PPF GROUP N.V.

Annual accounts 2021

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Report of the board of directors

Description of the Company

PPF Group N.V.
Date of incorporation: 29 December 1994
Registered office: Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Identification number: 33264887
Basic share capital: EUR 624,010
Principal business: Holding company activities and financing thereof

General information

PPF Group (the "Group") invests in numerous sectors, including financial services, telecommunications, media, biotechnologies, real estate, mobility, engineering, and e-commerce.

PPF Group's reach spans from Central and Eastern Europe to Russia, the USA and across Asia. As of 31 December 2021, PPF Group owned assets amounting to EUR 42 billion. PPF Group N.V., with its registered office in Amsterdam, is the key holding company of the Group that makes strategic decisions governing the entire Group's activity. The Group comprises several business segments.

PPF Group's growth rests on the development of traditional and new industries, the building of modern infrastructure, the digital economy, and linking the best talent and capabilities with global opportunities.

PPF Group's significant investments in innovation and advanced technologies enable its companies to offer highly competitive services that not only deliver value to customers, but often also contribute to the sustainable development of the entire market.

In all countries in which it maintains a presence, PPF Group has long supported education, science, culture, selected social issues, and emergency relief through foundation-led projects and its charity work.

Significant events in 2021 and 2022 (until May 2022)

February 2021

PPF Group initiated the major undertaking of merging Air Bank, the Czech and Slovak arms of Home Credit, and Zonky with MONETA Money Bank ("MONETA"). The first step was a tender offer to voluntarily buy out part of MONETA's shares from existing shareholders in February 2021. The Group acquired 29.94% of the shares in MONETA during the first half of 2021.

March 2021

On 28 March 2021, Petr Kellner, founder and majority shareholder of PPF Group, died in tragic circumstances when the helicopter he was in crashed in the Alaskan mountains in the US. Long-time Group shareholder Ladislav Bartoníček was entrusted with the management of all Group operations.

The Group tapped into the US real estate market by purchasing the Mansell Overlook office complex in the Atlanta metropolitan area.

May 2021

The Group placed O2 universum at the Czech government's disposal free of charge to host the National Vaccination Centre. This turned the Prague's multi-purpose venue in Czech Republic's the largest vaccination site. Over the four months of its operations 570,000 people were inoculated there. This centre, the largest of its kind in the country, was operated by Prague's Military University Hospital, assisted by the Czech army.

June 2021

Effective as of 1 June 2021, PPF Financial Holdings B.V. – the company enveloping PPF Group's financial-sector investments – relocated its headquarters from the Netherlands to the Czech Republic. This move saw PPF Financial Holdings a.s. incorporated as a company in the Czech Republic.

Having acquired more than 90% of O2 Czech Republic ("O2 CZ") shares, the Group announced plans to buy out minority shareholders and delist the operator's shares from the Prague Stock Exchange.

July 2021

The Group teamed up with Groupe Beneteau, the prominent French boat builder, to enter the yacht chartering market. Together, the two partners gained a controlling stake in Dream Yacht Charter and a joint venture stake in Navigare Yachting with bases in more than 50 marinas worldwide.

October 2021

The Group struck a deal with GIC Private Limited that would see the Singapore-based global investment fund take up a minority shareholding in CETIN Group, the international telecommunications infrastructure part of the Group´s telecommunication segment. GIC Private Limited, one of the world's largest and most renowned infrastructure funds, bought a 30% stake in CETIN Group, the transaction closed in March 2022.

PPF Telecom Group reached an agreement with Hungary's 4iG Nyrt on the sale of a 100% stake in Telenor Montenegro; the transaction was then executed in December 2021.

PPF Group, EC Investments, and Rockaway Capital reached a joint agreement to sell their 100% stake in Mall Group, the e-shop operator serving the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, and Poland, to the Polish e-commerce platform Allegro. The transaction closed in April 2022.

December 2021

PPF Real Estate continued in the expansion on the US market with the acquisition of Orlando's South Park Center, with this transaction being the largest one in its market segment and respective region in the year 2021.

PPF entered the Polish market when holding company PPF Real Estate acquired the New City office centre, a premium property in Warsaw.

At its general meeting, MONETA Money Bank shareholders endorsed the combination of MONETA with Air Bank and its affiliates.

January 2022

The Group announced that O2 Czech Republic shares will be withdrawn from trade on the Prague Stock Exchange until the end February, 2022. In accordance with the resolution of the general meeting, PPF Telco B.V., O2 CZ's principal shareholder, has undertaken the process of transferring the O2 CZ's shares to the principal shareholder and buying out shares from the remaining O2 CZ shareholders.

February 2022

The Group through its subsidiary, CME Media Enterprises has signed an agreement with RTL Group Central & Eastern Europe to acquire 100% of RTL Hrvatska, a commercial broadcaster in Croatia. The execution of the transaction occurred in June 2022.

The Group (through PPF Foundation) and The Kellner Family Foundation announced an agreement with the Czech Ministry for Education on a joint EUR 4 million donation to fund a programme for the integration and primary education of refugee children from war-torn Ukraine.

March 2022

On 1 March, 2022, PPF Telecom Group's mobile operator Telenor in Bulgaria, Hungary and Serbia was rebranded to Yettel.

The Group has announced its intention to consolidate four technology companies from the Czech Republic and Slovakia to form a single strong brand. Electronic toll system operators CzechToll and SkyToll, tech company TollNet, and transport payment solutions provider PaySystem are set to be wholly owned under the newly formed ITIS Holding.

April 2022

PPF Group signed an agreement to sell its agricultural holding company RAV Agro, thereby completing its exit from the agricultural business in Russia, which it had entered in 2011.

May 2022

Renáta Kellnerová, authorised to exercise the majority of voting rights in PPF Group, announced that since June 2022 Jiří Šmejc would be taking over as PPF Group's new CEO.

The Group signed an agreement with a group of Russian investors to sell off Russian subsidiaries comprising banking assets. The deal will see PPF Group withdraw from the banking market in Russia.

PPF Group signed an agreement with MONETA Money Bank to terminate the process of merging Air Bank's assets with those of Moneta due to macroeconomic changes radically altering the parameters of the originally planned transaction.

Key financial highlights

As at 31 December 2021, the total consolidated balance sheet amounted to EUR 42,186 million (2020: EUR 39,658 million). The Group's key driver behind the asset increase is mainly attributable to an increase in the financial segment (EUR 0.7 billion), an expansion in real estate (EUR 0.5 billion), the acquisitions of a stake in MONETA (EUR 0.5 billion) and the Dream Yacht Group (EUR 0.4 billion).

At the end of 2021, the consolidated equity of PPF Group N.V. amounted to EUR 9,128 million (2020: EUR 8,517 million). The growth of equity related to two significant items: a net profit and a positive FX translation revaluation caused by the revaluation of the Group´s functional currencies (other than euro) against the euro.

The consolidated net profit of the Group for 2021 reached EUR 274 million (2020: a loss of EUR 291 million). Telecommunications, media and real estate were the core segments contributing significantly higher profits compared to 2020. On the other hand, still impacted by the pandemic, Home Credit suffered a loss which was nonetheless significantly lower in comparison than in 2020.

Consolidated financial highlights, in millions of EUR

	2021	2020
Total operating income*	5,251	5,740
Net profit/(loss)	274	(291)
Total assets	42,186	39,658
Total equity	9,128	8,517

*including discontinued operations

Workforce

The rounded average number of employees during 2021 was 78,000 (2020: 111,000).

Composition of the board of directors

The size and composition of the board of directors and the combined experience and expertise of their members should as closely as possible fit the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualified candidates, resulted in PPF Group currently having a board of directors in which all three members are male. To promote gender diversity on the board of directors, but also on its other corporate and management bodies, PPF Group intends to pay close attention to gender diversity in the process of recruiting and appointing future members of the board of directors, the supervisory board and other management layers. PPF Group will, in accordance with Article 2:166, Section 2 of the Dutch Civil Code, set ambitious and appropriate targets with a view to having the ratio of men to women in the board of directors, the supervisory board and designated higher management layers balanced. PPF Group will retain an active and open attitude as regards selecting female candidates.

Supervisory board and audit committee

In February 2018, the shareholders of PPF Group N.V. established a supervisory board in compliance with the articles of association of PPF Group N.V. As of 31 December 2020, the members of the supervisory board were Mr František Dostálek (designated as the chairman), Kamil Ziegler and Mr Lubomír Král. Mr Dostálek resigned and was substituted by Mrs Zuzana Prokopcová in September 2021. As of 31 December 2021, the members of the supervisory board were Mr Kamil Ziegler (designated as the chairman), Mrs Zuzana Prokopcová and Mr Lubomír Král. The supervisory board supervises the board of directors of PPF Group N.V. and provides this body with any (un)solicited advice it deems appropriate within the best interest of PPF Group N.V.

The supervisory board may also establish special committees of its members or other persons or both. Based on the aforementioned authority, an audit committee (comprising of the same three members as the supervisory board) has been instantly established at PPF Group N.V. Regarding the fact that all conditions of the Dutch transposition of Article 39 (3) (a) of Directive 2006/43/EC are followed in case of the audit committee, one Group entity - CETIN Finance B.V. as a public interest entity is not obliged to establish its own audit committee because all related applicable requirements are followed by the audit committee at PPF Group N.V. level.

Code of conduct

PPF Group N.V. as the parent of the Group implemented a corporate compliance programme, which sets out the fundamental principles and rules of conduct for employees in the PPF Group and enables compliance checks and putting remedies in place when shortcomings are discovered or objectionable or illegal conduct identified. An important part of the programme is the PPF Group Code of Ethics that deals among other topics with the protection of human rights and the prevention of corrupt conduct in all PPF Group activities. Internal PPF Group policy on corporate compliance internal investigation further regulates how staff, managers and the management and supervisory bodies of the Group should proceed in case of suspicion, investigation and discovery of action which is unethical or improper and/or action which is contrary to legal regulations or the Code of Ethics of PPF Group.

Capital management

PPF Group restructured its consumer finance business represented by Home Credit, Air Bank and PPF banka under PPF Financial Holdings B.V., a new holding entity, in 2015. PPF Financial Holdings B.V. (“the Subgroup”) was a financial holding company and as such became subject to the consolidated prudential requirements under Regulation (EU) 575/2013 of the European Parliament and of the Council (the “CRR”) and Directive 2013/36/EU of the European Parliament and of the Council (the “CRD”) as transposed in the Czech Republic. The Czech National Bank acted as the consolidating supervisor of the Group. PPF banka was appointed as the responsible reporting entity for the Group.

Pursuant to the amendments to the CRD (amended by Directive (EU) 2019/878 of the European Parliament and of the Council) and the CRR (amended by Regulation (EU) 2019/876 of the European

Parliament and of the Council) as of 20 May 2019, PPF Financial Holdings B.V. was expected to apply for a new special authorisation by the competent authorities in the Czech Republic and, simultaneously, in the Netherlands. To simplify the authorisation process, the shareholders of the company decided to conduct a cross-border conversion. The conversion was carried out as a conversion without the liquidation of PPF Financial Holdings B.V. and by continuing its existence and legal personality as a Czech Republic governed joint stock company, PPF Financial Holdings a.s., a joint stock company under Czech Law that occurred on 1 June 2021.

