investments in an entity in which the Company has ownership percentage (participation) of at least 20%. In such a case, the Company has substantial influence on the entity's management arising from ownership percentage or an agreement or the Articles regardless of the participation interest value.

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

3.7. Charge for Provisions

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

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

The Bank does not make any provisions for off-balance sheet receivables from undrawn loan commitments and guarantees.

3.8. Tangible and Intangible Assets

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

	Depreciation method	Number of months
Development	Straight-line	36
Software	Straight-line	36
Technical improvements on buildings	Straight-line	108
Computer systems	Straight-line	36
Vehicles	Straight-line	60
Furniture and fixtures	Straight-line	36
Other	Straight-line	36-120

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

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

3.9. Foreign Currency Translation

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

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

3.10. Taxation

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

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

3.11. Interest Income and Expense

Interest income and expense is presented in the profit and loss account when earned or incurred, on an accruals basis. Interest on loans and deposits is accrued on a daily basis. Loans and deposits are measured at amortised cost. Default interest on distressed receivables is not accrued, therefore, such default interest is not included in the Bank's income for the period.

The effective interest rate on loans is fully akin to the nominal rate as any ancillary income or costs are negligible.

Interest income and expense resulting from the holding of debt securities also involve a discount or a bonus, or other differences between the acquisition cost of the interest-bearing instrument and its value at the maturity date which is determined using the effective interest rate method.

3.12. Fees and Commissions

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

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

- Fees and commissions that are an integral part of the effective interest rate of a financial instrument and which are reported in interest income using the effective interest rate;

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

3.13. Use of Estimates

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

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

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

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

The Bank performs this adjustment as a combination of internal parameters and parameters disclosed in the Financial Stability Report and monitors the forecasts of other macroeconomic authorities. These adjustments of estimates then gradually enter into the calculation of internal PD for individual credit products, conceived as a combination of internal metrics (analyses of historical data, increased by the predicted market deterioration in line with the Financial Stability Report) and the values generally recommended by the central bank. Forward Looking Adjustment (FLA) is considered in PD. FLA is not considered in LGD and EAD.

Thus, in practice, the determination of PD is based on 3 pillars:

1. **Historical default statistics of loans granted by the bank** – historical analysis of defaults in time assessed via migration matrices using the Markov Chains.
2. **Forward Looking Adjustment (FLA)** - Consideration of the macroeconomic development outlook. Due to its size and type of activity, the bank does not create its own macroeconomic models that would predict macroeconomic variables. And that is why the FLA takes over on the basis of the Financial Stability Report, which the CNB publishes once a year. It combines both the fundamental and the negative outlook, thereby creating a prudent estimate for individual portfolios. The bank also monitors the predictions of macroeconomic parameters of other authorities (MoF, CBA, market surveys, etc.) and if an economic downturn is expected, it will make a deterioration of the PD in general for all portfolios within the framework of the FLA.

3. **Management Overlays** - General recommendations and expert estimates. The PD calculated according to the 1st and 2nd pillars can be adjusted in the final by an expert estimate, mainly for reasons of prudence, consideration of specific facts (e.g. COVID, mortgage bubble) or lack of data (usually for newer products).

For the given year, the Bank applies an expert deterioration of PD for SME loans by 0.5 pp (due to possible negative development), and a deterioration of PD by 1 pp for retail consumer loans (overdrafts, credit cards, instalment loans), mainly due to the worsening economic development. The worst expected scenario of the CNB was chosen for the FLA.

The LGD value for a specific claim is based primarily on the value and type of collateral received, as well as the return on the unsecured part of the claim. The LGD coefficient is applied to the unsecured part of the claim. The bank currently uses expertly set coefficient values.

3.15. Lease Measurement under IFRS 16

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

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

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

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

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

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

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

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

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

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

The bank uses IFRS 16 for leases of branches and ATMs.

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1. Cash in Hand and Balances with Central Banks

	(CZK '000)	
	31 December 2023	31 December 2022
Cash in hand	261 033	240 032
Accounts at central banks	10 686 857	13 942 147
Loans provided – reverse repo transactions	27 090 000	41 800 000
Cash in ATMs	1 920 848	1 163 132
Total	39 958 738	57 145 311

As of December 2023, loans arising from reverse repo transactions were secured by debt securities in the nominal amount of CZK 27 218 000 thousand (CZK 42 207 000 thousand as of 31 December 2022).

4.2. Loans and Receivables to Banks and Cooperative Credit Unions

	(CZK in '000)	
	31 December 2023	31 December 2022
Current accounts	2 404 431	2 725 835
Term deposits	102 932	464 077
Total loans and receivables to banks and cooperative credit unions	2 507 363	3 189 912

Gross amount	Payable on demand	Other receivables	rating - Fitch	rating - Moody's
CACEIS Bank	700 982	0	A+/AA-	Aa3
Clearstream Banking S.A.	1 100	0	AA	NA
Citibank Europe	104 247	0	A+	A3
Citibank NA	294 929	0	A	A3
Česká spořitelna	159 054	0	A	A1
Československá obchodní banka	108 180	102 932	NA	A1
Československá obchodná banka.	72 947	0	NA	A3
ERSTE GROUP BANK AG	140 761	0	A	A1
Komerční banka	74 220	0	A	A1
KBC Bank	703 289	0	A+	A1
Bank Pekao S.A.	44 117	0	BBB	A2
PPF Banka	75	0	NA	NA
UniCredit Bank Czech Republic and Slovakia	863	0	NA	A3
Total	2 404 763	102 932		

All receivables to banks and cooperative credit unions are in Stage 1. The allowances to these assets was not reported as of reporting date due to immateriality.

4.3. Loans and Receivables to CustomersBy contractual maturity

	(CZK '000)	
	31 December 2023	31 December 2022
Short-term loans	26 358 105	20 261 028
Medium-term loans	1 656 491	613 228
Long-term loans	22 439 461	20 381 216
Total loans and receivables to customers	50 454 057	41 255 472

Short-term loans mature within 1 year. Medium-term loans have a maturity of between one and five years. Long-term loans mature in more than five years.

By territory

	(CZK '000)	
	31 December 2023	31 December 2022
Czech Republic	39 355 015	32 941 686
Slovakia	10 418 221	8 251 463
Other countries	680 821	62 323
Total loans and receivables to customers	50 454 057	41 255 472

By client type

	(CZK '000)	
	31 December 2023	31 December 2022
Individuals	21 093 543	18 959 357
Legal entities	29 360 514	22 296 115
Total loans and receivables to customers	50 454 057	41 255 472

By segment

	(CZK '000)	
	31 December 2023	31 December 2022
Households	20 149 553	18 105 057
Real Estate	13 749 154	8 161 744
Finance	418 794	767 454
Services	7 626 333	5 579 535
Other	8 510 223	8 641 682
Total loans and receivables to customers	50 454 057	41 255 472

By classification2023

	31 December 2023			31 December 2022
	Gross	Allowances	Net	Net
Stage 1	43 500 305	156 813	43 343 492	35 194 051
Stage 2	3 715 367	151 712	3 563 655	3 753 862
Stage 3	4 729 755	1 341 868	3 387 887	2 201 589
POCI	270 387	111 363	159 024	105 971
Total loans and receivables to customers	52 215 814	1 761 757	50 454 057	41 255 472

2022

	31 December 2022			31 December 2021
	Gross	Allowances	Net	Net
Stage 1	35 373 405	188 478	35 184 927	32 224 125
Stage 2	3 688 223	210 735	3 477 488	2 776 299
Stage 3	3 718 981	1 231 894	2 487 087	2 349 709
POCI	243 812	137 842	105 970	103 544
Total loans and receivables to customers	43 024 421	1 768 949	41 255 472	37 453 677

By segment

The following tables show the classification of the gross value of the exposure, the value of correction items and the net value of the exposure by segment and stage. The following segmentation is used: SME, mortgages, and others.

- The SME segment includes operating and investment loans to legal entities and entrepreneurs.
- The mortgage segment includes installment loans to individuals secured by real estate.
- The other segment includes overdrafts, credit card loans, securities trading loans, installment loans to natural persons and unauthorized overdrafts.

Gross

2023	Stage 1	Stage 2	Stage 3	POCI	Total
SME	23 240 733	3 630 786	4 432 057	270 387	31 573 963
Mortgages	18 798 387	67 943	158 753	0	19 025 083
Other	1 461 183	16 637	138 949	0	1 616 768
Total	43 500 303	3 715 366	4 729 758	270 387	52 215 814

Allowances

2023	Stage 1	Stage 2	Stage 3	POCI	Total
SME	114 569	139 679	1 199 381	111 363	1 564 992
Mortgages	3 100	2 073	15 318	0	20 492
Other	39 141	9 959	127 173	0	176 273
Total	156 810	151 711	1 341 872	111 363	1 761 757

Net

2023	Stage 1	Stage 2	Stage 3	POCI	Total
SME	23 126 164	3 491 107	3 232 676	159 024	30 008 970
Mortgages	18 795 287	65 870	143 434	0	19 004 591
Other	1 422 042	6 678	11 776	0	1 440 496
Total	43 343 493	3 563 655	3 387 886	159 024	50 454 057

Gross

2022	Stage 1	Stage 2	Stage 3	POCI	Total
SME	17 105 672	3 866 095	3 248 293	243 812	24 463 872
Mortgages	16 755 743	82 327	63 812	0	16 901 882
Other	1 521 123	20 651	116 894	0	1 658 668
Total	35 382 538	3 969 073	3 428 999	243 812	43 024 422

Allowances

2022	Stage 1	Stage 2	Stage 3	POCI	Total
SME	123 073	199 345	1 115 006	137 842	1 575 266
Mortgages	15 795	3 377	10 675	0	29 846
Other	49 619	12 490	101 729	0	163 838
Total	188 487	215 211	1 227 410	137 842	1 768 949

Net

2022	Stage 1	Stage 2	Stage 3	POCI	Total
SME	16 982 598	3 666 750	2 133 287	105 971	22 888 606
Mortgages	16 739 949	78 950	53 138	0	16 872 036
Other	1 471 504	8 161	15 165	0	1 494 831
Total	35 194 051	3 753 862	2 201 589	105 971	41 255 472

Transfers between risk categories:

- Transfer to Stage 1 identifies loans that were in Stage 2 and Stage 3 on 1 January 2023, but were moved to Stage 1 during 2023.
- Transfer to Stage 2 identifies loans that on 1 January 2023 they were in Stage 1 and Stage 3, but during 2023 they moved to Stage 2.
- Transfer to Stage 3 identifies loans that were in Stage 1 and Stage 2 on 1 January 2023, but during 2023 they were moved to Stage 3.

- The POCI column identifies POCI loans as of 1 January 2023. Since the loans remain in the POCI category throughout the duration of the contract, they do not move between stages.
- The line of newly created receivables shows newly created loans during 2023 and their Stage at the end of 2023.
- The line of derecognised receivables shows loans that were fully repaid during 2023.
- The row of increase in receivables without Stage change shows loans for which there was an increase in drawdown during 2023.
- The debt reduction row without Stage change shows loans that were partially repaid during 2023.

The following table shows changes in the gross value by individual risk category.