Due to a delayed transposition of the CRD into the Czech legislation in time as required by the EU law, the authorisation process for financial holdings became effective in the Czech Republic only in October 2021. PPF Financial Holdings submitted its formal application to the Czech National Bank in November 2021. The application was finally approved in March 2022.

The Subgroup is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, the Subgroup is required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer that is currently 0.14% of its risk-weighted assets.

The Subgroup monitors and maintains other regulatory requirements, such as large exposures, liquidity, and leverage ratios.

The Group, the Subgroup, and their individually regulated operations complied with all externally imposed capital requirements, liquidity requirements, and leverage requirements throughout the reporting period.

Financial instruments and risk management

The Group is exposed to various risks as a result of its activities, mainly: liquidity risk, market risks (interest rate risk, equity price risk, currency risk), credit risk and insurance risk.

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits as well as other liabilities evidenced by paper, bank loans and shareholders' equity.

All financial instruments and positions are subject to market risk, i.e. the risk that future changes in market conditions may make an instrument more or less valuable. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions in accordance with risk limits or frameworks set by senior management at the level of the individual Group companies.

The Group is subject to credit risk through its trading, lending and investing activities and where it acts as an intermediary on behalf of third parties. The Group's primary exposure to credit risk arises through the purchase of debt securities and through the provision of loans and advances. Credit risk is managed at the level of the individual Group companies.

The Group carries an inventory of capital market instruments to manage those risks. Positions are opened in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions. As of 31 December 2021, the Group held financial instruments of EUR 14,537 million (excluding cash and cash equivalents). Of this amount, financial assets at fair value through profit or loss amounted to EUR 1,578 million; financial assets at fair value through other comprehensive income came to EUR 1,652 million, financial assets at amortised cost to EUR 123 million, and loans and receivables to EUR 11,184 million. Financial liabilities held by the Group include, in particular, liabilities due to non-banks totalling EUR 7,477 million, liabilities due to banks of EUR 11,325 million, debt securities issued amounting to EUR 3,541 million, subordinated liabilities of EUR 189 million and financial liabilities at fair value through profit or loss of EUR 1,060 million.

The Group holds derivative financial instruments for trading and for risk management purposes: swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices or price indices.

For detailed information on risk management, see Section C of the notes to the consolidated financial statements.

Approach to risks associated with the financial reporting

Pursuant to the Dutch legislation, the Company keeps its books in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. All subsidiaries, regardless of the accounting standard they use to prepare their individual financial statements, report data for PPF Group consolidation purposes according to IFRS.

Unified accounting policies followed by the subsidiaries are defined in the Group accounting manual in full compliance with generally applicable accounting standards. The standards are further supplemented with a set of auxiliary guidelines detailing specific technical and methodical areas of the accounting process.

On the Group level there is a strict division between accounting and reporting functions followed by appropriate segregation of duties within the internal review system.

The effectiveness of the Group's system of internal controls, the process of compiling PPF Group's separate financial statements and consolidated financial statements, and the process of auditing financial statements are also reviewed by the Supervisory Board, which conducts these activities as the Company governance body without prejudice to the responsibilities of board of directors.

Description of core business segments and their development in 2021

PPF Financial Holdings – Financial services

Consolidated financial highlights, in millions of EUR

	2021	2020
PPF Group's share	100%	100%
Total operating income*	2,308	3,362
Net loss	(258)	(555)
Total assets	25,454	24,760
Total equity	2,712	2,852

*including discontinued operations

The Group's core business is financial services and banking. Successful growth in this area is built on an emphasis on client needs, investment in innovation and digital technologies, and the ever-evolving range of modern financial services. In the markets where it operates, the Group focuses on programmes to support financial literacy and responsible personal finance practices.

In 2021, PPF Financial Holdings B.V., which is the Group's investment vehicle for the financial sector (Home Credit, including Air Bank and Zonky, PPF banka, Mobi Bank, and ClearBank), relocated its headquarters and domicile from the Netherlands to the Czech Republic. Since 1 June 2021, when the switch took legal effect, the company has been operating as the Czech financial holding company PPF Financial Holdings a.s. (refer to capital management section).

In 2021, PPF Group established Tanemo a.s., which, during the year, acquired 29.94% of the shares in MONETA Money Bank, a.s. ("MONETA") through a public offering. This stake is not part of PPF Financial Holdings a.s.

Home Credit Group

Consolidated financial highlights, in millions of EUR

	2021	2020
PPF Group's effective share	91.12%	91.12%
Operating income	2,135	3,199
Net loss	(303)	(584)
Total assets	16,262	18,518
Total equity	1,816	1,936

*including discontinued operations

Home Credit Group B.V. ("HC Group" or "Home Credit") is one of the world's leading consumer finance providers. It specialises in emerging markets. Home Credit's mission is to provide consumer finance responsibly, especially to people with little or no credit history, via a multichannel online and offline distribution model that places an emphasis on digital services and tools.

Home Credit Group is a parent company organised into several regional groupings. It holds equity interests in leading consumer finance companies in nine key focus countries which are clustered across five regions: Central and Eastern Europe ("CEE") which includes businesses in the Czech Republic and Slovakia; the Commonwealth of Independent States ("CIS"), which includes businesses in Russia and Kazakhstan; China; South and South East Asia ("SSEA"), which includes businesses in India, Indonesia, Philippines and Vietnam and Other, which includes projects or specific entities in other countries. Home Credit holds banking licences in the Czech Republic, Russia, and Kazakhstan. Over its decades of operations, the company has developed a broad range of innovative and affordable financial services and solutions that are adapted to the cultural, social, and economic nuances of each of the global markets where it maintains a presence. The HC Group operates in countries with a total population of around 3.4 billion between them, where the growth potential is high, GDP increases are above average, and the consumer finance penetration rate is low. Home Credit Group companies were serving nearly 14 million active customers in all their markets at the end of 2021 and were among the largest and best-ranked brands in point-of-sale financing.

The HC Group's goal is to provide highly competitive services in all essential respects and to maintain a high level of agility and innovation in a constantly evolving digital world. Advanced technology and easy-to-understand mobile apps offer inclusive access to credit services and provide customers who are unable or unwilling to use standard banking tools with their first taste of credit and financial products. Digital platforms process large volumes of data on the behaviour of prospective customers, arming the company with the effective predictive tools it needs to make lending decisions.

Home Credit offers three main types of unsecured consumer finance products on its markets: non-bank loans (non-cash credit to finance the purchase of durable goods), multi-purpose or cash loans, and revolving credit products. In addition to loans, Home Credit offers customers complementary products and services, such as reinsurance and third-party insurance distribution. The HC Group's product strategy aims to maintain high customer loyalty by offering services that cater to the evolving needs and situations in life that are faced by all age groups.

In 2021, Home Credit's markets were severely dented by the global COVID-19 pandemic. The company responded by accelerating the roll-out of its digitalisation strategy. This included the deeper integration of mobile apps to enable a better customer experience and interaction in the repayment of loans and purchase of consumer goods through online retail partners. The uptake of these apps underlines the speed and depth of the HC Group's digital transformation, with 80% of the company's business now conducted via mobile devices. Home Credit's apps have over 100 million registered users globally. In 2021, digitalisation also opened the door to a dramatic reduction in costs by cutting the provision of sales guidance by 54%.

Home Credit published its first ESG Report in 2021. This report, which will be released annually, outlines the measurable impact of Home Credit's business and its approach to ESG. Besides sustainability, Home Credit's CSR strategy is built around socially inclusive responsible financing projects that focus primarily on promoting financial literacy, poverty reduction, and direct assistance to communities. Home Credit adapts these programmes to the specific cultural environment of each of the countries in which it does business.

Air Bank (part of Home Credit)

Air Bank, the next-generation retail bank, commemorated its tenth anniversary in 2021. Its vision is to be the first bank people can feel a true affinity with. Air Bank is the fastest growing and expanding neo-bank in the Czech Republic. From the outset, it has competed with traditional banks by offering simple, innovative services.

Air Bank routinely introduces novel services and solutions to the Czech market, where it leads the way in customer centricity. This approach has seen it continue to attract new clients, increase its volume of lending, and record growing income from regular retail banking services. At the end of 2021, Air Bank had more than 986,000 clients served by 955 employees at 32 branches distributed among the Czech Republic's largest towns and cities. In recent years, its customer experience has been ranked first and second out of two hundred regularly assessed brands that are present in the Czech market.

In 2021, Air Bank deployed the first banking app that could be voice-controlled in Czech, a feat earning the Novelty of the Year award in the financial sector. Air Bank was one of the first banks in the Czech Republic to offer banking identity, or BankID, as a means of facilitating communication with the public and commercial sector. Air Bank clients can now make returns on their savings by investing via the Portu service or in other clients' loans via the Zonky Rentiér service. Zonky, the P2P lending platform, formally became part of Air Bank in December 2021, but continues to offer its services under its own brand.

Looking to the future, Air Bank will focus on areas such as services for families and the expansion of its mortgage and investment services. It will continue to make improvements to its mobile banking service, which has become a firm customer favourite. The bank's mobile platform maintained its solid growth, expanding by 21% year on year in the third quarter of last year to more than 700,000 users, almost a quarter of whom use the app daily. The scale of Air Bank's digitalisation is also phenomenal in terms of clients opening new accounts (75% online), applying for loans (88% online), or taking out travel insurance (91%).

On 20 December 2021, the shareholders of MONETA approved the future combination of MONETA, Air Bank and Czech and Slovak Home Credit assets. The general meeting of MONETA approved the acquisition of shares in Air Bank a.s. and Czech and Slovak Home Credit. The share purchase agreement with Home Credit N.V. and Home Credit International a.s., acting as the sellers, under which MONETA was supposed to acquire from both entities the ownership title to a 100% share in Air Bank a.s., Home Credit a.s. and Home Credit Slovakia, a.s. was not realised in May 2022, the Group and MONETA entered into an agreement on the termination of the whole transaction. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger as laid out in the framework agreement signed by the two parties in May 2021 and subsequently updated in November 2021.

The Group, through its subsidiary Tanemo a.s., holds a 29.94% stake in MONETA.

PPF banka

Individual financial highlights, in millions of EUR

	2021	2020
PPF Group's share	92.96%	92.96%
Operating income	133	163
Net profit	68	43
Total assets	9,519	6,468
Total equity	665	588

PPF banka is a modern bank for corporate, public, and private sector customers specialises in trading on financial and capital markets and providing financing services for projects, exports, and acquisitions. It is the hub of PPF Group's financial activities, carrying out international payment transactions, managing financial assets, and trading on capital markets for the Group's companies.