	(CZK '000)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross value as of 1 January 2023	35 382 538	3 969 073	3 428 999	243 812	43 024 422
Change of allowances due to					
- Transfer to Stage 1	519 967	-515 597	-4 370	0	0
- Transfer to Stage 2	-1 882 673	1 953 589	-70 917	0	0
- Transfer to Stage 3	-765 552	-743 468	1 509 020		0
- POCI					
- Newly created receivables to customers	11 045 758	65 542	458 198	0	11 569 498
- Derecognised receivables to customers	-3 418 019	-927 160	-471 227	0	-4 816 406
- Increase in receivables without Stage change	4 483 855	339 258	211 631	27 038	5 061 781
- Decrease in receivables without Stage change	-1 865 571	-425 872	-331 576	-463	-2 623 482
Gross value as of 31 December 2023	43 500 303	3 715 365	4 729 758	270 387	52 215 814

The following table shows the reasons for allowances by risk category:

	(CZK '000)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Allowances as of 1 January 2023	-188 487	-215 211	-1 227 410	-137 842	-1 768 949
Change of allowances due to					
- Transfer to Stage 1	-8 880	5 918	2 963	0	0
- Transfer to Stage 2	16 730	-57 010	40 280	0	0
- Transfer to Stage 3	5 790	60 181	-65 971		0
- POCI					
- Newly acquired financial assets	-83 221	-19 268	-111 428	0	-213 917
- Derecognised financial assets	21 792	57 811	74 259	0	153 862
- Increase in credit risk	107 157	105 883	332 294	39 517	584 851
- Decrease in credit risk	-27 692	-90 014	-386 858	-13 039	-517 603
Allowances balance as of 31 December 2023	-156 811	-151 710	-1 341 872	-111 363	-1 761 757

If there is a change in the risk category of the claim during 2023, the allowances is first transferred between the categories (within the line "Transfer to stage 1/2/3") and the increase or decrease in the allowances that occurred during 2023 is then recorded within one category (within the row "Increase/Decrease of credit risk").

The following tables show changes in the gross value by individual risk category and for individual asset classes – SME, mortgages, and others.

SME	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	17 105 672	3 866 095	3 248 293	243 812	24 463 872
Change of allowances due to					
- Transfer to Stage 1	506 891	-506 891	0	0	0
- Transfer to Stage 2	-1 867 848	1 938 749	-70 901	0	0
- Transfer to Stage 3	-642 180	-729 827	1 372 007		0
- POCI					
- Newly created receivables to customers	7 906 602	63 739	453 358	0	8 423 699
- Derecognised receivables to customer	-2 509 696	-915 806	-457 229	0	-3 882 731
- Increase of receivables without Stage change	3 626 951	338 372	194 111	27 038	4 186 472
- Decrease of receivables without Stage change	-885 658	-423 647	-307 582	-463	-1 617 350
as of 31 December 2023	23 240 733	3 630 786	4 432 057	270 387	31 573 962
Mortgages	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	16 755 743	82 327	63 812	0	16 901 882
Change of allowances due to					
- Transfer to Stage 1	10 026	-8 542	-1 484	0	0
- Transfer to Stage 2	-11 783	11 783	0	0	0
- Transfer to Stage 3	-95 820	-9 815	105 636		0
- POCI					
- Newly created receivables to customers	2 726 586	0	258	0	2 726 844
- Derecognised receivables to customer	-532 294	-6 773	-2 620	0	-541 688
- Increase of receivables without Stage change	681 276	0	640	0	681 916
- Decrease of receivables without Stage change	-735 347	-1 037	-7 488	0	-743 871
as of 31 December 2023	18 798 387	67 943	158 753	0	19 025 083
Other	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	1 521 123	20 651	116 894	0	1 658 668
Change of allowances due to					
- Transfer to Stage 1	3 050	-164	-2 886	0	0
- Transfer to Stage 2	-3 041	3 057	-16	0	0
- Transfer to Stage 3	-27 552	-3 826	31 378		0
- POCI					
- Newly created receivables to customers	412 570	1 803	4 582	0	418 955
- Derecognised receivables to customer	-376 029	-4 581	-11 378	0	-391 987
- Increase of receivables without Stage change	175 628	885	16 880	0	193 393
- Decrease of receivables without Stage change	-244 567	-1 189	-16 506	0	-262 261
as of 31 December 2023	1 461 183	16 637	138 949	0	1 616 768

The following tables show changes in the amount of the adjustment item by individual risk category and for individual asset classes – SME, mortgages, and others.

SME	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	-123 073	-199 345	-1 115 006	-137 842	-1 575 266
Change of allowances due to					
- Transfer to Stage 1	-5 162	5 162	0	0	0
- Transfer to Stage 2	16 519	-56 783	40 264	0	0
- Transfer to Stage 3	2 885	56 175	-59 060		0
- POCI					
- Newly created receivables to customers	-67 613	-18 400	-106 846	0	-192 859
- Derecognised receivables to customer	10 128	56 186	62 421	0	128 734
- Increase of receivables without Stage change	74 211	104 807	323 815	39 517	542 350
- Decrease of receivables without Stage change	-22 464	-87 480	-344 968	-13 039	-467 952
as of 31 December 2023	-114 570	-139 678	-1 199 381	-111 363	-1 564 992

Mortgages	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	-15 795	-3 377	-10 675	0	-29 846
Change of allowances due to					
- Transfer to Stage 1	-725	630	95	0	0
- Transfer to Stage 2	56	-56	0	0	0
- Transfer to Stage 3	97	883	-981		0
- POCI					
- Newly created receivables to customers	-1 274	0	0	0	-1 274
- Derecognised receivables to customer	394	534	568	0	1 495
- Increase of receivables without Stage change	14 442	74	1 290	0	15 806
- Decrease of receivables without Stage change	-296	-763	-5 615	0	-6 673
as of 31 December 2023	-3 100	-2 073	-15 318	0	-20 492

Other	Stage 1	Stage 2	Stage 3	POCI	Total
as of 1 January 2023	-49 619	-12 490	-101 729	0	-163 838
Change of allowances due to					
- Transfer to Stage 1	-2 993	125	2 868	0	0
- Transfer to Stage 2	155	-171	16	0	0
- Transfer to Stage 3	2 808	3 122	-5 930		0
- POCI					
- Newly created receivables to customers	-14 335	-868	-4 582	0	-19 784
- Derecognised receivables to customer	11 270	1 092	11 270	0	23 632
- Increase of receivables without Stage change	18 504	1 002	7 189	0	26 695
- Decrease of receivables without Stage change	-4 932	-1 771	-36 275	0	-42 978
As of 31 December 2023	-39 141	-9 959	-127 173	0	-176 273

Receivables from clients are secured by real estate, movable property, securities, third-party claims, state guarantees, etc. in the total value of CZK 39,491,113 thousand as of 31 December 2023 (2022: CZK 32,803,048 thousand).

The following table shows the distribution of received collateral by type, product segment and stage of the receivables. The collateral is stated in the so-called "book value", which is the market value (fair value) reduced by coefficients considering the decrease in value caused by the costs of collection and accelerated sale and capped at the value of the secured claim. This value is used to calculate the adjustment items (ECL) and determine the LGD of the given claim.

(CZK '000)

segment	stage	Immovable collateral	Financial collateral	Other collateral	Total
SME	stage 1	16 055 872	15 147	258 785	16 329 804
	stage 2	3 566 245	0	65 568	3 631 813
	stage 3	2 543 009	0	0	2 543 009
	Segment total	22 165 126	15 147	324 353	22 504 626
Mortgages	stage 1	16 284 883	0	0	16 284 883
	stage 2	59 838	0	0	59 838
	stage 3	139 462	0	0	139 462
	Segment total	16 484 183	0	0	16 484 183
Other	stage 1	0	489 938	0	489 938
	stage 2	0	782	0	782
	stage 3	0	11 584	0	11 584
	Segment total	0	502 304	0	502 304
Total received collateral		38 649 309	517 451	324 353	39 491 113

In the course of 2023, the company dissolved allowances for receivables from clients in the amount of CZK 821,713 thousand. and created adjustment items for receivables from clients in the amount of CZK 814,525 thousand.

4.4. Debt Securities

	(CZK '000)	
Debt securities at amortised costs	31 Dec 2023	31 Dec 2022
Government bonds	160 334 033	125 472 158
Total at amortised cost	160 334 033	125 472 158

	(CZK '000)	
Debt securities at fair value through profit or loss	31 Dec 2023	31 Dec 2022
Government bonds	173 792	157 842
Non-government bonds	11 851	9 582
Total at fair value through profit or loss	185 643	167 424
	31 Dec 2023	31 Dec 2022
Total debt securities	160 519 676	125 639 582

	(CZK '000)	
Debt securities without territorial split	31 Dec 2023	31 Dec 2022
Czech Republic	150 142 913	122 115 788
Slovakia	10 364 912	3 514 212
USA	11 851	9 582
Total	160 519 676	125 639 582

Most debt securities in the bank's portfolio were issued in the territory of the Czech Republic.

All debt securities are classified in Stage 1. The adjustment item for debt securities valued at amortized value was not reported on the date of the financial statements due to immateriality.

4.5. Shares, Share Certificates and Other Equity Investments

	(CZK '000)	
Shares, Share Certificates and Other Equity Investments	31 Dec 2023	31 Dec 2022
Fair value through valuation gains or losses	839 923	9 779
Fair value through profit or loss	239 356	201 237
Total	1 079 279	211 016

Securities valued at fair value through valuation gains or losses.

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

As of 31 December 2023, the company held 100 shares of Burza cenných papírů Praha, a.s. with a book value of CZK 100 thousand (2022: CZK 100 thousand), 9 SWIFT SCRL shares CZK 1,727thousand (2022: CZK 1,579thousand), 222 units of Bankovní identita, a.s. with a book value of CZK 8,172 thousand (2022: CZK 8,100thousand) and 32,750thousand EUR-class investment shares of Fio realitní fond SICAV, a.s. - Fio realitní subfond I. with a book value of CZK 829,924 thousand (2022: CZK 0) and 31,000 thousand CZK-class investment shares of Fio realitní fond SICAV, a.s. - Fio realitní subfond I. with a book value of CZK 32,367 thousand (2022: CZK 31,000 thousand).

4.6. Investments in Subsidiaries

2023

						(CZK '000)
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	Valuation as of 31 Dec 2023	
RM-SYSTÉM, česká burza cenných papírů a.s.	Praha 1, V Celnici 1028/10, PSČ 117 21	31 705	100	100	43 640	
RM-S FINANCE, s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	991	100	100	28 478	
Fio forexová, s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	210	100	100	3 189	
Fio investiční společnost, a.s.	Praha 1, V Celnici 1028/10, PSČ 110 00	20 000	100	100	38 639	
Fio Consulting, spol. s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	500	100	100	1240	
Fio realitní fond SICAV, a.s.	Praha 1, V Celnici 1028/10, PSČ 117 21	100	100	100	91	
Total		53 506			115 277	

2022

					(CZK '000)
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	Valuation as of 31 Dec 2023
RM-SYSTÉM, česká burza cenných papírů a.s.	Praha 1, V Celnici 1028/10, PSČ 117 21	31 705	100	100	45 310
RM-S FINANCE, s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	991	100	100	4 744
Fio forexová, s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	210	100	100	3 191
Fio investiční společnost, a.s.	Praha 1, V Celnici 1028/10, PSČ 110 00	20 000	100	100	28 302
Fio Consulting, spol. s.r.o.	Praha 1, V Celnici 1028/10, PSČ 117 21	500	100	100	969
Fio realitní fond SICAV, a.s.	Praha 1, V Celnici 1028/10, PSČ 117 21	100	100	100	66
Total		53 506			82 582

At the moment of acquisition, the company accounts for the acquired share or participation in the acquisition price. At the date of drawing up the financial statements, participations are valued using the equity method, where the value of the equity participation is adjusted to a value corresponding to the degree of the company's equity participation in the subsidiary or associated company at the date of the financial statements. The revaluation difference as of the date of the financial statement is reported on the line Share in profits or losses of participations with decisive or substantial influence.

Shares and business interests in some companies were temporarily transferred to the company Fio banka, as for the purpose of securing receivables. Although these companies are legally owned by Fio banka, as, they do not meet the conditions of the relevant accounting regulations for their inclusion in the balance sheet of Fio banka, as, as based on the relevant concluded contracts, Fio banka, as does not control or manage the relevant activities of these companies and therefore do not represent these companies controlled or co-controlled persons, even in relation to them, the company Fio banka, as cannot be characterized as a company with substantial influence.

The increase in the value of RM-S FINANCE, s.r.o. is due to the company's profit in 2023, which corresponds to the market margin in providing of services to the parent company.

4.7. Fixed Assets

4.7.1. Intangible Fixed Assets (Intangible FA)

Cost

	31 Dec 2021	Additions	Disposals	31 Dec 2022	Additions	Disposals	31 Dec 2023
Software	21 869	2 240	0	24 109	0	0	24 109
Acquisition of Intangible FA	2 240	17 150	19 390	0	6 067	2 071	3 996
Other Intangible FA	12 930	17 149	0	30 079	2 071	0	32 150
Goodwill	-1 143	0	0	-1 143	0	0	-1 143
Total	35 896	36 539	19 390	53 045	8 138	2 071	59 112

CZK '000

Accumulated Amortisation

	31 Dec 2021	Additions	Disposals	31 Dec 2022	Additions	Disposals	31 Dec 2023
Software	21 867	2	0	21 869	0	0	21 869
Other Intangible FA	11 947	864	0	12 811	10 763	0	23 574
Goodwill	-1 143	0	0	-1 143	0	0	-1 143
Total	32 671	866	0	33 537	10 763	0	44 300

CZK '000

Net Book Value

	31 Dec 2022	31 Dec 2023
Software	2 240	2 240
Acquisition of Intangible FA	0	3 996
Other Intangible FA	17 268	8 576
Goodwill	0	0
Total	19 508	14 812

CZK '000

Negative goodwill arose during the purchase of businesses, when the company bought the businesses at a price according to an expert opinion and this price was lower than the difference between the transferred assets and liabilities.

4.7.2. Tangible Fixed Assets (Tangible FA)

Cost

	31 Dec 2021	Additions	Disposals	31 Dec 2022	Additions	Disposals	31 Dec 2023
Vehicles	5 698	1 191	0	6 889	2 043	1 058	7 874
Acquisition of Tangible FA	14 605	51 410	46 461	19 554	39 272	37 332	21 494
Lease under IFRS 16 - branches	335 197	158 805	56 652	437 350	59 479	16 109	480 720
Lease under IFRS 16 - ATMs	153 132	0	48 126	105 006	0	105 006	0
ATMs	43 928	23 250	8 030	59 148	20 116	0	79 264
Other Tangible FA	81 107	26 457	0	107 564	15 811	183	123 192
Total	633 667	261 113	159 269	735 511	136 721	159 688	712 544

CZK '000

Accumulated Amortisation

	CZK '000						
	31 Dec 2021	Additions	Disposals	31 Dec 2022	Additions	Disposals	31 Dec 2023
Vehicles	3 535	1 259	0	4 794	1 678	1 058	5 414
Lease under IFRS 16 – branches	155 177	59 814	797	214 194	69 495	8 471	275 218
Lease under IFRS 16 - ATMs	62 118	20 221		82 339	7 556	89 895	0
ATMs	6 877	8 727	0	15 604	12 881	0	28 485
Other Tangible FA	50 935	5 526	0	56 461	7 987	183	64 265
Total	278 642	95 547	797	373 392	99 597	99 607	373 382

Net Book Value

	CZK '000	
	31 Dec 2022	31 Dec 2023
Vehicles	2 095	2 460
Acquisition of Tangible FA	19 554	21 494
Lease under IFRS 16 - branches	223 156	205 502
Lease under IFRS 16 - ATMs	22 667	0
ATMs	43 544	50 779
Other Tangible FA	51 103	58 927
Total	362 119	339 162

In 2023, the company acquired tangible assets charged directly to costs in the amount of CZK 20,537 thousand (2022: CZK 6,428 thousand). These assets represent small tangible assets, which are other movable items and sets of movable items with a useful life of more than one year not shown in the item of fixed assets - they are charged directly to costs.

Additions a Disposals include rebilling in the amount of CZK 37 970 thousand (2022: CZK 42 868 thousand).

4.8. Other Assets

	CZK '000	
	31 Dec 2023	31 Dec 2022
Provided deposits and prepayments	630 449	631 502
Receivables from securities markets	590 271	241 701
Estimated receivables	17 702	14 117
Guarantee funds	1 644	1 000
Positive fair value of open derivatives	189 833	0
Cash in transit	78 076	104 448
Corporate income tax	612 477	394 077
Other	50 903	50 864
Total other assets	2 171 355	1 437 709

The positive real value of open derivatives is based on the receivable from fixed futures operations in the nominal value of CZK 15,850,990 thousand (2022: CZK 0) and from the commitment from fixed future operations in the nominal value of CZK 15,674,089 thousand (2022: CZK 0).

The increase in the receivables item for securities markets corresponds to higher balances on the trader's accounts in the US, which arose due to higher sales of investment instruments before the end of 2023.

The cash in transit is mainly made up of funds for subsidizing branches and ATMs.

Provided deposits and prepayments

	CZK '000	
	31 Dec 2023	31 Dec 2022
Fio leasing, a.s., a deposit paid for the lease term	6 916	9 479
Deposits paid to card associations	584 280	578 428
Other	39 253	43 595
Total deposits and prepayments	630 449	631 502

4.9. Prepayments and Accrued Income

Costs and income for future periods as of 31 December 2023 amount to CZK 128,324 thousand (31 Dec 2022: CZK 85,001 thousand) and mainly consists of media campaign costs in the amount of CZK 52,147 thousand and interest from repo operations in the amount of CZK 52,710 thousand.

4.10. Due to Banks and Cooperative Credit Unions

	CZK '000	
	31 Dec 2023	31 Dec 2022
Repayable on demand	179 167	33 171
Other	45	44
Total	179 212	33 215

4.11. Due to Customers

	CZK '000	
	31 Dec 2023	31 Dec 2022
Repayable on demand	229 569 114	204 643 283
Other	11 488 953	7 459 000
Total due to customers	241 058 067	212 102 283

4.12. Other Liabilities

	CZK '000	
	31 Dec 2023	31 Dec 2022
Negative fair value of open derivatives (FX swap)	54 491	431 148
Outgoing payments	3 371 019	2 280 292
Payables to securities markets	971	196
Payables to employees	70 336	41 324
Estimated payables	62 411	74 623
Payables to the state budget	98 067	63 144
Domestic suppliers	44 573	27 456
Foreign suppliers	16 481	16 040
Payables to card associations	595 950	328 381
Payables arising from accounting for leases under IFRS 16	213 668	252 746
Unidentified contributions	8 563	9 001
Other	9 376	6 816
Total other liabilities	4 545 906	3 531 167

The negative fair value of open derivatives (FX swap)

Negative fair value	Nominal value of receivable in the currency	Receivable currency	Nominal value of payable in currency	Payable currency
59 491	133 450	USD	3 042 600	CZK

The negative real value of open derivatives is based on a receivable from fixed futures operations in the nominal value of CZK 2,986,077 thousand (2022: CZK 22,853,498 thousand) and from the commitment from fixed term operations in the nominal value of CZK 3,042,600 thousand (2022: CZK 23,351,302 thousand).

Payable debts due to social and health insurance

The amount of debts due to social security premiums and contributions to the state employment policy amounted to CZK 3,909 thousand as of 31 Dec 2023 (31 Dec 2022: CZK 3,397 thousand). The company has no overdue debts due to social security premiums and state employment policy contributions.

The amount of payable debts due to public health insurance amounted to CZK 12,931 thousand as of 31 Dec 2023 (31 Dec 2022: CZK 7,579 thousand). The company has no overdue public health insurance debts.

4.13. Provisions

Provisions as of 31 Dec 2023 in the amount of CZK 1,035,678 thousand (31 Dec 2022: CZK 724,300 thousand) are primarily made up of a provision for corporate income tax in the amount of CZK 1,032,454 thousand and a reserve for unused vacation of CZK 3,224 thousand.

	CZK '000			
	31 Dec 2022	Release	Charge	31 Dec 2023
Income tax provision	721 804	721 804	1 032 454	1 032 454
Provision for court disputes	0	0	0	0
Provision for untaken holidays	2 496	2 496	3 224	3 224
Total	724 300	724 300	1 035 678	1 035 678

4.14. Subordinated Liabilities

As of 31 December 2023, the company records a subordinated liability in the amount of CZK 90,000 thousand (2022: CZK 90,000 thousand). This obligation bears interest at a rate of 15% p.a. with a notice period of 5 years.

4.15. Liabilities from Debt Securities

In December 2021, the company issued its own bonds in order to meet the MREL requirements. As of 31 December 2023, it signed bonds worth CZK 601,417 thousand (31.12.2022: CZK 601,417 thousand). The bond was issued on 14 December 2021 under ISIN CZ0003706772. The maturity date of the bond is 14 December 2027, and it bears interest at a fixed rate of 5.00% p.a.. The bonds are traded on the exchange RM - system. The value of the bonds is determined using the effective interest rate and the interest is recorded in the income statement on the line "interest expense from debt securities".

4.16. Equity

The company's share capital consists of 760 thousand pcs of ordinary shares with a nominal value of CZK 1 thousand. As of 31 December 2023, CZK 760 thousand was repaid.

The share capital was fully repaid on 19 December 2014.

In 2023 and 2022, the share capital was not increased by subscription of shares.

The company did not hold any own shares as of 31 December 2023 or 31 December 2022.

The company did not pay dividends in 2023.

Distribution of the economic result

At the time the financial statements for 2023 were drawn up, it was not known how the company's economic result for 2023 would be divided.

Valuation differences:

CZK '000

	Valuation differences from the translation of hedging derivatives	Available for sale securities	Net investment in associates and subsidiaries	Other valuation differences on translation of non- operating tangible fixed assets	TOTAL
Balance as of 1 Jan 2023	0	510	0	0	510
FX differences and valuation no included in profit or loss	0	58 317	0	0	58 317
Balance as of 31 Dec 2023	0	58 827	0	0	58 827

In the category of realizable securities, the company registers shares of SWIFT SCRL and investment shares of Fio real estate sub-fund 1.