PPF banka's services are built on professional expertise and unique solutions with an emphasis on added value. For customers, it is a stable, professional, and reliable partner in operational and investment financing in numerous areas, including trade, industrial production, energy, renewable sources, agriculture and forestry, services in the realms of IT and e-commerce, etc.

The bank also finances commercial and residential real estate and development projects. It has been a long-standing partner of many Czech regions and statutory cities, contributing to their development, for example, in the fields of energy, the circular economy, and education. The bank offers structured finance services, including M&A financing. An important part of the portfolio is services taking an individual approach to the financial needs of private clients.

In 2021, PPF banka focused primarily on developing services for existing customers and supporting their business activities. In line with its strategy, the bank invested in digitalisation, cybersecurity, and more efficient service provision, including the development of a new mobile app and the modernisation of internet banking. As the negative repercussions of the coronavirus epidemic took hold, PPF banka helped clients to make use of support schemes for their businesses. The bank's 2021 performance yielded a net profit of EUR 68 million, up by EUR 25 million on the previous year.

Mobi Banka

Belgrade-based Mobi Banka harnesses business synergies with the telecommunications services of PPF Group-owned Telenor Serbia (operating under the Yettel brand as of 3/2022). In 2021, the bank worked with the Serbian government to develop digital identity and data sharing technology in its products. One of the outcomes of this has been that applying for and processing loans is now easier. At the end of 2021, Mobi Banka was serving more than 650,000 clients with a wide range of personal retail financial services and the bank was managing assets worth EUR 207.5 million.

ClearBank

ClearBank is a digital clearing bank headquartered in the United Kingdom. Since its inception in 2017, the bank has provided financial services to corporate customers via cloud-based, smart and robust technology offering real-time payment settlement. Next-generation financial solutions are a key part of ClearBank's business model. Transactions traded in 2021 came to EUR 140 billion. As at 31 December 2021, the Group held a 44.8% stake in ClearBank.

PPF Telecom Group - Telecommunications

Consolidated financial highlights, in millions of EUR

	2020	2020
PPF Group's share	100%	100%
Total revenues	3,336	3,159
EBITDA	1,569	1,425
Net profit	530	432
Total assets	7,739	7,899
Total equity	1,357	1,836

PPF Group's telecommunications division ("the Telco Group") is a major provider of telecommunications services in Central and South-eastern Europe. Its companies in the Czech Republic, Slovakia, Bulgaria, Hungary, Serbia and Montenegro have long invested in modern telecommunications infrastructure, which they continue to develop.

PPF Telecom Group brings together companies in two key areas: end-customer services and infrastructure. In building this telco group, PPF Group pioneered the structural unbundling of services and infrastructure – it separated the services provided by retail operators under the O2 and Telenor brands (Yettel as of March 2022) from the telecommunications infrastructure operators, which it consolidated into CETIN Group.

CETIN’s subsidiaries in the Czech Republic, Bulgaria, Hungary, and Serbia offer wholesale mobile and fixed network infrastructure services to all telecommunications companies in the market on equal terms. O2 and Yettel, as commercial operators, provide services to end-users in the consumer, corporate, and public segments. They offer mobile voice, data and text messaging services, fixed broadband, multi-platform internet television, fixed voice lines, and business data networks. In 2021, 18.3 million customers relied on PPF Telecom Group’s mobile services.

The Telco Group operates in stable telecommunications markets that are developing along positive lines enabling sustainable business growth. The competitive environment in these countries keeps the market shares stable and facilitates sound average revenue per user (ARPU).

In 2021, the Telco Group reported solid revenue growth, achieved with contributions from all its brands and companies. The customer base is expanding and improving in all of the group’s countries, thanks in large part to a long-term strategy structured around the operation of top-notch telecommunications networks and the delivery of a superior customer experience. The Telco Group companies report predictable cash flows resilient to business cycle changes and adverse global influences, which in 2021 included the COVID-19 pandemic and its economic repercussions.

PPF Telecom Group had launched state-of-the-art fifth-generation mobile networks in most markets by the end of 2021. The rapid group-wide expansion of the availability of 5G networks is fuelled by the sharing of expertise and resources within CETIN Group’s infrastructure division. In the years ahead, 5G services will drive the next wave of innovation and growth.

Telenor CEE

The Telenor CEE mobile operators provide telecommunications services to customers in Bulgaria, Hungary, Serbia and Montenegro (until October 2021). With a strategy pursuing mobile network excellence, a first-class customer experience, and a wide range of charitable and community-based activities, they successfully lead the way in providing mobile and internet services in these markets, boosted by the launch of their strong new Yettel brand.

In defiance of the difficult conditions, they were facing because of the coronavirus pandemic, Telenor CEE mobile operators invested millions of euros in technological advances and the expansion of their range in 2021. At the end of 2021, Telenor was serving nearly 10 million customers. For several years in a row, operators in Bulgaria, Serbia, and Montenegro have been awarded the prestigious Best in Test certificate in the independent mobile infrastructure quality testing conducted by the international umlaut (Accenture) organisation. This places Telenor CEE’s mobile networks among the best in Europe.

Bulgaria

Telenor Bulgaria serves approximately 3 million customers, i.e. a third of the Bulgarian telecommunications market, where it successfully competes with another two major telecommunications operators. In 2021, Telenor maintained its position as the market leader in Bulgaria in terms of net promoter score (NPS) and average revenue per user (ARPU).

In June 2021, Bulgarian Telenor launched its 5G network. This provided the company with technology that would enable it to provide, among other things, a scalable fixed wireless access (FWA) service, which has the potential to replace fixed connections.

Hungary

Telenor Hungary is the country’s second largest operator measured in terms of market share and revenues, which grew by 5.1% year on year. Telenor Hungary is a pioneer in mobile broadband technology. In the national frequency auction, the company successfully bid for a 15-year licence for the 900 MHz and 1,800 MHz bands. In September 2021, Telenor’s offer of “unlimited-data internet” was taken up by more than a million Hungarian households.

In the medium-sized and large business segment, which is the operator’s traditional domain, Telenor started providing managed firewall services for cybersecurity and launched fibre-optic fixed internet under the name IrodaNet.

Serbia

In 2021, Telenor Serbia entered the fixed-service sector and content distribution in the retail telecom segments. Telenor made successful inroads into the Serbian household sector by offering broadband internet access combined with IP TV and fixed telephony. Telenor also maintains a stable base of loyal customers in Serbia through its popular mobile app and regular Blue Friday campaign, which targets increased brand loyalty.

Montenegro

Telenor’ Montenegro’s business model gradually shifted away from prepaid services, moving instead towards plans offering unlimited calls, large data volumes, and other digital services. In September 2021, Telenor retained top spot in the prepaid card segment with 372,000 customers. In its data plan services, Telenor expanded its customer base by 4.4 per cent year on year.

In October 2021, PPF Telecom Group agreed the sale of 100% of Telenor Montenegro to Hungary’s 4iG Nyrt. The transaction was settled by the end of 2021.

O2 Czech Republic

O2 Czech Republic (“O2 CZ”) is the largest telecommunications operator in the Czech Republic. It provides voice, internet and data services to a full range of customers: households, SMEs, large corporations, and the government. With its O2 TV service, it is the largest operator of internet television broadcasting in the country.

O2 CZ operates in a highly competitive, highly saturated telecommunications market, where it excels by combining the most affordable fixed internet, a superior mobile network, and attractive television content. While mobile telecommunications services are its main revenue stream, O2 is also the largest provider of internet for households and businesses, which is available in 99% of the Czech Republic’s inhabited territory. O2 is one of the biggest players in hosting, cloud services, managed services, and ICT.

O2 concentrates its attention on technological advancements and innovation. The fifth-generation network expanded to nearly 60 towns and cities across the Czech Republic in 2021. A new generation of the powerful O2 Smart Box, combining the functions of a modem, Wi-Fi router, and smart home centre, was launched. Other areas in which O2 is strongly committed include the development of artificial intelligence and big data, an area in which O2 subsidiary Dataclair.ai team specialises. O2 is also developing the financial services sector, smart city needs and connectivity, and the autonomous mobility of the future.

With the O2 TV service, O2 consolidated its position as the most popular IPTV in the Czech Republic. At the end of 2021, there were 603,000 active subscriptions, including customers using O2 TV Sport Pack online and O2 TV HBO and Sport Pack. The range offered by O2 TV was expanded to include ten new TV stations during the past year.

O2 Slovakia

O2 Slovakia, a wholly owned subsidiary of O2 Czech Republic, entered the Slovak market in February 2007 as the country's third operator. By 2021, it was serving 2.25 million customers in Slovakia. In early September 2021, the company rolled out 5G services in new locations and unveiled plans for the further building of fifth-generation infrastructure with Ericsson technology in Slovakia. Equipment of the same brand is now replacing components of the radio access network (RAN) as part of a large-scale technology upgrade in the O2 Slovakia network.

Corporate customers are catered to by O2 Business Services, a wholly owned subsidiary of O2 Slovakia, which offers a portfolio of fixed and mobile telecommunications services and ICT solutions.

CETIN Group

CETIN Group is one of the largest wholesale providers of telecommunications infrastructure services for fixed and mobile networks in Central and South Eastern Europe. CETIN aims to be a force driving digital transformation in all four countries where it operates by investing in advanced technologies and cutting-edge services.

CETIN was established in the Czech Republic in 2015 when the infrastructure arm of the operator O2 was successfully spun off into a separate company. In 2020, the infrastructure was hived off from the retail activities of Telenor operators in Bulgaria, Hungary, and Serbia in the same way, and the regional CETIN Group was established.

CETIN Group's vast networks and infrastructure are kept reliable and stable by continuous technical supervision. They provide leading-edge voice and data services, including television broadcasting services, IT services, and cybersecurity to Telenor in Bulgaria, Hungary, and Serbia, as well as to other wholesale customers in the region and beyond, including O2 Czech Republic.

In October 2021, PPF Group and GIC Private Limited, a major international investment and infrastructure fund based in Singapore, struck an agreement that saw GIC Private Limited acquire a 30% stake in CETIN Group. The transaction closed in March 2022.

CETIN Czech Republic

CETIN owns and runs the largest electronic communications network in the Czech Republic and is a wholesale provider of telecommunications services. It offers its services, always under the same conditions, to all telecommunications operators and internet access providers who supply services to end customers via the CETIN infrastructure. 99.6% of Czech households rely on the CETIN network's fixed and mobile technologies.

CETIN provides mobile network infrastructure services, fixed network services for households and small businesses (network access services, xDSL and fibre-optic connectivity, IP TV, and voice services), data services for corporate networks, and data centre leasing. CETIN provides international services for domestic providers and more than 200 telecommunications operators worldwide.

As the manager of the largest communication infrastructure in the Czech Republic, CETIN invests billions of crowns annually in its development. In 2021, the company continued to build FTTH (fibre-to-the-home) connections, increasing the average access network speed to 177 Mbps, two thirds faster than in 2020. Through more than 20 business partners, CETIN offers speeds of 50 Mbps or higher for 85% of connections.