4.17. Interest Expense and Income

	CZK '000	
	2023	2022
Interest on deposits provided to other banks*	2 476 573	938 687
Interest on loans provided to clients*	2 843 279	1 770 161
Interest on debt securities measured at amortised cost*	5 701 978	4 180 877
Total interest calculated via the effective interest rate	11 021 830	6 889 725
Interest on debt securities measured at fair value through profit or loss	42 549	34 897
Interest income and similar income	11 064 379	6 924 622
Interest on deposits received from clients*	3 072 771	1 116 671
Interest on debt securities measured at amortised cost*	268 409	338 077
Interest on subordinated debt*	13 500	13 500
Other interest*	95 369	40 316
Total interest calculated via the effective interest rate	3 450 049	1 508 564
Interest expense arising from leases under IFRS 16	11 196	3 813
Interest expense and similar expense	3 461 245	1 512 377
Net interest income	7 603 134	5 412 245

* This interest is calculated via the effective interest rate

The increase in interest on loans granted to clients was caused by the growth of interest rates during 2023 and the growing volume of loans granted.

Other interest includes interest from loans with other banks and interest from repo operations.

The amount of unclaimed interest due to default on threatened receivables was CZK 622,280 thousand for 2023 (CZK 322,332 thousand for 2022).

4.18. Fees and Commissions

	CZK '000	
	2023	2022
Transactions with securities	142 643	203 111
Other investment services	39 419	32 236
Client accounts and loans	238 291	231 372
Other fees	15 237	12 723
ATM fees	31 047	29 017
Fees charged by card associations	557 473	510 235
Total fee and commission income	1 024 110	1 018 694
Payment system and card transactions	322 142	297 945
Transactions with securities	58 645	68 722
Total fee and commission expense	380 787	366 667
Net fee and commission income	643 323	652 027

4.19. Net Profit or Loss on Financial Operations

	CZK '000	
	2023	2022
Profit/(loss) on securities	18 347	-22 361
Profit on FX differences	973 698	1 593 164
Profit/(loss) on proprietary trading	53 513	-6 275
Profit/(loss) on currency derivatives	-156 585	-768 831
Profit/(loss) on other operations	61	0
Profit or loss on financial operations	889 034	795 697

4.20. Other Operating Expenses

Other operating costs in the amount of CZK 172,627 thousand (2022: CZK 160,060 thousand) mainly include contributions to the Securities Traders Guarantee Fund, a contribution to the Crisis Resolution Fund and contributions to the Deposit Insurance Fund. The cost of the securities traders' guarantee fund for the year 2023 is CZK 3,610 thousand (2022: CZK 4,814 thousand). The cost of the deposit insurance fund for the year 2023 is CZK 112,436 thousand (2022: CZK 99,852 thousand). The contribution to the Fund for crisis resolution is CZK 55,809 thousand (2022: CZK 55,243 thousand).

4.21. Administrative Expenses

	CZK '000	
	2023	2022
Wages and bonuses	264 276	145 109
Social security and health insurance expenses	53 755	36 852
Other staff costs	3 066	2 210
Staff costs and bonuses	321 097	184 172
Audit	6 924	6 261
Short-term and low-value leases, overhead services relating to rental	7 341	17 301
Postage fees	8 318	6 746
Advertising	122 648	75 460
Information resources	6 312	6 615
Outsourced activities	577 034	449 276
Other purchased consumables and services	383 768	380 653
Other administrative expenses	1 112 345	942 312
Total administrative expenses	1 433 442	1 126 484

The cost of the statutory audit from the Audit line was in the amount of CZK 6,656 thousand in 2023 (CZK 4,434 thousand in 2022).

Outsourced services mainly consist of the costs of the companies RM-S Finance, s.r.o. and Fio Slovakia, a.s., which provide service for the branch network and management of information systems.

The costs of other verification services, tax advice and other non-audit services are included in the other services purchased.

PwC entity	Service beneficiary	Type of service	Service description	Fee w/o VAT (CZK '000)
PricewaterhouseCoopers Audit, s.r.o.	Fio banka, a.s.	Other auditing services	Interim audit as of 30 Sep 2023	331,5
PricewaterhouseCoopers Audit, s.r.o.	Fio banka, a.s.	Other auditing services	Processing of the Report on the adequacy of the measures taken to protect the customer's property ("MiFiD Report")	195
PricewaterhouseCoopers Audit, s.r.o.	Fio banka, a.s.	Other auditing services	Verification of the Bank's management and control system according to §22 paragraph 1 letter b) of the Act on Banks in the area of prevention of legalization of proceeds from criminal activity and the fight against terrorism	1 350
Total				1 876,5

The amount of remuneration for the members of the board of directors, the supervisory board and other members of the company's top management was CZK 193,552 thousand in 2023 of which the fixed component of the reward is CZK 137,924 thousand and the variable component of the remuneration is CZK 55,629 thousand (in 2022 in the amount of CZK 93,900 thousand).

4.22. Taxation

Income Tax Payable

The result of the company's management for the accounting period ending on 31 December 2023 was a profit before taxation in the amount of CZK 7,511,296 thousand (2022: profit CZK 5,128,843 thousand).

The company paid corporate income tax advances in 2023 CZK 612,477 thousand (in 2022: CZK 392,034 thousand).

The adjustment of the economic result for ordinary activities before taxation to the tax base is contained in the table below:

	CZK '000	
	2023	2022
Profit/(loss) before taxes	7 511 296	5 128 843
Expenses not deductible for tax purposes	193 016	223 564
Income not taxable	2 299 581	1 627 843
Gifts	3 000	2 800
Tax base	5 401 730	3 721 764
Tax relief	0	5
Total tax payable	1 026 329	707 130
Adjustment to the tax payable of prior years	20	218
Change in deferred tax	2 526	1 723
Tax paid abroad	110 613	39 893
Offsetting of tax paid abroad	106 127	25 219
Total	1 033 361	723 309

The increase in exempt income is mainly due to investment in government bonds, the income of which is exempt from income tax.

Deferred tax

Deferred tax, as stated in point 3.10 of the appendix, is based on temporary differences between accounting and tax records. As of the balance sheet date 31/12/2023, the company records a temporary difference in

the tax and accounting balance value of long-term tangible assets CZK 30,430 thousand and the provision CZK 1,021 thousand. As of 31 December 2023, the company records a deferred tax liability in the amount of CZK 5,369 thousand (2022: tax liability in the amount of CZK 2,843 thousand). A rate of 19% was used to calculate the deferred tax.

Compensatory tax:

On the basis of EU Council Directive 2022/2523 on ensuring the global minimum level of effective taxation of multinational business groups and large national groups, Act No. 416/2023 Coll., on compensatory taxes for large multinational groups and large national groups, was adopted. The aim of equalization taxes is to stop competition between states over different corporate tax rates by introducing a single minimum tax rate to ensure a level playing field for entities around the world and allow states to better protect their tax bases. Compensatory taxes will be levied if the calculated effective tax rate in the given state is lower than 15%. Companies in the group whose consolidated annual revenues reported in the consolidated financial statements of the highest parent entity amount to EUR 750 million in at least 2 of the 4 reporting periods immediately preceding the given tax period are liable for the compensatory tax.

The company expects that it will not become a taxpayer in the immediately following period. The compensatory tax was therefore not considered when calculating the deferred tax. The company expects that the tax liability in relation to the additional tax will be zero in the following period.

4.23. Off-Balance Sheet Transactions

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

- Securities received for custody, administration, and safe-keeping; this constitutes the fair value of securities deposited on the accounts of the Company's clients as of the balance sheet date;
- Collateralisation of provided loans;
- Collateralisation of loans from reverse repo transactions;
- Nominal value of open derivatives - receivables and payables arising from currency swaps.

4.24. Average Number of Employees and Supervisory Board Members

	(number of persons)	
	2023	2022
Employees	118	114
Of which: members of the Board of Directors	6	6
Members of the Supervisory Board	3	3

4.25. Information according to the Banking Act Section 11c – Distribution by States

Information for the year 2023

	CZK '000	
	Czech Republic	Slovakia
a) List of activities carried out	see chapter 1	see chapter 1
b) Turnover	12 131 217	2 354 014
c) Number of employees converted into full-time equivalents	98	36
d) Profit or loss before taxes	6 952 421	558 875
e) Corporate income tax or similar tax paid abroad or the loss	922 739	110 623
f) Public aid received	0	0

5. Related Party Transactions

Relations with related parties in the Fio Group.

31 December 2023

CZK '000

	Shares, share certificates and other equity investments	Other assets	TOTAL ASSETS	Other liabilities	TOTAL LIABILITIES
RM-SYSTÉM, česká burza cenných papírů a.s.	0	34	34	57 371	57 371
Fio forexová a.s.	0	0	0	3 189	3 189
Fio consulting	0	0	0	1 776	1 776
RM-S FINANCE, s.r.o.	0	5 348	5 348	94 472	94 472
Fio investiční společnost	0	49	49	44 213	44 213
Fio realitní podfond I.	862 291	0	862 291	23 035	23 035
Fio slovakia, a.s.	0	7	7	14 525	14 525
Fio leasing, a.s.	0	21 060	21 060	10 009	10 009
Kopún, Romuald	0	0	0	9 307	9 307
Marsa, Petr	0	0	0	65 404	65 404

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	Shares, share certificates and other equity investments	Other assets	TOTAL ASSETS	Other liabilities	TOTAL LIABILITIES
RM-SYSTÉM, česká burza cenných papírů a.s.	0	24	24	54 150	54 150
Fio forexová a.s.	0	0	0	3 191	3 191
Fio consulting	0	0	0	1 375	1 375
RM-S FINANCE, s.r.o.	0	31 779	31 779	77 560	77 560
Fio investiční společnost	0	17 832	17 832	17 790	17 790
Fio realitní podfond I.	31 000	0	31 000	31 075	31 075
Fio slovakia, a.s.	0	5	5	17 148	17 148
Fio leasing, a.s.	0	21 531	21 531	11 347	11 347
Kopún, Romuald	0	0	0	6 006	6 006
Marsa, Petr	0	0	0	113 221	113 221

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	Interest expense	Fee and commission income	Fee and commission expense	Administrative expenses	TOTAL
RM-SYSTÉM, česká burza cenných papírů a.s.	0	0	-8 588	0	-8 588
Fio forexová a.s.	0	0	0	0	0
Fio consulting	0	0	0	-4 600	-4 600
RM-S FINANCE, s.r.o.	0	0	0	-508 543	-508 543
Fio investiční společnost	0	15 274	0	0	15 274
Fio realitní podfond I.	766	0	0	0	766
Fio slovakia, a.s.	0	0	0	0	0
Fio leasing, a.s.	0	0	0	0	0
Kopún, Romuald	5	0	0	0	5
Marsa, Petr	1 132	0	0	0	1 132

1 January - 31 December 2022

CZK '000

	Interest expense	Fee and commission income	Fee and commission expense	Administrative expenses	TOTAL
RM-SYSTÉM, česká burza cenných papírů a.s.	0	0	-12 121	0	-12 121
Fio forexová a.s.	0	0	0	0	0
Fio consulting	0	0	0	-3 300	-3 300
RM-S FINANCE, s.r.o.	0	0	0	-392 833	-392 833
Fio investiční společnost	0	17 808	0	0	17 808
Fio realitní podfond I.	75	0	0	0	75
Fio slovakia, a.s.	0	0	0	0	0
Fio leasing, a.s.	0	0	0	0	0
Kopún, Romuald	2	0	0	0	2
Marsa, Petr	321	0	0	0	321

The increase in liabilities at RM-S FINANCE is because the company has larger balances on bank accounts with Fio banka.