In 2021, CETIN continued to develop 5G technology in its mobile access network, including the provision of 5G signal coverage in the Prague metro. The comprehensive upgrading of technologies used in the mobile access network is increasing the overall network capacity and thus the quality of service provision. Ericsson's technologies used to build the fifth-generation network guarantee high-level cybersecurity for CETIN's infrastructure.

CETIN Bulgaria

In 2021, CETIN initiated a number of major projects, including the launch of the 5G network and the roll-out of this technology in more than 160 towns and villages. It offered customers fixed wireless access (FWA), delivering stable, fast connectivity to homes and offices, as an alternative to fixed connections. The acquisition of the technology companies Sofia Communication and Raccom expanded CETIN's fibre network in the capital, Sofia. Here, with local partners, CETIN offers fast connectivity to corporate customers and other operators.

CETIN Hungary

In 2021, the company successfully launched 5G technology, made progress in the upgrading its radio access network. By increasing capacity and fibre-optic cable coverage, CETIN Hungary paved the way for growth in demand for internet TV. The newly established security operations centre became integral to the cybersecurity offered to corporate and retail customers. CETIN's ISO14000 environmental management system for its backbone network has resulted, among other things, in improved network energy efficiency thanks to the photovoltaic power supplied to selected base stations. This has proved a successful model that CETIN will continue to develop actively in its network in other countries.

CETIN Serbia

In 2021, CETIN Serbia successfully pursued a strategy to become, first and foremost, a wholesale provider of infrastructure and innovative smart connectivity solutions. The company won several new big clients, including the government's Information Technology Authority, to which it provides cybersecurity and data centre services. In partnership with its most important customer, Telenor Serbia, CETIN launched fixed broadband internet (Hipernet) services on the Serbian market last year.

TV Bidco - Media

Consolidated financial highlights, in millions of EUR

	2021	2020
PPF Group's share	100%	100%
Total revenues	682	180*
Operating profit	196	57*
Net profit	120	33*
Total assets	2,143	2,078
Total equity	957	827

*since acquisition in October 2020

Central European Media Enterprises Ltd. ("CME"), a media and entertainment company, has major media outlets reaching an aggregate of 45 million viewers through 34 TV channels and a range of streaming platforms in five countries across its markets in Central and Eastern Europe (Czech Republic, Bulgaria, Romania, Slovakia, and Slovenia). CME invests heavily in its own production, content, and prospective distribution platforms.

CME acquired by the Group in October 2020, pursues a strategy responding to the global shift of viewers away from linear television to a subscription content and video on demand (SVOD) viewing model. CME promotes a windowing approach that maximises the monetary return on its own content across different distribution channels. It leverages its traditional B2B business model by providing content on linear television with advertising revenues while offering increasingly important direct distribution services to B2C pay-TV customers. To execute its strategy, CME has embarked on complete digital transformation following its acquisition by PPF Group and aims to position itself as a leading content producer in Central and Eastern Europe. This large-scale investment in production and modern technology is yielding a more diverse and innovative range of SVOD programming.

Extensive investment in local production is one of the principles underpinning CME's continued growth. In 2021, CME channelled 67% of its content creation budget into local production in order to offer a greater range of original work for both linear and SVOD television audiences. In 2021, CME acquired the rights to attractive content watched in Europe, including UEFA Champions League, Bundesliga, and Europa League football. CME launched two new sports channels, with plans for another in 2022. Live sports are set to be another catalyst for growth in the years ahead.

News programmes are an important element of programming, as they divert significant share and ratings to CME. CME is committed to fair and pluralistic journalism and news coverage. CME's award-winning news teams adhere to the highest standards of journalistic ethics. They are guided by CME's editorial guidelines, which promote impartiality, decency, and independence.

SVOD has grown at an unprecedented rate in Europe, driven by consumers who have rapidly embraced technological advances. Investments in digitalisation and the Voyo platform have increased CME's subscriber base in the markets where it operates. In the Czech Republic and Slovakia, numbers have quadrupled. Every household in Central and Eastern Europe is forecast to have two or three SVOD subscriptions within five years. This supports Voyo's ambition to become the leading local SVOD provider and generate growth in the digital space.

CME is the first media company from the CEE region to become a member of albert, an international industry organisation promoting environmental sustainability in the television and film industry.

PPF Real Estate Holding - Real estate

Consolidated financial highlights, in millions of EUR

	2021	2020
PPF Group's share	100%	100%
Net profit	101	52
Total assets	2,993	2,199
Total equity	971	772

PPF Real Estate Holding manages real estate assets of almost EUR 3 billion. This international developer and investor has interests on the European, Russian, and US markets. It is dedicated to managing and growing a portfolio of modern and promising properties and projects in prestigious locations, as well as prospecting for new real estate investment opportunities.

PPF Real Estate Holding operates in the Czech Republic, Germany, the Netherlands, Poland, Romania, Russia, Ukraine, the UK, and the US. The company actively assesses business opportunities in these countries, in new markets overseas, and elsewhere in Central and Eastern Europe. Alongside its acquisition operations, PPF Real Estate is dedicated to the long-term stabilisation of its assets and real estate portfolio in the markets where it does business. In its role as a real estate developer, the company strives to take into account the needs of sustainable planning and development, use energy-saving technologies, and create a healthy, modern environment for the users of its properties.

Despite the global pandemic's detrimental effect in 2021, PPF Real Estate's business proved resilient by suffering only a limited adverse impact. During the year, the company continued to consolidate its portfolio and sold a number of non-essential projects, particularly in Russia. In 2020, the company took the significant step of entering the US market. Its first two transactions there were completed in 2021. The acquisition of large office projects in Atlanta and Orlando, totalling over 170,000 m^2, was worth more than USD 460 million. PPF Real Estate took on its first commercial property on the Polish market in 2021 when it acquired the NewCity project in Warsaw, with an estimated market value of EUR 100 million.

In the Netherlands, the company's real estate investments comprise seven office buildings and a shopping centre with a total lettable area of over 150,000 m2. In the UK, one of the projects being pursued by PPF Real Estate is developing an office building refurbishment project in the City of

London. It also owns and lets three modernised Victorian houses – each offering over 1,000 m2 of living space – in a prestigious residential location in the same city.

In Russia, in 2021 PPF Real Estate offered leases on commercial properties that it either owned or co-owned with other major investors. These included the Metropolis office buildings in Moscow, co-owned with Hines, and a joint project with Radius Group to develop the sprawling South Gate Industrial Park, which is a logistics estate in the same region. In 2021, PPF Real Estate operated the company-owned Nevsky Centre shopping complex in Saint Petersburg and the large-scale Comcity project in the Moscow region, offering retail space and offices with a total area of more than 115,000 m^2.

Škoda Group – Mechanical engineering

Consolidated financial highlights of Škoda B.V., in millions of EUR

	2021	2020
PPF Group's share	85.7%	87.8%
Total revenues	614	421
Adjusted EBITDA	45	14
Net profit/(loss)	56	(53)
Total assets	1,118	986

Škoda Group is an international leader in public transport solutions. Škoda is consolidating its market position by innovating, digitalising, and broadening its extensive portfolio of vehicles and services. Škoda Group's growth has facilitated significant investment in production capacity and jobs.

Škoda Group's flagship company is Škoda Transportation. Another of the group's pillars is TEMSA, in which PPF Group holds a 50% stake. The group's key business regions are the Czech Republic, Finland, Germany, the Baltics, Poland, and Slovakia.

Škoda Group develops a full range of public transport solutions for trains, trams, the metro, trolleybuses, and various types of buses, accompanied by comprehensive servicing and maintenance. The group is moving increasingly towards sustainable transport of the future and solutions for the data-connected transport infrastructure of future smart cities using 5G connectivity. Škoda Group's vehicles are environmentally friendly, with almost all of them running purely on electricity and producing no emissions. In 2021, Škoda also launched the development of a hydrogen bus. The group has a growing digital division dedicated to the development and innovation of digital, control, and diagnostic systems for vehicles.

Despite global supply chain problems and labour shortages, Škoda Group scaled up production and launched new projects for foreign markets, reflecting its status as a leading exporter that dispatches some 60% of its orders abroad. In 2021, the group recorded sales of EUR 614 million and EBITDA of EUR 45 million. The number of group employees increased by 26% year on year to some 6,500 (8,000 including Temsa). There was also a solid rise in the volume of work contracted, which increased to around EUR 3.5 billion. This means that the group's production capacity will be full until approximately 2025. In 2021, Škoda Group invested EUR 71 million in, among other things, an increase in production capacity in Plzeň, Ostrava, and Šumperk.

In 2021, Ostrava-based Ekova Electric (renamed to Škoda Ekova) was incorporated into Škoda Group and added the production of new trams to its existing servicing and upgrading operations. Last year, Škoda Group delivered RegioPanter electric trains and InterJet carriages to its largest railways customer, České dráhy, and introduced new-generation push-pull trains for the Moravian-Silesian Region. During the year, the group made trainsets for the Warsaw metro and trams for German cities, and progressed to further stages in the delivery of solutions to the cities of Plzeň and Ostrava. Trams for Riga and NIM Express trains for Germany were also delivered. New contracts include the delivery of electric trains to Slovakia and trolleybuses for a number of European cities. The delivery of the first electric buses for Prague was an electromobility milestone.

TEMSA is a Turkish transport equipment manufacturer with a broad portfolio that includes municipal and intercity buses and coaches has operations in nearly 70 countries, has subsidiaries in France, Germany, and the US that support sales and provide after-sales services. The main plant in Adana has an annual production capacity of 10,000 vehicles. The company is a major local employer with a workforce of more than 1,300 staff.

Synergies between TEMSA and Škoda Group companies play a major role in plans for further growth and expansion into international markets, including Western Europe, through jointly developed smart mobility solutions. TEMSA runs Turkey's first research and development centre for buses. One of this facility's projects is the development of the promising MD9 electriCITY electric bus.

PPF Life Insurance (Russia) - Insurance

Individual financial highlights, in millions of EUR

	2021	2020
PPF Group's share	100%	100%
Gross written premium	55.0	52.5
Net profit	12.0	4.7
Total equity	39.3	41.8

The Group's life insurance company in Russia, PPF Life Insurance, was one of the most active and stable providers of reliable and innovative products and services in the life insurance segment in 2021. After nearly 20 years of operation, it was among the top three providers in the country by number of long-term life insurance clients and the second largest insurer in terms of the size of its network of agents / financial advisers.

The insurance market in Russia boomed during 2021. Despite the impact of the COVID-19 pandemic, it reported growth, benefiting from the public's growing financial literacy and an expansion of the financial product distribution network. The fact that life insurance products had not previously been particularly widespread in Russia and that unit-linked life insurance was gradually being replaced with classic whole life insurance, which is savings linked, also played a role in this dynamism.

In 2021, PPF Life Insurance focused on life insurance policies with an average horizon of more than 20 years. The main sales channel for these products was the company's own network of agents and financial advisers, which was one of the largest in the country with a presence in 65 cities across Russia. The fact that the company had its own distribution network was a guarantee of a high standard of service throughout the term of insurance contracts.

The total volume of premiums written by PPF Life Insurance in 2021 yielded an 10.2% year-on-year increase to RUB 4.8 billion (EUR 55 million). New business, measured by the number of newly concluded insurance contracts, increased by 12% year on year, and the number of PPF Life Insurance policyholders stood at more than 200,000 last year.

Reflecting the focus of its insurance products, PPF Life Insurance supported financial literacy initiatives, cancer prevention, and specialised cancer treatment across Russia in 2021.

Other assets

SOTIO (research and development)

SOTIO is a biotechnology company that researches and develops innovative cancer treatments and translates scientific knowledge from the field of immunotherapy into clinical trials. Teams of top experts from across the world work on wide-ranging international activities for SOTIO. With scientific and laboratory facilities in Prague and the US, the company is the largest privately funded research effort of its kind in the Czech Republic.

SOTIO has been part of the Group since 2012 and manages all its biotechnology activities. SOTIO is building a diversified portfolio of immuno-oncology products based on its own research and development, collaborations with partners, licensing agreements, investments, mergers, and acquisitions. The company has operations in Europe and the US. Its main centres are in Prague, Basel, and Cambridge, Massachusetts, where last year it built a new centre of excellence for T-cell therapy research and development. In 2022, it plans to open state-of-the-art laboratories at this centre that meet the demanding requirements of good manufacturing practice (GMP).

SOTIO's R&D programme includes products based on the interleukin IL-15 (including immunocytokines), personalised cellular immunotherapy on the CAR T platform, and next-generation antibody-drug conjugate (ADC) anticancer products.

SOTIO is validating the safety and efficacy of its products in a series of clinical trials. Since 2012, the company has conducted thirteen clinical trials in Europe and the US that target patients with solid tumours. It is the first Czech company to reach Phase III clinical development. In 2022-23, three new products under development – BOXR1030 (CAR T), SOT102 (ADC), and SOT201 (immunocytokines) – will enter the clinical phase for the first time. At the end of 2021, SOTIO signed a collaboration agreement with Merck (MSD), one of the world's largest pharmaceutical companies, to jointly conduct a large Phase II clinical trial evaluating the safety and efficacy of SOT101, based on interleukin IL-15, in combination with MSD's KEYTRUDA® (pembrolizumab).

In November 2021, SOTIO licensed technology from South Korea's LegoChem Biosciences for the development of five new ADC anticancer products, with responsibility for research, preclinical and clinical development, and product launch. ADCs are carriers of cytostatic agents (e.g. chemotherapy) with the ability to target a cancer cell, bind to its surface, and, after penetrating it, release a highly potent drug without damaging healthy cells.

SOTIO manages PPF Group's investments in Autolus Therapeutics, a British biotechnology company, and Cellestia Biotech, a Swiss company. PPF's stake in Autolus at the end of 2021 was more than 20%.

In 2021, the original biotechnology company, SOTIO a.s., was split into SOTIO Biotech a.s. and SCTbio a.s. SOTIO's manufacturing and related activities were integrated into SCTbio.

SCTbio plays the role of a service company for the other companies in the SOTIO group. It makes investigational medicinal products for them that are based on cell therapies for the treatment of cancer. SCTbio provides logistics and services to SOTIO group companies and external partners that are related to the production of autologous and allogeneic medicinal products, including genetically modified medicinal products and the production of viral vectors themselves.

The Company reduced its product development activities on an active cellular immunotherapy platform. Based on a detailed economic analysis and risk assessment of the further development of innovative products considering potential market access, the company stopped the development of new treatment methods for prostate and lung cancer. It shall continue to analyse the possibilities of any further clinical development of treatments for ovarian cancer where phase II clinical trials have demonstrated positive results in previous years.

CzechToll

CzechToll's satellite toll system is part of PPF Group's strategic plans for telecommunications infrastructure. With its modern, scalable technology, it gives the state a tool for advanced traffic management and facilitates the efficient management of transport infrastructure.

CzechToll built and, since December 2019, has operated a satellite toll system in the Czech Republic for vehicles weighing over 3.5 tonnes. This system became the world's first ever project to replace an electronic toll system's technologically outdated and costly microwave system with modern, scalable satellite technology. The cost to the government of operating the new system is three times lower than the previous-generation solution. The sophisticated toll collection system was developed and built entirely in the Czech Republic, with a hundred domestic companies involved in its construction. The toll system in the Czech Republic was launched by CzechToll together with SkyToll, the Slovak electronic toll and vignette system operator.

The CzechToll system worked reliably and without interruption throughout 2021. In each calendar month, it outperformed the parameters contractually defined for service quality and for the efficiency of toll collection for the Czech government. Over the year as a whole, hauliers paid EUR 0.6 billion for the use of toll roads, 23% more than in 2020. Of that amount, EUR 63 million came from the use of class I toll roads and the remaining EUR 490 million was charged by CzechToll for the use of the motorway network.

A major advantage of satellite technology is the flexibility it provides to the government in the collection of tolls, as exemplified by the fact the toll road network in the Czech Republic could be extended by almost 900 kilometres of class I roads on 1 January 2020, one month after launch. In response to a government decision, CzechToll is preparing to make another extension with effect from 1 July 2022, when new tolling will be introduced for more than 380 kilometres of class I roads.

O2 arena, O2 universum, and STAGES HOTEL Prague

O2 arena is one of the most modern multi-purpose halls in Europe and, with a 20,000 seat capacity, it is the largest arena in the Czech Republic. Together with O2 universum, the multi-purpose conference and cultural centre, and STAGES HOTEL Prague, which opened in November 2021, it offers unique facilities with high-quality services for organisers and visitors of the most important cultural, sporting, conference and corporate events.

O2 arena’s programme in 2021 was severely curtailed by the coronavirus pandemic and restrictive measures, and it did not reopen its doors until September. The packed calendar of events that had originally been planned was reduced to a handful of concerts and home matches of the HC Sparta Prague ice-hockey team. In November, O2 arena successfully hosted two major multi-day sports events – the first-ever Billie Jean King Cup women’s team tennis final and another year of the finals of the prestigious Global Champions Prague Playoffs show jumping series.

Events hosted by O2 universum, this 39-hall multi-purpose facility, included the popular Comic-Con festival, the Oktagon 28 MMA evening, and a number of private corporate functions and events for industry professionals, including the successful Forum Media conference. O2 universum delivered many technologically challenging online and hybrid events, including the prestigious five-day World Congress of Anaesthesiologists (WCA) with an online broadcast to more than 6,000 international attendees.

The new STAGES HOTEL Prague, opened on 1 November 2021, is operated as part of the Marriott International chain’s Tribute Portfolio group. The hotel’s architecture and interiors were inspired by the music and concerts hosted by O2 arena and O2 universum in its immediate vicinity. The 300-room hotel offers six conference rooms, catering services, and other facilities. The construction of the hotel was an opportunity to rethink the surrounding area. This included converting the road between O2 arena and the hotel into a quiet pedestrian zone. The space around O2 arena, O2 universum, and the hotel, and in fact the entire area, is emerging as an attractive centre for the Prague 9 district.

Mall Group

Mall Group is Central and Eastern Europe’s largest e-commerce group. Its portfolio combines e-commerce and financial services for online shopping. The group’s strategy is to create an entire shopping-centric platform of expanding services and features for 21st-century e-commerce.

The group operates in nine countries (CZ, SK, AU, IT, HR, HU, PL, RO, SLO) and, with more than 3,600 employees, offers its services to 130 million people across Central and Eastern Europe. The Group acquired a 40% stake in both businesses (Mall/Heureka) in October 2017. At the end of 2021, Allegro, one of the largest e-commerce platforms in Europe, agreed with its shareholders to acquire a 100% stake in Mall Group. The transaction closed in April 2022.

In 2021, the constraints associated with the pandemic gave an extraordinary operational and commercial boost to the entire e-commerce sector, including Mall Group. Mall Group's total sales in the 2021 calendar year came to EUR 0.7 billion. This figure does not include Košík.cz s.r.o., which was spun off from Mall Group at the beginning of 2021. The group delivered over 13 million orders placed by 4.9 million unique customers. Mall itself experienced major transformation, transitioning from an e-shop to a marketplace where customers can find goods from thousands of e-shops in one place. This move meant that it now had more than two million products, thus consolidating its position as the retailer with the widest range of goods on the Czech market. In 2021, its sales grew by more than 50%, and the number of merchants in the Mall online marketplace doubled year on year to almost 3,500.

This growth was driven not only by an increase in online shopping, but also by a significant reduction in cost and greater efficiency in the processing and management of orders, improvement in transaction economics, growth in international markets, the Mall Group's transformation, and the development of the Mall Partner programme, which is now up and running in the Czech Republic, Slovakia, Poland, Hungary, and Slovenia. About 450,000 people have registered with the Mallpay financial service, with about 100,000 actively using the product.

The website of CZC.cz, the number two on the online electronics market, received over 60 million visits in 2021. The B2B segment was particularly successful, with a 30% year-on-year increase in sales. Košík.cz, the online supermarket, underwent significant changes: the warehouse was rebuilt in order to make a significant increase in daily capacity, and deliveries were speeded up to improve the customer experience. At the beginning of 2021, Košík.cz was spun off into a separate entity, MFresh Holding 1 s.r.o. In the summer of 2021, EP Corporate Group acquired PPF Group's stake in MFresh Holding 1 s.r.o.

At the end of 2021, Allegro, one of the largest e-commerce platforms in Europe, agreed with its shareholders to acquire a 100% stake in Mall Group. The deal was completed in April 2022. Prior to Allegro's takeover, Mall Group had been co-owned by PPF Group, EC Investments, and Rockaway Capital Group.

Heureka Group

Heureka Group is currently Europe's largest group of price comparison websites and online shopping advisers. Heureka is building an integrated, regional e-commerce platform across nine markets in Central and Eastern Europe that is designed primarily to help e-shops, brands, and other partners to connect with users in all the countries in which they operate.

Every month, Heureka websites are visited by over 23 million users, who can browse 55,000 online stores. Besides the Czech and Slovak e-commerce services, Heureka includes Árukereső.hu in Hungary, Compari.ro in Romania, Pazaruvaj.com at Bulgaria, Ceneje.si in Slovenia, Jetfinije.hr in Croatia, Idealno.rs in Serbia, and Idealno.ba in Bosnia. The Group holds a 40% stake in Heureka. The other Heureka shareholders are EC Investments and Rockaway Capital.

Heureka continued to develop its services and technologies in 2021. Heureka's acquisition of Dataweps in March 2021 enabled it to offer e-shops advanced analytical tools that they can use to manage their offerings on its platform. Heureka's customer behaviour data and statistics from all nine countries make it a key development partner in evolving their product offering to customers and growing their sales further. In order to improve the service and user experience, Heureka is developing machine learning capabilities.