In the case of assets, this is due to the settlement of the mandate contract at the end of the year, when in 2023 the majority was already settled in advance during the year. And it did not settle as much at the end of the year. Due to increased margins. The high administrative costs of RM-S FINANCE include the costs of employees who provide service to the branch network and the management of the information systems of the FIO bank. These workers are not employees of FIO bank, the bank outsources their services to RM-S FINANCE.

As of 31 December 2023, the bank owned 31,000 thousand pcs of investment shares of CZK class Fio real estate Subfund I. (31,000 thousand pcs as of 31 December 2022) and 32,750 thousand pcs of investment shares EUR class Fio real estate Subfund I. (0 pcs as of 31 December 2022).

The total amount of loans provided by the bank to members of the supervisory board and members of the board of directors as of 31 December 2023 was CZK 30,507 thousand (2022: CZK 25,452 thousand). The loans were granted under standard market conditions.

The members of the board of directors are holders of bonds issued by the Company, in total they hold 525 pcs of these bonds, the nominal value of which is CZK 10 thousand. The same number of bonds was held at the end of 2022.

6. RISK MANAGEMENT

6.1. Bank Risks

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

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

i. Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP system is provided within the Bank using the so-called ICAAP Reports, which are approved quarterly by the Bank's management. The risks contained in the report affect the main risk areas to which the Bank is exposed. The report is designed so that the calculated risk exposure captures the possible size of the loss in the event of a negative development. Even in the event of crisis situations, the bank wants to fulfill the assumption of going concern. For risks where the Bank has enough data to determine VaR, it uses this type of calculation (this is mainly market risks). For risks where the Bank does not have enough data to create a VaR, it creates stress scenarios on the basis of which it evaluates the possible size of the loss in the event of a crisis (this is especially true for credit risk and liquidity risk). In other cases, the Bank uses standard procedures and estimates to determine the amount of risks. Risks whose amount is not specified in the Report are covered by qualitative measures in the area of risk management, organization of processes and control mechanisms.

ii. Capital Adequacy

The Capital Adequacy System is ensured within the Bank by means of so-called Capital Adequacy Reports and related regulatory reports. The calculation of Capital adequacy and commitment of the Bank and companies within the consolidated entity according to the CRR is governed by the established regulatory principles. The reports contain sheets corresponding to the required reports, which are also used as part of reporting to the systems of supervisory authorities, especially the CNB, and fill in the forms of mandatory published information.

6.2. Market Risks

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

The primary tool for monitoring and managing market risks includes VaR (Value at Risk) and stress testing. As of 31 December 2023, the highest daily potential loss at the 95% probability level is below 5% of the market value of the Bank's trading book which confirms a conservative business strategy. VaR is subject to regular regressive testing using actual results in order to verify the model validity. Hypothetical as well as historical situations are used for developing stress scenarios. Set out below are individual risks, including specification of their management.

6.2.1. Currency Risk

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

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

Hedging currency operations are used to meet the set limits.

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

6.2.2. Interest Rate Risk

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

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

The gap analysis is used to observe the degree of using interest rates which are not determined by the Company and the degree of the interest rate risk taken whereby interest rate sensitive assets and liabilities are classified into several time baskets. Stress scenarios of the impacts of the parallel shift of the yield curve on the present value of equity and profit/loss within one year are also used. These analyses take place on a quarterly basis.

6.2.3. Proprietary Trading

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

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

6.3. Liquidity Risk

The bank classifies individual items of assets and liabilities into time zones according to their behaviorally expected residual maturity. The chosen structure of time zones corresponds to generally binding legal regulations and the requirements of the regulator. In terms of the volume of liquidity sources, client deposits, mainly retail, dominate, which corresponds to the Bank's business focus.

The bank reduces liquidity risk mainly by maintaining a sufficient stock of quick liquid assets (RLA). A sufficient supply of RLA is understood to be such an amount that enables continuous replenishment of liquidity in the event of an acute, unexpected need for it (a so-called liquidity shock). As part of liquidity risk management, the Bank processes simulations, and the effects of such stress shocks in order to be suitably prepared to react adequately and quickly to the given situations.

The key component of RLA is primarily government bonds (CZ+SK), which are considered high-quality and recognized collateral in the case of interbank loans, which enables the Bank to quickly obtain short-term liquidity if necessary. We therefore consider interbank loans or loans from the Central Bank to be the primary tool for solving operational liquidity, although in the Bank's practice this situation occurs rather exceptionally.

The exception is liquidity in foreign currencies, where the Bank, in accordance with the conservative management of the foreign exchange position, performs foreign exchange conversions as a rule on a daily basis.

Risk management regularly analyzes the structure of assets and liabilities and cash flows, in which it identifies possible increases in liquidity risk.

The main sources of ready liquidity are deposits in the CNB and government bonds of the Czech Republic and Slovakia. These bonds have a high rating and are thus a possible source of long-term liquidity if necessary and after meeting certain criteria.

As part of liquidity risks, risk management works with several types of limits (so-called triggers). Their cross-sectional combination can then be seen, for example, in the area of emergency recovery planning for the year 2023, when it set the following triggers for the liquidity position: a limit on the absolute value of quick-liquid assets (min. CZK 100 billion), a limit on their share in relation to external liabilities (50%), as well as limits on regulatory calculations of LCR (350%) and NSFR (200%).

6.4. Credit Risk

Credit risk is considered to be the risk resulting from the failure of the counterparty by failing to fulfill its obligations according to the contractual terms.

The bank monitors the overall credit risk for all balance sheet and off-balance sheet positions. As part of the control and monitoring of credit risk, the Bank uses a system of limits that it monitors regularly, so that it can detect in time, for example, a worsening trend and therefore a potential exceedance of the level of acceptable risk. The main tools for aggregate monitoring are 4 types of limits, namely the maximum exposure to one ESSK (an economically connected group of clients), exposure to one NACE sector, exposure to development projects in the construction phase and exposure to loans not naturally secured in foreign currency. These limits are monitored at least on a monthly basis, and are still formally aggregated within the framework of the quarterly ICAAP reports, where a limit on concentration, a limit on the permitted riskiness of the loan portfolio in general, and a limit on depositing assets (riskiness of deposits with counterparties) are additionally added to them.

The credit risk on bonds is minimal for the Bank, as the entire investment portfolio currently consists of Czech and Slovak state bonds. Both countries have a relatively high rating and, thanks to their parameters, a low or zero risk weight. The Bank buys corporate bonds or bonds of other countries exceptionally and in a relatively small volume.

Basic procedures for risk reduction:

The loan applicant and the borrower are assessed based on several criteria, in particular their financial situation, income achieved in past periods, ability to repay the loan in the future, business plan, purpose of the loan and the value of the proposed collateral. For business loans, financial statements are usually required, or tax returns for the last few years. Another criterion is the history of working in Fio bank, or in other companies of the Fio financial group.

The world's most liquid shares traded on the world's stock exchanges serve as collateral for securities loans. In other credit cases, real estate, sureties, accession to the debtor's obligation, or pledge of the debtor's receivables from reputable business partners and other types of security serve as collateral. Collateral is usually not required for small overdraft loans.

The categorization of receivables is based on internal regulations and generally applicable legal regulations, which establish the rules for categorizing receivables and the creation of banks' corrective items. The creation of provision and adjustment items for receivables is based on an internal regulation that reflects the requirements of IFRS 9.

The bank tries to use all legal instruments that can lead to the satisfaction of the receivable, in such a way that the costs of collection are not disproportionate to the expected result.

The limits of the Bank's involvement are governed by generally applicable legal regulations on the rules of credit involvement of banks. The definition of an economically connected group of clients is used according to EU Regulation No. 575/2013, which also sets the limits of large exposures to a debtor or an economically connected group of debtors at 25% of the Bank's usable capital.

The bank does not use credit derivatives to reduce credit risk.

The bank enters into relations with counterparties, such as other banks or CP traders, only if they have been assigned a non-zero credit line by risk management. When establishing a credit line, risk management is governed by the rules established by internal regulations. It is mainly based on data on the share capital, equity capital of these financial institutions, the structure of assets, the quality of the loan portfolio and the securing of receivables. It also considers risk management methods, the requirements of counterparty supervisors and the rating, if available. Deposit limits are then set as part of the counterparty's equity.

The update of ECL parameters (PD) according to IFRS 9 principles is based on actual historical data and managerial adjustments. The coefficients were updated as of 31/12/2023 to reflect the current and future risks of individual loan products.

The following table contains the volume of undrawn and conditional credit commitments as of 31 December 2023.

				CZK '000
Segment	Type of commitment	Stage 1	Stage 2	Stage 3
SME	Commitments	11 294 096	481 916	80 378
	Of which: irrevocable	33 657	0	0
	Guarantees	518 045	0	0
	Of which: irrevocable	518 045	0	0
Mortgages	Commitments	603 713	0	0
	Of which: irrevocable	603 713	0	0
Other	Commitments	13 462 564	14 426	45 248
	Of which: irrevocable	248 009	1	6 285
Total Off-balance sheet		25 878 418	496 342	125 626
Of which: irrevocable		1 403 424	1	6 285

For some irrevocable credit lines, the Bank creates provisions for credit risk, which are listed in the following table:

		CZK '000		
Segment	Type of commitment	Stage 1	Stage 2	Stage 3
SME	Commitments	0	0	0
	Guarantees	0	0	0
Mortgages	Commitments	598	0	0
Other	Commitments	1 041	0	0
Total provisions		1 639	0	0

6.4.1. Concentration Risk

In the loan portfolio, the bank also monitors possible concentration risks, while monitoring whether individual NACE sectors do not exceed the permitted limit per sector, which amounted to CZK 13.5 billion at the end of the given year. With the exception of exposure to entities in group T, which includes households in particular (which are exempt from the concentration limit), the limit was violated only for sector L – real estate activities, which is caused by the growth in the volume of developer loans.

		CZK billion
Top 5 sectors with the highest sector concentration		Exposure of the sector
T – activities of households		20,3
L – real estate activities		14,1
G – wholesale and retail trade; repair of motor vehicles and motorcycles		2,9
F – construction		2,9
C – manufacturing		2,1

6.5. Operational Risk

The company defines operational risk as the risk of loss due to the inadequacy or failure of internal processes, people, systems or due to external events.

Basic procedures for risk reduction

The risk of human factor failure is reduced in particular by proper training of the relevant persons and further consistent control activities.

The risk of loss or theft of cash is managed using suitable storage facilities (safe, bank safe, safety deposit box, etc.), insurance, limits on the amount of cash, and checks to ensure that the actual amount of cash is in line with the recorded balance.

The bank regulates the registration and information obligations on operational risk events.

The bank has developed a special internal regulation for the specification of risks, procedures, and measures for limiting the risks arising from the use of information systems.

In a special internal regulation, the bank regulates procedures and processes to minimize the risks arising from the introduction of new products and services.

The bank currently determines the size of capital requirements for operational risk using a basic indicator approach according to valid regulatory regulations, and at the same time monitors operational risk events and creates their database so that it can also evaluate them with its own statistical models.

The Bank has developed Business Continuity Plans (BCP) and Recovery Plans (DRP) for cases of unplanned interruption or limitation of its activities as a result of, for example, failure of external infrastructure. These plans are continuously updated.