By steadily building up a one-stop catalogue with tens of millions of products that bundles offerings from all countries where Heureka operates, Heureka has managed to deploy a vast database of more than a million automatically translated customer reviews. The rolling matching of products across

European markets is designed to make it possible, in the future, to browse, buy, and rate products from all Heureka countries, regardless of which country a customer accesses Heureka's offerings from.

In 2021, the COVID-19 pandemic provided a real-life stress test of the robustness and capacity of the entire e-commerce sector. Despite a jump in user growth, Heureka maintained a high level of customer satisfaction with its e-shop interface and services during the year. At Heureka, customer satisfaction is a key criterion for decision-making on the further development of the platform's services and features. That is why, every year, Heureka assesses and announces the winners of its competition to find the best e-shops in each of its markets. It awards online shops Verified by Customer certificates based on the experience of millions of shoppers. In the past year, Heureka customers gave over 6.5 million reviews and ratings within the framework of the Verified by Customers services, 10% more than the previous year.

FAST Group

FAST Group is a retail and distribution company in consumer electronics and tools. It operates out of the Czech Republic and Slovakia, with subsidiaries in Poland and Hungary. It has dealerships and distributorships in 55 other countries worldwide. FAST Group has a wealth of experience and know-how in the sale, research, development, and testing of products, which it supplies to all sales channels and retail chains in the Czech Republic, including its own PLANEO Elektro network.

The Group bought into FAST Group in 2021 with a 40% stake. Other shares are held by EC Investments and Rockaway Capital.

FAST Group has long focused on expanding its product portfolio in established segments and consolidating the foothold of its own key brands, with a particular emphasis on SENCOR, Fieldmann, Yenkee, and Catler. FAST holds the licence for Philco-branded products in Central Europe and several other markets. FAST currently owns 15 consumer electronics and tool brands. With its most profitable brand, SENCOR, which is well established among customers and retailers, FAST is focusing on innovating, developing, and improving the product portfolio, supporting end customers, and strengthening the brand's marketing position. Besides its own brands, the group distributes the products of more than 100 other brands, including Sage and Soda Stream.

In 2021, FAST successfully kept to turnover and profit growth, mainly on account of its resilient and forward-looking business model. FAST is building an extensive retail network with the vision of further long-term sustainable expansion. It is looking for promising sites where its business can flourish in the Czech Republic and abroad. It continuously monitors and analyses the profitability parameters of individual shops and is constantly improving the sales network.

The preparation of in-house B2C online sales platforms is one of the key development areas used by FAST to respond to what is happening on the market and to the recent pandemic-induced retail restrictions, which have significantly accelerated the advancement of e-commerce. As such, FAST is investing heavily in the digitalisation and automation of operations for better customer support and an improved customer experience, and as a way of boosting the company's technological competitiveness.

Blue Sea Holding

In 2021, PPF Group and Groupe Beneteau, the world's leading leisure boat manufacturer, jointly acquired stakes in the global companies Dream Yacht Charter and Navigare Yachting with the aim of building a new global leader in the sailing yacht charter segment. At a time of decline in traditional international tourism, these acquisitions meet the growing demand for customised, sustainable leisure activities.

The investment combines the assets of Dream Yacht Charter, the segment leader, and Navigare, which is number four in the industry. Their total sales in 2019, before the coronavirus pandemic struck, exceeded EUR 200 million. The Group holds a 59 per cent stake and Groupe Beneteau a 41 per cent stake in the joint venture. Through this alliance, they are pooling together to cultivate a significant presence in the otherwise fragmented global pleasure craft charter market, which was worth EUR 1 billion annually prior to the COVID-19 pandemic.

Customers can take holidays at sea in any of over fifty destinations around the world, including the Caribbean, the Mediterranean, the Indian, and the Pacific. Together, these two charter companies and their subsidiaries, including the fast growing online booking platform SamBoat, operate the world's largest leisure fleet, numbering over a thousand sailing boats and catamarans. The fleet spans a range of sailing boat categories, including smaller single-hull vessels, larger catamarans for groups and families, and larger, comfortable houseboats.

The Dream Yacht Charter and Navigare offerings benefit from the demand for environmentally friendly tourism with a low carbon footprint, boosted by the industry's gradual offline-to-online switch. Technological advances and changes in consumer behaviour are working to the advantage of online platforms that are owned and operated by charter companies to provide boat owners and clients with customer-facing apps for bookings and other services.

Social responsibility

PPF Group has a long-standing commitment to support education, culture, the arts, sports, local communities, civil society development and scientific research in all 25 countries where it operates. Besides its financial donations and material support, the Group also assists in the development of non-profit and social activities by providing services on preferential terms, sharing relevant expertise, or involving the Group's specialists and teams in professionally focused training projects.

In the Czech Republic, the Group primarily supports projects, people and institutions that dedicate their efforts or talents to the development of Czech society and help to create an environment and conditions for an open society, mutual respect, opportunities for individuals to follow their own paths, and the possibility of succeeding in the world, thus inspiring others. In 2021, PPF Group's Czech companies donated a total of EUR 17 million to their CSR activities, non-profit activities, and support for sports, education, health care, and local communities.

The Group provides support internationally through the projects and foundations of Group companies that have a long-standing focus on specific areas due to their skill set, line of business, or location, and often join forces with the public sector and communities. Globally, in 2021 the Group donated the equivalent of more than EUR 23 million in its CSR work, including non-profit activities and support for sport, culture, education, health care, and local communities.

In addition to the Group's regular foundation-based and charity work and focus, the global COVID-19 pandemic became a major issue in 2021 and resulted in the need for material and financial assistance in many of the places where PPF Group operates. PPF was also heavily involved in support for tornado-hit areas in north Moravia. Then, in the spring of 2022, our support was predominantly steered towards extensive and long-term assistance to the people who had fallen victim to Russian aggression in Ukraine. In particular, the Group concentrated on Ukrainian refugees in the Czech Republic and their integration into the Czech education system.

PPF Group companies engage in CSR and non-profit activities relating to their line and place of business. At Group level, the specific focal points of support and key activities are coordinated to amplify the impact of these projects. This also enables the Group companies to benefit from exchanges of experience and information and from resource sharing. Since 2020, many of the Group's CSR programmes and activities have been brought under the umbrella of the newly established PPF Foundation.

The core CSR areas pursued by PPF Group companies in their lines of business have shared foundations. Financial services companies dedicate themselves primarily to fostering financial literacy and the responsible management of personal finances. These programmes, which are run internationally in collaboration with local organisations, educational institutions, and other partners, include financial or in-kind support, workshops, and the production and distribution of publications, videos and digital apps.

In 2021, the Group’s telecommunications companies focused, among other things, on enabling access to online education, on promoting and developing this resource among schools, on internet safety for children and rules governing safe online practices, and on developing new digital tools and services that promote technological literacy and opportunities to use advanced communication technologies in the public sector. A common form of cooperation between telecommunications companies and partners is the provision of free or discounted services and the coverage of their communication needs.

In 2021, amid the ongoing fallout from the global COVID-19 pandemic, the top priority of PPF Group companies’ CSR activities was to protect the health of PPF employees and customers and to help deliver essentials and medical supplies to local communities in all countries where the Group has interests. PPF Group companies provided both financial and in-kind support, with Group employees and teams contributing to relief efforts in numerous countries.

PPF Group’s operations as a whole did not have any significant negative impact on the environment.

Recent events, commercial and financial outlook

It is difficult to predict the financial performance for 2022 in a highly unstable environment. The coronavirus pandemic, the Ukrainian conflict, and the unstable macroeconomic situation impact the Group business in early 2022.

In late February 2022 the CIS cluster became affected by the ongoing conflict in Ukraine with both local and global implications. The US, UK, EU and others imposed comprehensive sanctions against Russia, certain Russian entities and individuals which have disrupted financial markets and led to uncertainties for the global economy. At the same time, Russia imposed several counter sanctions and measures which could impact our business. The Group realises that the geopolitical situation will have significant repercussions for the economy in many countries where the Group operates. The full impact of the sanctions, counter sanctions, and long-term economic effects are difficult to fully quantify at present.

As at 31 December 2021, the Group had significant exposure in Russian businesses and individual assets representing equity value of EUR 1.6 billion. These businesses comprise mainly consumer finance (Home Credit and Finance Bank), real estate, life insurance (PPF Life Insurance) and agriculture (RAV Agro). Up to the date of these financial statements the Group had entered into agreements regarding the sales of parts of those businesses – Home Credit and Finance Bank, RAV Agro and several Russian real estate projects which will lead to a significant decrease in the total Russian exposure.

For more details, please refer to the subsequent events disclosed in section G (consolidated financial statements).

Cautionary statement with respect to forward-looking statements

Certain statements contained in this annual report are statements of future expectations and other forward-looking statements that are based on management's current view, estimates and assumptions about future events.

These forward-looking statements are subject to certain risks, uncertainties and special circumstances or events that may cause results to differ materially from those expressed or implied in such statements.

13 June 2022

Board of directors

PPF GROUP N.V.

Consolidated financial statements for the year ended
31 December 2021

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Glossary

AC	- amortised cost
CGU	- cash generating unit
EAD	- exposure at default
EBA	- European Banking Authority
EBITDA	- earnings before interest, tax, depreciation and amortisation
ECL	- expected credit loss
FLI	- forward-looking information
FV	- fair value
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
HFS	- held-for-sale
IASB	- International Accounting Standards Board
IBNR	- provision for claims incurred but not reported
IPRD	- in-progress research and development
JV	- joint venture
LAT	- liability adequacy test
LGD	- loss given default
LTV	- loan-to-value
MOSA	- management and operational service agreement
MSA	- master service agreement
NCI	- non-controlling interests
OCI	- other comprehensive income
OTC	- over the counter
PD	- probability of default
PL	- profit or loss
POCI	- purchased or originated credit impaired
PPE	- property, plant and equipment
PVFP	- present value of future profits
RBNS	- provision for claims reported but not settled
ROU	- right-of-use assets
SICR	- significant increase in credit risk

Consolidated statement of financial position

In millions of EUR

	Note	31 December 2021	31 December 2020 (restated)*
ASSETS			
Cash and cash equivalents	E1	6,343	6,388
Investment securities and derivatives	E2	3,353	3,488
Loans and receivables due from banks and other financial institutions	E3	727	475
Loans due from customers	E4	9,335	14,206
Trade and other receivables	E5	1,122	1,059
Contract assets	E5	260	297
Current tax assets		43	24
Inventories	E6	347	243
Equity-accounted investees	E7	1,620	897
Investment property	E8	2,413	1,791
Property, plant and equipment	E9	4,148	3,789
Goodwill	E10.1	2,984	2,955
Intangible assets	E10.2	2,354	2,684
Programming assets	E6	204	156
Assets held for sale	E40	5,585	23
Deferred tax assets	E39.2	872	702
Other assets	E11	476	481
TOTAL ASSETS		**42,186**	**39,658**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E12	1,060	776
Due to non-banks	E13	7,477	10,309
Due to banks and other financial institutions	E14	11,325	11,036
Debt securities issued	E15	3,541	4,768
Subordinated liabilities	E16	189	256
Current tax liabilities		39	60
Trade and other payables	E17	2,680	2,663
Contract liabilities	E5	409	352
Provisions	E18	389	338
Liabilities directly associated with assets held for sale	E40	5,349	-
Deferred tax liabilities	E39.2	600	583
TOTAL LIABILITIES		**33,058**	**31,141**
EQUITY			
Issued capital	E19	1	1
Share premium	E19	677	677
Other reserves	E20	(154)	(717)
Retained earnings		8,008	7,954
Total equity attributable to owners of the Parent		8,532	7,915
Non-controlling interests	E21	596	602
Total equity		**9,128**	**8,517**
TOTAL LIABILITIES AND EQUITY		**42,186**	**39,658**

*For more details on the restatement refer to A.7.

The notes on pages 35 to 197 are an integral part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December

In millions of EUR

	Note	2021	2020 (restated)*
Interest income		2,558	4,187
Interest expense		(1,056)	(1,530)
Net interest income	E24	**1,502**	**2,657**
Fee and commission income		371	400
Fee and commission expense		(169)	(155)
Net fee and commission income	E25	**202**	**245**
Net earned premiums		74	70
Net insurance benefits and claims		(38)	(34)
Acquisition costs		(16)	(15)
Net insurance income	E28	**20**	**21**
Net rental and related income	E29	167	156
Property operating expenses		(34)	(24)
Net valuation gain/(loss) on investment property	E8	42	91
Net income related to construction contracts		26	3
Profit/(loss) on disposal of investment property		-	3
Net real estate income		**201**	**229**
Telecommunications income		3,331	3,156
Telecommunications expenses		(1,083)	(1,076)
Net telecommunications income	E30	**2,248**	**2,080**
Media income		677	179
Media expenses		(324)	(70)
Net media income	E31	**353**	**109**
Mechanical engineering income		614	419
Mechanical engineering expenses		(376)	(253)
Net mechanical engineering income	E32	**238**	**166**
Toll operations income		39	32
Toll operations expenses		(17)	(13)
Net toll operations income	E33	**22**	**19**
Revenues from leisure business		48	-
Costs related to leisure business		(36)	-
Net leisure income		**12**	**-**
Net gain/(loss) on financial assets	E26	95	(76)
Net agriculture income	E34	5	12
Other income	E35	190	90
TOTAL OPERATING INCOME		**5,088**	**5,552**
Net impairment losses on financial assets	E27	(1,269)	(2,431)
Personnel expenses	E36	(1,306)	(1,408)
Depreciation and amortisation	E37	(971)	(902)
Other operating expenses	E36	(1,228)	(1,226)
Profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries	B2	162	(7)
Share of profit/(loss) of equity-accounted investees, net of tax	E7	(68)	70
PROFIT/(LOSS) BEFORE TAX		**408**	**(352)**
Income tax benefit/(expense)	E39.1	(162)	13
Net profit/(loss) from continuing operations		**246**	**(339)**
Net profit from discontinued operations, net of tax	E.40	28	48
NET PROFIT/(LOSS) FOR THE PERIOD		**274**	**(291)**

*The comparative figures have been restated due to the discontinued operations in CEE region (refer to A.8 and E.40)

In millions of EUR

	Note	2021	2020
Profit/(loss) attributable to:			
Owners of the Parent		239	(249)
Non-controlling interests	E21	35	(42)
NET PROFIT/(LOSS) FOR THE PERIOD		**274**	**(291)**

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of EUR

	2021	2020
NET PROFIT/(LOSS) FOR THE PERIOD	**274**	**(291)**
Other comprehensive income/(expense)		
Valuation gains/(losses) on FVOCI equity instruments	(68)	56
Valuation gains/(losses) on FVOCI debt securities*	(44)	12
FVOCI revaluation gains reclassified to profit or loss*	(2)	(11)
Foreign operations - currency translation differences*	424	(648)
Share of OCI of equity-accounted investees*	268	(68)
Disposal of subsidiaries and equity-accounted investees*	1	8
Cash flow hedge – effective portion of changes in fair value*	41	1
Cash-flow hedge - net change in fair value reclassified to profit or loss*	(2)	(3)
Income tax related to components of other comprehensive income*	1	1
Other comprehensive income/(expense) for the period, net of tax	**619**	**(652)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**893**	**(943)**
Total comprehensive income/(expense) attributable to:		
Owners of the Parent	835	(821)
Non-controlling interests	58	(122)

*Items that are or will be reclassified subsequently to profit or loss.

The notes on pages 35 to 197 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In millions of EUR

	Issued capital	Share premium	Revaluation reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2021 (restated)*	**1**	**677**	**86**	**(1,144)**	**158**	**183**	**7,954**	**7,915**	**602**	**8,517**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**239**	**239**	**35**	**274**
Currency translation differences	-	-	-	402	-	-	-	402	22	424
FVOCI revaluation losses taken to equity	-	-	(110)	-	-	-	-	(110)	(2)	(112)
FVOCI revaluation gains reclassified to profit or loss	-	-	(2)	-	-	-	-	(2)	-	(2)
FVOCI revaluation gains reclassified directly to retained earnings	-	-	(22)	-	-	-	22	-	-	-
Cash-flow hedge – effective portion of changes in fair value	-	-	-		37	-	-	37	4	41
Cash-flow hedge – net change in fair value reclassified to profit or loss	-	-	-	-	(2)	-	-	(2)	-	(2)
Share of OCI of equity-accounted investees	-	-	-	5	263	-	-	268	-	268
Disposals and deconsolidation of subsidiaries	-	-	-	3	-	(1)	-	2	(1)	1
Tax on items taken directly to or transferred from equity	-	-	8	-	(7)	-	-	1	-	1
Other comprehensive income for the period	**-**	**-**	**(126)**	**410**	**291**	**(1)**	**22**	**596**	**23**	**619**
Total comprehensive income for the period	**-**	**-**	**(126)**	**410**	**291**	**(1)**	**261**	**835**	**58**	**893**
Dividends to NCI	-	-	-	-	-	-	-	-	(65)	(65)
Acquisition of NCI	-	-	-	-	-	-	(186)	(186)	(35)	(221)
Disposal of shares to NCI	-	-	-	-	-	-	2	2	6	8
Other changes in NCI	-	-	-	-	-	(11)	(13)	(24)	-	(24)
Acquisitions through business combinations (refer to B.2.3)	-	-	-	-	-	-	-	-	30	30
Other	-	-	-	-	-	-	(10)	(10)	-	(10)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(11)**	**(207)**	**(218)**	**(64)**	**(282)**
Balance as at 31 December 2021	**1**	**677**	**(40)**	**(734)**	**449**	**171**	**8,008**	**8,532**	**596**	**9,128**

*For more details on the restatement refer to A.7.

The notes on pages 35 to 197 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In millions of EUR

	Issued capital	Share premium	Revaluation reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2020 (restated)*	**1**	**677**	**129**	**(541)**	**190**	**179**	**8,162**	**8,797**	**758**	**9,555**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(249)**	**(249)**	**(42)**	**(291)**
Currency translation differences	-	-	-	(572)	-	-	-	(572)	(76)	(648)
FVOCI revaluation gains taken to equity	-	-	70	-	-	-	-	70	(2)	68
FVOCI revaluation gains reclassified to profit or loss	-	-	(11)	-	-	-	-	(11)	-	(11)
FVOCI revaluation gains reclassified directly to retained earnings	-	-	(102)	-	-	-	102	-	-	-
Cash-flow hedge – effective portion of changes in fair value	-	-	-	-	1	-	-	1	-	1
Cash-flow hedge – net change in fair value reclassified to profit or loss	-	-	-	-	(3)	-	-	(3)	-	(3)
Share of OCI of equity-accounted investees	-	-	-	(41)	(31)	4	-	(68)	-	(68)
Disposal and deconsolidation of subsidiaries	-	-	-	10	-	-	-	10	(2)	8
Tax on items taken directly to or transferred from equity	-	-	-	-	1	-	-	1	-	1
Other comprehensive income/(expense) for the period	**-**	**-**	**(43)**	**(603)**	**(32)**	**4**	**102**	**(572)**	**(80)**	**(652)**
Total comprehensive income/(expense) for the period	**-**	**-**	**(43)**	**(603)**	**(32)**	**4**	**(147)**	**(821)**	**(122)**	**(943)**
Dividends to shareholders	-	-	-	-	-	-	(30)	(30)	-	(30)
Dividends to NCI	-	-	-	-	-	-	-	-	(33)	(33)
Acquisition of NCI	-	-	-	-	-	-	-	-	1	1
Contributions by NCI	-	-	-	-	-	-	-	-	10	10
Other changes in NCI	-	-	-	-	-	-	(15)	(15)	(12)	(27)
Other	-	-	-	-	-	-	(16)	(16)	-	(16)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**(61)**	**(61)**	**(34)**	**(95)**
Balance as at 31 December 2020 (restated)*	**1**	**677**	**86**	**(1,144)**	**158**	**183**	**7,954**	**7,915**	**602**	**8,517**

*For more details on the restatement refer to A.7.

The notes on pages 35 to 197 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December, prepared using the indirect method

In millions of EUR

	Notes	2021	2020 (restated)*
Cash flows from operating activities			
Profit/(loss) for the period, net of tax (incl. discontinued operations)		274	(291)
Adjustments for:			
Depreciation and amortisation		994	923
Impairment losses on goodwill		16	14
Impairment of current and non-current assets	E27	1,484	2,598
(Profit)/loss on disposal of PPE, intangible assets and investment property		7	(2)
(Profit)/loss on sale of investment securities		14	43
(Gains)/losses on disposals of equity-accounted investees and subsidiaries		(162)	7
Interest expense	E24	1,067	1,547
Interest income	E24	(2,765)	(4,388)
Net foreign exchange (gains)/losses		(84)	461
Share of (profit)/loss of equity-accounted investees, net of tax	E7	68	(70)
Other (income)/expenses not involving movements of cash		(9)	(66)
Income tax expense	E39	180	1
Gain on bargain purchase	E35	(5)	-
Interest received		2,776	4,304
Change in loans and receivables due from banks and other financial institutions		(371)	36
Change in loans due from customers		2,111	3,730
Change in financial assets at FVTPL		(348)	(344)
Change in trade and other receivables		(31)	67
Change in other assets		(236)	(17)
Change in liabilities due to non-banks		1,729	(1,596)
Change in financial liabilities at FVTPL		(15)	201
Change in trade and other payables		(179)	(383)
Cash and cash equivalents reclassified as assets HFS**		(1,261)	-
Income tax paid		(356)	(290)
Net cash from/(used in) operating activities		**4,898**	**6,485**
Cash flows from investing activities			
Dividends received		41	12
Purchase of tangible and intangible assets	E9, E10	(715)	(904)
Purchase of financial assets at FVTPL not held for trading		(97)	-
Purchase of financial assets at AC		(708)	(374)
Purchase of financial assets at FVOCI		(1,061)	(2,383)
Purchase of investment property		(533)	(44)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)***	B2	(600)	(1,833)
Proceeds from disposals of tangible and intangible assets		19	29
Proceeds from sale of financial assets at FVTPL not held for trading		74	-
Proceeds from sale of financial assets at AC		115	18
Proceeds from sale of financial assets at FVOCI		1,062	2,404
Proceeds from sale of assets held for sale		-	2
Proceeds from sale of investment property		16	5
Proceeds from disposal of subsidiaries and equity-acc. investees, net of cash disposed (incl. capital decrease)***	B2	308	58
Net cash from/(used in) investing activities		**(2,079)**	**(3,010)**