6.6. Fair Value Hierarchy for Financial Instruments

31 December 2023

					CZK '000
	Recognised value	Fair value	Stage 1	Stage 2	Stage 3
Cash in hand and balances with central banks	39 958 738	39 958 738	39 958 738	0	0
State zero-coupon bonds	9 104 319	9 104 319	9 104 319	0	0
Loans and receivables to banks and cooperative credit unions	2 507 363	2 507 363	0	2 507 363	0
Loans and receivables to customers – SME*	30 008 970	31 283 987	0	0	31 283 987
Loans and receivables to customers - mortgages	19 004 591	18 743 209	0	0	18 743 209
Loans and receivables to customers - other	1 440 496	1 560 407	0	0	1 560 407
Debt securities	160 519 676	155 068 446	155 068 446	0	2 050 275
Shares, share certificates and other equity investments	1 079 279	1 079 279	1 069 280	0	9 999
Investments in subsidiaries	115 277	115 277	0	0	115 277
Tangible and intangible fixed assets	353 974	353 974	0	0	353 974
Other assets	2 171 355	2 171 355	0	189 833	1 981 522
Prepayments and accrued income	128 324	128 324	0	0	128 324
TOTAL ASSETS	266 392 362	262 074 678	205 200 783	2 697 196	56 226 974
Due to banks and cooperative credit unions	179 212	179 212	0	0	179 212
Due to customers*	241 058 067	241 058 067	0	0	241 058 067
Liabilities from debt securities	601 417	596 400	596 400	0	1 417
Other liabilities	4 545 906	4 545 906	0	54 491	4 491 415
Provisions	1 035 678	1 035 678	0	0	1 035 678
Subordinated liabilities	90 000	90 000	0	0	90 000
Equity	18 882 082	18 882 082	0	0	18 882 082
PASIVA TOTAL	266 392 362	266 387 345	596 400	54 491	265 737 871

31 December 2022

					CZK '000
	Recognised value	Fair value	Stage 1	Stage 2	Stage 3
Cash in hand and balances with central banks	57 145 311	57 145 311	57 145 311	0	0
State zero-coupon bonds	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	3 189 912	3 189 912	0	3 189 912	0
Loans and receivables to customers – SME*	22 888 605	23 929 888	0	0	23 929 888
Loans and receivables to customers - mortgages	16 872 036	15 761 368		0	15 761 368
Loans and receivables to customers - other	1 494 831	1 598 495		0	1 598 495
Debt securities	125 639 582	111 516 932	111 516 932	0	1 430 823
Shares, share certificates and other equity investments	211 016	211 016	202 816	0	8 200
Investments in subsidiaries	82 582	82 582	0	0	82 582
Tangible and intangible fixed assets	381 627	381 627	0	0	381 627
Other assets	1 437 709	1 437 709	0	0	1 437 709
Prepayments and accrued income	85 001	85 001	0	0	85 001
TOTAL ASSETS	229 428 212	215 339 841	168 865 059	3 189 912	44 715 693
Due to banks and cooperative credit unions	33 215	33 215	0	0	33 215
Due to customers*	212 102 283	212 102 283	0	0	212 102 283
Liabilities from debt securities	601 417	576 000	576 000	0	
Other liabilities	3 531 167	3 531 167	0	431 148	3 100 019
Provisions	724 300	724 300	0	0	724 300
Subordinated liabilities	90 000	90 000	0	0	90 000
Equity	12 345 830	12 345 830	0	0	12 345 830
PASIVA TOTAL	229 428 212	229 402 795	576 000	431 148	228 395 647

7. RESIDUAL MATURITY OF ASSETS AND LIABILITIES31 December 2023

							CZK '000
	Repayable on demand within 7 days	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not defined	Total
Cash in hand and balances with central banks	14 058 738	25 900 000	0	0	0	0	39 958 738
State zero-coupon bonds	0	7 402 593	1 701 726	0	0	0	9 104 319
Loans and receivables to banks and cooperative credit unions	2 404 431	88 000	14 932	0	0	0	2 507 363
Loans and receivables to customers	990 330	5 899 173	19 468 602	1 656 491	22 439 461	0	50 454 057
Debt securities		1 234 436	17 077 565	67 078 905	75 116 919	11 851	160 519 676
Shares, share certificates and other equity investments	0	0	0	0	0	1 079 279	1 079 279
Investments in subsidiaries	0	0	0	0	0	115 277	115 277
Tangible and intangible fixed assets	0	0	0	0	0	353 974	353 974
Other assets	1 293 675	275 781	589 940	11 957	0	2	2 171 355
Prepayments and accrued income	50 847	21 734	46 446,00	9 183,95	113,35	0	128 324
TOTAL ASSETS	18 798 021	40 821 717	38 899 211	68 756 537	97 556 494	1 560 383	266 392 362
Due to banks and cooperative credit unions	179 167	45	0	0	0	0	179 212
Due to customers	231 237 466	3 998 785	5 489 897	331 919	0	0	241 058 067
Liabilities from debt securities	0	0	1 417	600 000	0	0	601 417
Other liabilities	4 042 732	229 646	0	0	0	219 037	4 491 415
Provisions	0	0	1 030 814	0	0	4 864	1 035 678
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	18 882 082	18 882 082
Non-derivative liabilities	235 459 365	4 228 476	6 522 128	931 919	90 000	19 105 983	266 337 871
Derivative liabilities	54 491	0	0	0	0	0	54 491
PASIVA TOTAL	235 513 856	4 228 476	6 522 128	931 919	90 000	19 105 983	266 392 362
Net liquidity risk	-216 715 835	36 593 241	32 377 083	67 824 618	97 466 494	-17 545 600	0
Cumulative liquidity risk	-216 715 835	-180 122 594	-147 745 511	-79 920 894	17 545 600	0	0

31 December 2022

	CZK '000						
	Repayable on demand within 7 days	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not defined	Total
Cash in hand and balances with central banks	33 445 311	23 700 000	0	0	0	0	57 145 311
State zero-coupon bonds	0	0		0	0	0	0
Loans and receivables to banks and cooperative credit unions	2 725 835	0	127 777	0	0	336 300	3 189 912
Loans and receivables to customers	1 062 254	3 659 340	15 539 434	613 227	20 381 217	0	41 255 472
Debt securities	0	482 173	9 645 649	76 519 875	38 982 303	9 582	125 639 582
Shares, share certificates and other equity investments	0	0	0	0	0	211 016	211 016
Investments in subsidiaries	0	0	0	0	0	82 582	82 582
Tangible and intangible fixed assets	0	0	0	0	0	381 627	381 627
Other assets	990 389	44 463	392 047	10 808	0	2	1 437 709
Prepayments and accrued income	34 514	11 219	39268		0	0	85 001
TOTAL ASSETS	38 258 303	27 897 195	25 744 175	77 143 910	59 363 520	1 021 109	229 428 212
Due to banks and cooperative credit unions	33 171	44	0	0	0	0	33 215
Due to customers	208 259 375	1 432 457	2 117 551	292 900	0	0	212 102 283
Liabilities from debt securities	0	0	1 417	600 000	0	0	601 417
Other liabilities	3 127 447	148 130	0	0	0	255 590	3 531 167
Provisions	0	0	721 804	0	0	2 496	724 300
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	12 345 830	12 345 830
Non-derivative liabilities	210 988 845	1 580 631	2 840 772	892 900	90 000	12 603 916	228 997 064
Derivative liabilities	431 148	0	0	0	0	0	431 148
PASIVA TOTAL	211 419 993	1 580 631	2 840 772	892 900	90 000	12 603 916	229 428 212
Net liquidity risk	-173 161 690	26 316 564	22 903 403	76 251 010	59 273 520	-11 582 807	0
Cumulative liquidity risk	-173 161 690	-146 845 126	-123 941 723	-47 690 713	11 582 807	0	0

The Bank's liquidity position is in line with the Bank's risk management strategy.

8. ASSETS AND LIABILITIES BY CURRENCY

31 December 2023

	CZK '000				
	CZK	EUR	USD	Other	Total
Cash in hand and balances with central banks	36 013 290	3 893 526	51 892	30	39 958 738
State zero-coupon bonds	0	9 104 319	0	0	9 104 319
Loans and receivables to banks and cooperative credit unions	335 951	624 571	575 826	971 015	2 507 363
Loans and receivables to customers	35 248 446	15 004 124	201 471	16	50 454 057
Debt securities	150 142 913	10 364 912	11 851	0	160 519 676
Shares, share certificates and other equity investments	1 035 307	9 445	34 527	0	1 079 279
Investments in subsidiaries	115 277	0	0	0	115 277
Tangible and intangible fixed assets	353 974	0	0	0	353 974
Other assets	941 588	74 489	1 152 404	2 874	2 171 355
Prepayments and accrued income	90 451	34 362	3 511	0	128 324
TOTAL ASSETS	224 277 197	39 109 748	2 031 482	973 935	266 392 362
Due to banks and cooperative credit unions	99 455	35 778	43 979	0	179 212
Due to customers	181 172 407	52 982 649	5 789 265	1 113 746	241 058 067
Liabilities from debt securities	601 417	0	0	0	601 417
Other liabilities	2 908 953	1 583 159	43 211	10 583	4 545 906
Provisions	925 066	110 612	0	0	1 035 678
Subordinated liabilities	90 000	0	0	0	90 000
Equity	18 882 082	0	0	0	18 882 082
PASIVA TOTAL	204 679 380	54 712 198	5 876 455	1 124 329	266 392 362
Net currency risk	19 597 817	-15 602 450	-3 844 973	-150 394	0
Cumulative currency risk	19 597 817	3 995 367	150 394	0	0

31 December 2022

	CZK '000				
	CZK	EUR	USD	Other	Total
Cash in hand and balances with central banks	46 159 957	10 915 864	69 461	29	57 145 311
State zero-coupon bonds	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	657 429	230 473	1 349 313	952 697	3 189 912
Loans and receivables to customers	31 439 406	9 555 836	260 199	31	41 255 472
Debt securities	122 115 788	3 514 212	9 582	0	125 639 582
Shares, share certificates and other equity investments	174 166	6 514	30 336	0	211 016
Investments in subsidiaries	82 582	0	0	0	82 582
Tangible and intangible fixed assets	381 627	0	0	0	381 627
Other assets	580 775	55 715	798 730	2 489	1 437 709
Prepayments and accrued income	64 501	19 868	632	0	85 001
TOTAL ASSETS	201 656 231	24 298 482	2 518 253	955 246	229 428 212
Due to banks and cooperative credit unions	6 937	14 403	11 875	0	33 215
Due to customers	162 377 410	42 724 180	5 843 788	1 156 905	212 102 283
Liabilities from debt securities	601 417	0	0	0	601 417
Other liabilities	2 441 160	1 047 327	33 110	9 570	3 531 167
Provisions	684 407	39 893	0	0	724 300
Subordinated liabilities	90 000	0	0	0	90 000
Equity	12 345 830	0	0	0	12 345 830
PASIVA TOTAL	178 547 161	43 825 803	5 888 773	1 166 475	229 428 212
Net currency risk	23 109 070	-19 527 321	-3 370 520	-211 229	0
Cumulative currency risk	23 109 070	3 581 749	211 229	0	0

The Bank's foreign exchange position is in line with the Bank's risk management strategy.

9. INTEREST RATE ANALYSIS

31 December 2023

	CZK '000					
	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not defined	Total
Cash in hand and balances with central banks	14 058 738	25 900 000	0	0	0	39 958 738
State zero-coupon bonds	0	9 104 319	0	0	0	9 104 319
Loans and receivables to banks and cooperative credit unions	2 492 431	14 932	0	0	0	2 507 363
Loans and receivables to customers	6 040 708	22 866 100	21 482 509	64 740		50 454 057
Debt securities	1 234 436	17 659 825	69 495 125	72 118 439	11 851	160 519 676
Shares, share certificates and other equity investments	0	0	0	0	1 079 279	1 079 279
Investments in subsidiaries	0	0	0	0	115 277	115 277
Tangible and intangible fixed assets	0	0	0	0	353 974	353 974
Other assets	1 569 456	589 940	11 957	0	2	2 171 355
Prepayments and accrued income	72 581	46 446	9 184	113	0	128 324
TOTAL ASSETS	25 468 350	76 181 562	90 998 775	72 183 292	1 560 383	266 392 362
Due to banks and cooperative credit unions	179 167	45	0	0	0	179 212
Due to customers	235 236 251	5 489 897	331 919	0	0	241 058 067
Liabilities from debt securities	0	0	601 417	0	0	601 417
Other liabilities	4 097 223	229 646	0	0	219 037	4 545 906
Provisions	0	1 030 814	0	0	4 864	1 035 678
Subordinated liabilities	0	0	0	90 000	0	90 000
Equity	0	0	0	0	18 882 082	18 882 082
PASIVA TOTAL	239 512 641	6 750 402	933 336	90 000	19 105 983	266 392 362
Net interest rate risk	-214 044 291	69 431 160	90 065 439	72 093 292	-17 545 600	0
Cumulative interest rate risk	-214 044 291	-144 613 131	-54 547 692	17 545 600	0	0

31 December 2022

	CZK '000					
	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not defined	Total
Cash in hand and balances with central banks	33 445 311	23 700 000	0	0	0	57 145 311
State zero-coupon bonds	0	0	0	0	0	0
Loans and receivables to banks and cooperative credit unions	2 725 835	127 777	0	0	336 300	3 189 912
Loans and receivables to customers	4 460 212	18 197 760	18 349 281	248 219		41 255 472
Debt securities	482 172	46 963 790	53 883 549	24 300 489	9 582	125 639 582
Shares, share certificates and other equity investments	0	0	0	0	211 016	211 016
Investments in subsidiaries	0	0	0	0	82 582	82 582
Tangible and intangible fixed assets	0	0	0	0	381 627	381 627
Other assets	1 034 852	392 047	10 808	0	2	1 437 709
Prepayments and accrued income	84 959	42	0	0	0	85 001
TOTAL ASSETS	42 233 341	89 381 416	72 243 638	24 548 708	1 021 109	229 428 212
Due to banks and cooperative credit unions	33 171	44	0	0	0	33 215
Due to customers	209 691 832	2 117 551	292 900	0	0	212 102 283
Liabilities from debt securities	0	0	601 417	0	0	601 417
Other liabilities	3 127 448	148 130	0	0	255 589	3 531 167
Provisions	0	721 804	0	0	2 496	724 300
Subordinated liabilities	0	0	0	90 000	0	90 000
Equity	0	0	0	0	12 345 830	12 345 830
PASIVA TOTAL	212 852 451	2 987 529	894 317	90 000	12 603 915	229 428 212
Net interest rate risk	-170 619 110	86 393 887	71 349 321	24 458 708	-11 582 806	0
Cumulative interest rate risk	-170 619 110	-84 225 223	-12 875 902	11 582 806	0	0

The Bank's position is in line with the Bank's risk management strategy.

10. POST BALANCE SHEET EVENTS

No other events occurred subsequent to the balance sheet due date that would have an impact on the financial statements of the Bank.

IV.

Information on Capital

Information on Capital, Capital Requirements and Ratio Indicators

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

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

Information on capital requirements on an individual basis as of 31 December 2023 (CZK '000)

Common Equity Tier 1 capital: instruments and provisions		
1	Capital instruments and related share premium = Paid share capital	760,000.00
2	Retained earnings	15,085,320.32
6	Common Equity Tier 1 capital before normative adjustments	15,845,977.76
Common Equity Tier 1 capital: normative adjustments		
8	Intangible assets (net of related tax liabilities) (negative value)	-17,523.85
28	Total normative adjustments to Common Equity Tier 1 capital	-47,566.58
29	Common Equity Tier 1	15,798,411.18
44	Additional Tier 1 capital	0.000
45	Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital	15,798,411.18
Tier 2 capital: instruments and items		
46	Capital instruments and related share premium	0.000
57	Total normative adjustments to Tier 2 capital	0.000
58	Tier 2 capital	0.000
59	Total capital = Tier 1 capital + Tier 2 capital	15,798,411.18

Information on capital requirements on an individual basis as of 31 December 2023 (CZK '000)

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

Credit risk - 8% of the volume of risk- weighted exposures for each category of exposures listed in Article 112	Exposures to central governments or central banks	47,195.23
	Exposures to regional governments or local authorities	0.000
	Exposures to public sector entities	0.000
	Exposures to international development banks	0.000
	Exposures to international organisations	0.000
	Exposures to institutions	66,216.26
	Exposures to companies	1,373,841.734
	Retail exposures	132,652.942
	Exposures secured by property	490,224.237
	Exposures in default	222,680.552
	Exposures related with extremely high risk	606,150.687
	Exposures in secured bonds	0.000
	Items representing securitised positions	0.000
	Exposures to institutions and businesses with short-term credit rating	0.000
	Exposure in the form of share units or shares in collective investment entities	66,393.938
	Share exposure	12,392.212
	Other items	25,899.103
Capital requirement calculated under Section 92 (3) b) and c)	Regarding the position risk	42,935.614
	These limits may be exceeded for large exposures listed in Articles 395 through 401 if institutions are permitted to do so.	0.000
	Regarding currency risk	0.000
	Regarding settlement risk	0.000
	Regarding commodity risk	0.000
Under Title III Chapter 2 - regarding operating risk, by way of the basic indicators		700,424.70
TOTAL		3,792,897.66

Capital ratios as of 31 December 2023 (as a percentage share of the risk exposure)

61	Common Equity Tier 1 capital	33.32 %
62	Tier 1 capital	33.32 %
63	Total capital	33.32 %

Ratio indicators

	k 31. 12. 2023
Return on average assets (ROAA)	2.63 %
Return on assets (ROA)	2.43 %
Return on average equity (ROAE)	52.78 %
Assets per employee (CZK '000)	1,876,003
Administrative costs per employee (CZK '000)	10,095
Profit or loss after tax per employee (CZK '000)	45,619

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



Report on Relations

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity (hereinafter the "Report on Relations") prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, of Fio banka, a.s., Corporate ID: 61858374, with its registered office at Prague 1, V Celnici 1028/10, postal code 11721, recorded in the Register of Companies held by the Municipal Court in Prague, File No. B 2704, for the **reporting period from 1 January 2023 to 31 December 2023**.

I. Structure of Relations

1. Controlled Entity

Fio banka, a.s.

Corporate ID: 61858374

Praha 1, V Celnici 1028/10, PSČ 11721

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

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

2. Controlling Entity

Fio holding, a.s.

Corporate ID: 60192763

Registered Office: 117 21 Praha 1, V Celnici 1028/10

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

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

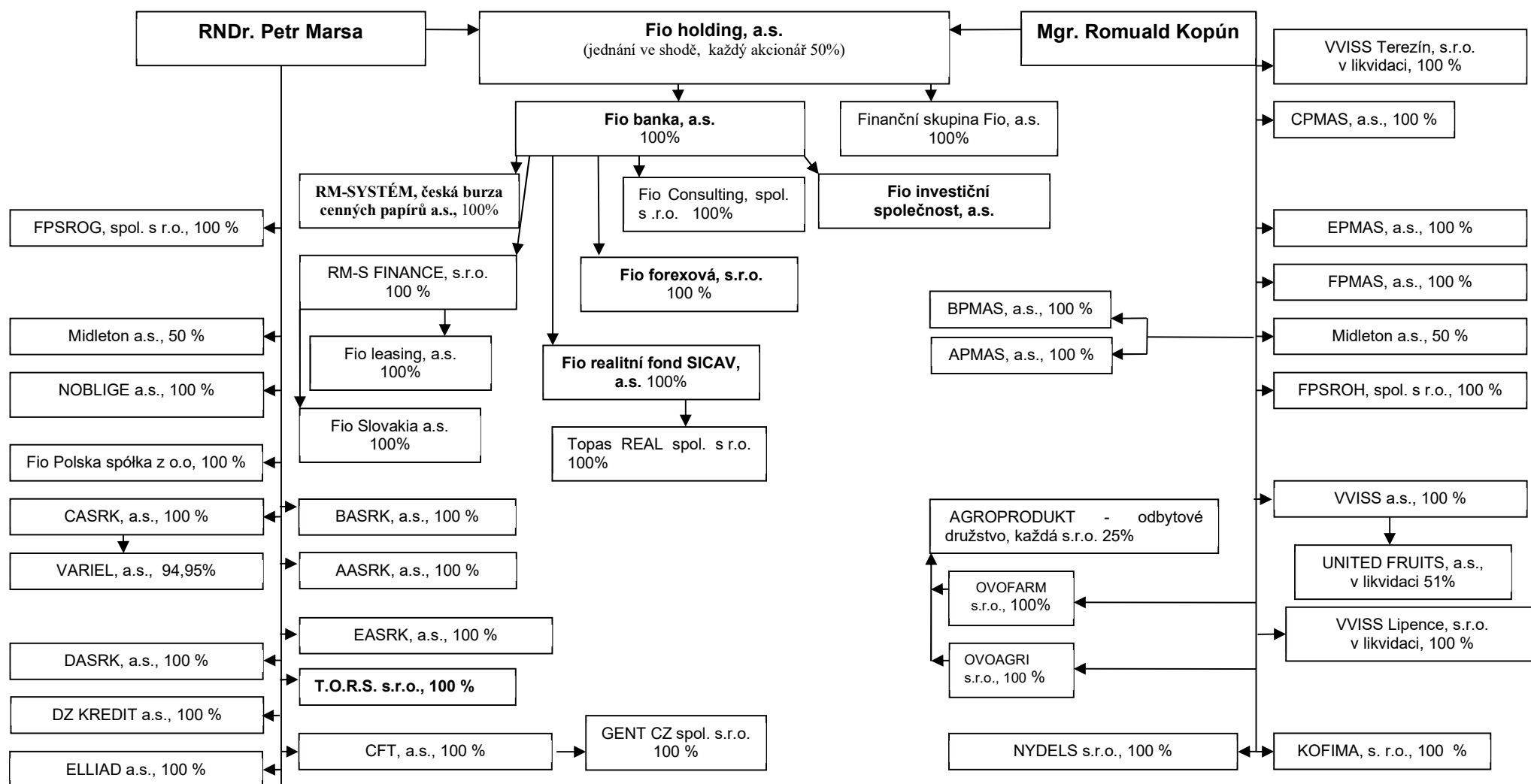
(hereinafter also the "Controlling Persons")

3. Entities Controlled by the Same Controlling Persons, RNDr. Petr Marsa MBA LL.M. and Mgr. Romuald Kopún

- AASRK, a.s., Corporate ID: 28205367, Praha 1, V Celnici 1028/10, PSČ 110 00,
- AGROPRODUKT-odbytové družstvo, Corporate ID: 43903797, Madunice, Kostolanská 2/540, PSČ 922 42, SR,
- APMAS, a.s., Corporate ID: 28206436, Praha 1, V Celnici 1028/10, PSČ 117 21,
- BASRK, a.s., Corporate ID: 28204107, Praha 1, V Celnici 1028/10, PSČ 117 21,
- BPMAS, a.s., Corporate ID: 28212703, Praha 1, V Celnici 1028/10, PSČ 117 21,
- CASRK, a.s., Corporate ID: 28207483, Praha 1, V Celnici 1028/10, PSČ 117 21,
- CFT a.s., Corporate ID: 61859079, Praha 1, V Celnici 1028/10, PSČ 117 21,
- CPMAS, a.s., Corporate ID: 28211138, Praha 1, V Celnici 1028/10, PSČ 110 00,
- DASRK, a.s., Corporate ID: 282 12 711, Praha 1, V Celnici 1028/10, PSČ 117 21,
- DZ KREDIT a.s., Corporate ID: 25623184, Praha 1, V Celnici 1028/10, PSČ 117 21,
- EASRK, a.s., Corporate ID: 28206576, Praha 1, V Celnici 1028/10, PSČ 117 21,
- ELLIAD a.s., Corporate ID: 25623192, Praha 1, V Celnici 1028/10, PSČ 117 21,
- EPMAS, a.s., Corporate ID: 28206517, Praha 1, V Celnici 1028/10, PSČ 117 21,
- Finanční skupina Fio, a.s., Corporate ID: 26761858, Praha 1, V Celnici 1028/10, PSČ 117 21,
- Fio Consulting, spol. s r.o., Corporate ID: 25740334, Praha 1, V Celnici 1028/10, PSČ 117 21,
- Fio holding, a.s., Corporate ID: 60192763, Praha 1, V Celnici 1028/10, PSČ 117 21,
- Fio investiční společnost, a.s., Corporate ID: 06704441, Praha 1, V celnici 1028/10, PSČ 110 00,
- Fio leasing, a.s., Corporate ID: 61860841, Praha 1, V celnici 1028/10, PSČ 110 00,
- Fio Polska spółka z o.o, Corporate ID: 140192608, Szpitalna 1/17, 00-020 Warszawa, PR,
- Fio realitní fond SICAV, a.s., Corporate ID: 14052628, Praha 1, V Celnici 1028/10, PSČ 110 00,
- Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01,
- FPMAS, a.s., Corporate ID: 282 11 502, Praha 1, V Celnici 1028/10, PSČ 117 21,
- FPSROG, spol. s r.o., Corporate ID: 25718843, Praha I, V Celnici 1028/10, PSČ 117 21,

- FPSROH, spol. s r.o., Corporate ID: 25738755, Praha 1, V Celnici 1028/10, PSČ 117 21,
- GENT CZ spol. s r.o., Corporate ID: 48593753, Praha 1, V Celnici 1028/10, PSČ 117 21,
- KOFIMA, s. r.o., Corporate ID: 25269241, Praha 9, Kolmá 5/597, PSČ 190 00,
- Midleton a.s., Corporate ID: 35942177, Nám. SNP 21, Bratislava 811 01, SR,
- Fio forexová, s.r.o., Corporate ID: 27589587, Praha 1, V Celnici 1028/10, PSČ 117 21,
- NOBLIGE a.s., Corporate ID: 26145090, Praha 1, V Celnici 1028/10, PSČ 117 21,
- NYDELS s.r.o., Corporate ID: 64581331, Praha 9, Kolmá 5/597, PSČ 190 00,
- OVOAGRI s.r.o., Corporate ID: 36463388, Madunice, Kostolanská 2/540, PSČ 922 42, SR,
- OVOFARM s.r.o., Corporate ID: 36015067, Madunice, Kostolanská 2/540, PSČ 922 42, SR,
- RM-S FINANCE, s.r.o., Corporate ID: 62915240, Praha 1, V Celnici 1028/10, PSČ 117 21,
- RM-SYSTÉM, česká burza cenných papírů a.s., IČO: 471 16 404, Praha 1 - Nové Město, V Celnici 1028/10, PSČ 117 21,
- T.O.R.S. s.r.o., Corporate ID: 49682024, Praha 1, V Celnici 1028/10, PSČ 110 00,
- Topas REAL spol. s r.o., Corporate ID: 60202653, Rohanské nábřeží 671/15, Karlín, 186 00 Praha 8,
- UNITED FRUITS, a.s., v likvidaci, Corporate ID: 25585827, Pekařská 80, Brno, PSČ 60200,
- VARIEL, a.s., Corporate ID: 45148287, Zruč nad Sázavou, Průmyslová 1034, PSČ 285 22,
- VVISS a.s., Corporate ID: 48585131, Praha 9, Kolmá 5/597, PSČ 190 00,
- VVISS Lipence, s.r.o. v likvidaci, Corporate ID: 64581314, Praha 9, Kolmá 5/597, PSČ 190 00,
- VVISS Terezín, s.r.o. v likvidaci, Corporate ID: 25125931, Praha 9, Kolmá 5/597, PSČ 190 00.

4. Graphics Depicting the Structure of Relations between Entities Controlled by RNDr. Petr Marsa MBA LL.M. a Mgr. Romuald Kopún



II. Role of the Controlled Entity

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

Other entities within the group of controlled entities are principally provided with standard banking services as well as services the Bank is authorised to provide as a securities trader.

III. Manners and Means of Control

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

IV. Contracts and Agreements Concluded in the Year Ended 31 December 2023 and Contracts and Agreements Still Effective in the Year Ended 31 December 2023

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

a) Contracts concluded prior to 1 January 2023 still effective as of 31 December 2023

Mgr. Romuald Kopún

Bank account agreements
Commission agreement and other arrangements

RNDr. Petr Marsa MBA LL.M.

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

Fio holding, a.s.

Shares subscription agreement
Account maintenance agreements
Commission agreement and other arrangements

b) Contracts concluded in the year ended 31 December 2023

Mgr. Romuald Kopún

No new agreements were concluded in 2023.

RNDr. Petr Marsa MBA LL.M.

No new agreements were concluded in 2023.

Fio holding, a.s.

No new agreements were concluded in 2023.

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

a) Contracts concluded prior to 1 January 2023 still effective as of 31 December 2023

AASRK, a.s.

Account maintenance agreement

AGROPRODUKT - odbytové družstvo

Account maintenance agreement

APMAS, a.s.

Account maintenance agreement

BASRK, a.s.

Account maintenance agreement

BPMAS, a.s.

Account maintenance agreement

Master agreement on investment

CASRK, a.s.

Account maintenance agreement

Master agreement on investment

CFT a.s.

Account maintenance agreement

Framework agreement on financial market trading

Framework agreement on the provision of payment services

CPMAS, a.s.

Account maintenance agreement

Loan Agreement No. 2010-1-4603890

DASRK, a.s.

Account maintenance agreement

DZ KREDIT a.s.

Account maintenance agreement

Commission agreement and other arrangements

Framework agreement on financial market trading

Framework agreement on the provision of payment services

Deposit account agreement

EASRK, a.s.

Account maintenance agreement

ELLIAD a.s.

Account maintenance agreement

Commission agreement and other arrangements

Framework agreement on financial market trading

Framework agreement on the provision of payment services

EPMAS, a.s.

Account maintenance agreement

Agreement on loan no. 2010-1-4503819

Finanční skupina Fio, a.s.

Account maintenance agreement
Contract on the transfer of a business interest

Fio Consulting, spol. s.r.o.

Account maintenance agreement
Bookkeeping agreement
Personal data processing agreement

Fio forexová, s.r.o.

Account maintenance agreement

Fio investiční společnost, a.s.

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

Fio leasing, a.s.

Sub-lease agreement

FIO POLSKA SP Z O O

Account maintenance agreements

Fio realitní fond SICAV, a.s.

Account maintenance agreements
Account agreement for the deposit of the share capital

Fio Slovakia, a.s.

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

FPMAS, a.s.

Account maintenance agreement

FPSROH spol. s r.o.

Account maintenance agreement

FPSROG spol. s r.o.

Account maintenance agreement

GENT CZ spol. s r.o.

Commission agreement and other arrangements
Framework agreement on the provision of payment services

KOFIMA, s.r.o.

Account maintenance agreement

Midleton a.s.

Account maintenance agreements

NOBLIGE a.s.

Account maintenance agreements

Framework agreement on financial market trading

NYDELS, s.r.o.

Account maintenance agreements

Odbytové družstvo ovoce Český ráj

Account maintenance agreements

OVOAGRI s.r.o.

Account maintenance agreements

OVOFARM s.r.o.

Account maintenance agreement

RM-S Finance s.r.o.

Mandate agreement

Contract on the definition of rights and obligations following from membership in a VAT group registration

Contract on the administration and development of an IT system and other ICT equipment

Account maintenance agreements

Outsourcing contract

Personal data processing agreement

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

Contract on a special validation method

Mutual cooperation agreement on the validation of the technical and programme service solution

Sublease agreement

Contract on the definition of rights and obligations following from the membership in a VAT group registration

Account maintenance agreements

Internal audit services agreement

Compliance services agreement

Contract on the representation of Ceska burza with the registration of clients

Contract on the internalisation of settlement

Contract on access to the market of Ceska burza

Contract on the report of transactions

Contract to act as a market maker

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

Account maintenance agreement

Framework agreement on financial market trading

Framework agreement on the provision of payment services

VARIEL, a.s.

Account maintenance agreement

Loan agreement No. 141000078

Loan agreement No. 151000002

Loan agreement No. 171000065

Loan agreement No. 171000066

Loan agreement No. 181000083

Master agreement on investment

Contract on the provision of a guarantee No. 223000009

VVISS, a.s.

Account maintenance agreements

Master agreement on investment

Contract on the definition of rights and obligations following from membership in a VAT group registration

Loan agreement No. 151000039
Contract on the provision of a borrowing
Contract on the provision of a guarantee No. 173000029
Loan agreement No. 191000027
Contract on the provision of a guarantee No. 193000015
Framework agreement on financial market trading
Loan agreement No. 210404886035
Loan agreement No. 2012-1-4592317
Contract on the provision of a guarantee No. 223000005

b) Contracts concluded in 2023

AASRK, a.s.

Master agreement on investment
Bank account agreement

BASRK, a.s.

Master agreement on investment
Bank account agreement

DASRK, a.s.

Bank account agreement

EASRK, a.s.

Bank account agreement

Fio Consulting, spol. s.r.o.

Outsourcing agreement of various activities

RM-S Finance s.r.o.

Outsourcing agreement of various activities

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

Agreement on special validation method

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

V. V. List of the Acts Made in the Latest Reporting Period at the Instigation or in the interest of the Controlling Entity or Entities Controlled by the Controlling Entity with Respect to Assets Exceeding 10% of Equity identified in the Financial Statements for the Year Ended 31 December 2023,

- No such actions in 2023.

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

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

VII. Assessment of Advantages and Disadvantages Arising from Control

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

In 2023, controlled entities cooperated predominantly in the mediation of the Bank's services, both the payment and investment ones. The controlled entities are not in competition in terms of the services provided and, therefore, such a situation has no negative impact on their market position, and the Bank and its management have sufficient space to maximally exploit the market potential in the respective area of business.

In Prague on 24 April 2024

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

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