	Notes	2021	2020 (restated)*
Cash flows from financing activities			
Proceeds from the issue of debt securities		936	2,398
Proceeds from liabilities due to banks and other financial institutions		11,686	8,936
Repayment of debt securities		(2,328)	(1,860)
Repayment of liabilities due to banks and other financial institutions		(12,067)	(14,294)
Interest paid		(1,042)	(1,477)
Cash payments for principal portion of lease liability		(142)	(132)
Dividends paid to shareholders		-	(30)
Dividends paid to non-controlling interest		(65)	(33)
Payments related to other equity instruments		(15)	(15)
Proceeds from sale of subsidiaries to NCI	B2	8	7
Payments for purchase of subsidiaries from NCI		(221)	(27)
Contributions by NCI		4	10
Cash flow from/(used in) financing activities	**E23**	**(3,246)**	**(6,517)**
Net increase/(decrease) in cash and cash equivalents		**(427)**	**(3,042)**
Cash and cash equivalents as at 1 January		**6,388**	**9,824**
Effect of movements in exchange rates on cash and cash equivalents		382	(394)
Cash and cash equivalents as at 31 December		**6,343**	**6,388**

*For more details on the restatement refer to A.9.
**The amount represents cash and cash equivalents of the disposal group held for sale, refer to E.40.
***Cash-flows from capital increase/decrease presented relate only to transactions with the equity-accounted investees.

The notes on pages 35 to 197 are an integral part of these consolidated financial statements.

Cash flow lines directly attributable to the income statement comprise both continuing and discontinued operations. For separate presentation of cash flows from discontinued operations refer to E.40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. It was incorporated on 29 December 1994 and is registered in the Trade Register at the Chamber of Commerce under number 33264887. The Parent Company invests in multiple market segments such as financial services, telecommunications and media, real estate, insurance, mechanical engineering, biotechnology, and others. Its activities span from Europe to the Russian Federation (Russia), the US, and across Asia.

The consolidated financial statements of the Parent Company for the year ended 31 December 2021 comprise the Parent Company and its subsidiaries (together the "PPF Group" or the "Group") and the Group's interests in associates, joint ventures and affiliated entities. Refer to section B of these consolidated financial statements for a list of significant Group entities and changes to the Group in 2021 and 2020.

The registered office address of the Parent Company is Strawinskylaan 933, 1077XX Amsterdam.

As at 31 December 2021, the ultimate controlling party with a 98.93% shareholding was Mrs Renáta Kellnerová who was appointed, during 2021, as an administrator of the inheritance of the late Mr Kellner authorised to manage all the assets belonging to the inheritance in ordinary course of business. Both Mr Ladislav Bartoníček and Mr Jean-Pascal Duvieusart keep holding their 0.535% minority shares.

Financial reporting period

These financial statements cover the year 2021, which ended at the balance sheet date of 31 December 2021. The year 2020 ending 31 December 2020 presented in these financial statements represents a comparative period.

Application of Section 402, Book 2 of the Dutch Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

For an appropriate interpretation of these statutory financial statements, the consolidated financial statements of the Company should be read in conjunction with the company financial statements, as included under pages 200 to 212.

A.2. Statement of compliance

These consolidated financial statements were approved by the board of directors and the supervisory board on 13 June 2022.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) including the International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and with Part 9 of Book 2 of the Dutch Civil Code.

Changes to significant accounting policies are described in Note F.2.

A.3. Basis of measurement

The Group decided to present a consolidated statement of its financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than a presentation of current and non-current classifications.

The consolidated financial statements have been prepared based on the going concern assumption, applying a historical cost basis, except for the following assets and liabilities stated at their fair value: derivative financial instruments, financial instruments at FVTPL (incl. those designated upon initial recognition as at FVTPL), financial instruments at FVOCI and investment property. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at AC using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer to A.5). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has the option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gains on a bargain purchase is immediately recognised in profit or loss (refer to F.1.15.1). Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent considerations are re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent considerations are recognised in profit or loss.

A.4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates, and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The following key estimates are based on the information available at the consolidated financial statements date and specifically relate to the determination of:

- the fair value of tangible and intangible assets identified during the purchase price allocation exercise and initial value of goodwill or gain on bargain purchase for each business combination (refer to B.2);
- useful life of tangible and intangible fixed assets (refer to F.1.14, F.1.15);
- in-progress research and development recognised as intangible asset (refer to E.10);
- the fair value of investment property (refer to E.8);
- the fair value of financial instruments (refer to C.7);
- expected credit losses on investment securities, loans provided, trade and other receivables, contract assets and other financial assets (refer to E.1-E.5);
- consumption and impairment of programming assets (refer to F.1.16);
- provisions recognised under liabilities (refer to E.18);
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.39);
- revenue recognition timing in terms of the transfer of control over the goods and services to the customer – at a point in time or over time (refer to E.30-E.32);
- commissions as costs to obtain contracts with customers and stand-alone selling prices (refer to E.5, E.30-E33);
- contingent assets/liabilities (E.41);
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options (refer to E.22).

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if one or more of the elements of control changes. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are entities in which the Group has significant influence but not control over financial and operating policies. Jointly controlled entities are entities over whose activities the Group has joint control established by a contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

Reorganisations and mergers involving the Group companies under common control are accounted for using consolidated net book values. Consequently, no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

All intra-group balances, transactions, income and expenses, unrealised gains and losses, and dividends are eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A.6. Presentation of functional currency

The consolidated financial statements are presented in euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

A.7. Change in presentation of legal and statutory reserves

In 2021, the Group changed the presentation of its legal and statutory reserves that in full represent a non-distributable part of retained earnings. These reserves are no longer presented as a separate column in the consolidated statement of changes in equity and are included the retained earnings column instead. This decision also required a reclassification of the legal and statutory reserves from other reserves to retained earnings in the comparative consolidated statement of financial position. For details relating to the restated comparative figures, see the tables in this section.

A.7.1. Comparative consolidated statement of financial position

In millions of EUR

	31 December 2020 (reported)	Reclassification of legal and statutory reserves	31 December 2020 (restated)
Other reserves	(553)	(164)	(717)
Retained earnings	7,790	164	7,954
Total equity attributable to owner of the Parent	7,915	-	7,915
Non-controlling interests	602	-	602
Total equity	**8,517**	**-**	**8,517**
TOTAL LIABILITIES AND EQUITY	**39,658**	**-**	**39,658**

A.7.2. Comparative consolidated statement of changes in equity

In millions of EUR

	Legal and statutory reserves	Retained earnings
Balance as at 1 January 2020 (reported)	**158**	**8,004**
Reclassification of legal and statutory reserves	(158)	158
Balance as at 1 January 2020 (restated)	**-**	**8,162**
Balance as at 31 December 2020 (reported)	**164**	**7,790**
Reclassification of legal and statutory reserves	(164)	164
Balance as at 31 December 2020 (restated)	**-**	**7,954**

A.8. Comparative figures in the statement of income

The comparative figures for the year ended 31 December 2020 have been restated to present the continuing operations only. The below table shows comparative figures as they were previously reported before and after the restatement (except for those that were not restated):

In millions of EUR

	2020 (reported)	Restatement due to discontinued operations	2020 (restated)
Interest income	4,388	(201)	4,187
Interest expense	(1,547)	17	(1,530)
Net interest income	**2,841**	**(184)**	**2,657**
Fee and commission income	435	(35)	400
Fee and commission expense	(193)	38	(155)
Net fee and commission income	**242**	**3**	**245**
Net losses on financial assets/liabilities	(72)	(4)	(76)
Other income	93	(3)	90
TOTAL OPERATING INCOME	**5,740**	**(188)**	**5,552**
Net impairment losses on financial assets	(2,449)	18	(2,431)
Personnel expenses	(1,458)	50	(1,408)
Depreciation and amortisation	(923)	21	(902)
Other operating expenses	(1,263)	37	(1,226)
LOSS BEFORE TAX	**(290)**	**(62)**	**(352)**
Income tax benefit/(expense)	(1)	14	13
NET LOSS FROM CONTINUING OPERATIONS	**(291)**	**(48)**	**(339)**

A.9. Change in presentation of cash flows from financial assets at FVTPL

In 2021, the Group reassessed the appropriateness of the presentation of selected line items within its operating, investing, and financing activities and concluded that cash-flows from transactions with financial assets at FVTPL better reflect their nature and role within the Group's operations when presented under operating activities instead of investing activities (as previously reported).

Having reached this conclusion, the Group changed the presentation in the comparative consolidated statement of cash flows for 2020 and reclassified the purchase of financial assets at FVTPL of a negative EUR 602 million and the proceeds from financial assets at FVTPL of EUR 258 million from cash flows from investing activities to cash flows from operating activities. This resulted in a total change of the presented net cash from operating activities of EUR 6,829 million to EUR 6,485 million, and in a total change of the presented net cash used in investing activities of EUR 3,354 million (negative) to EUR 3,010 million (negative).

A.10. Covid-19 and its impact on the Group´s financial statements

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic. The term pandemic refers to the extraordinary societal efforts over the past 2 years to respond to a new disease that have changed how individuals live their lives and how policy responses have developed in governments around the world. In the countries where the Group operates, the local governments imposed different restrictions on its citizens and businesses with gradual softening towards the end of 2021, as the situation overall improved, because of broad previous exposure to virus, regularly accepted vaccines to new antigens or variants and the advent of antivirals. In limiting the effects of any possible operational risks, the Group has been following and observed business continuity protocols, as the health of the Group's employees and clients is its priority.

The slowdown in economic growth and the adverse effects on new business were significant. Increased loss events had an impact on the quality of retail and corporate loan portfolios especially in 2020 and beginning of 2021 with a new variant Delta affecting badly some of the Group's regions. Limitations of opening hours and/or complete lockdowns of certain business premises in the individual countries have impacted the volume of new businesses and the renewal of existing business relationships. Despite the various setbacks in 2021 related to COVID-19, the group proved to stay strong by adapting the strategy to the evolving situation and finally achieving better than pre-COVID results. Increasingly, COVID-19 is becoming another recurrent disease that health systems, societies and businesses will have to manage and adapt to.

The impact on the Group's risk evaluation, risk modelling techniques and accounting policies is described in section F.1.7.1.

The Group has sufficient available funds and does not expect to have issues in meeting its obligations when they come due. During the year, the Group managed to raise various funding from external parties and also renewed the Group's syndicated loan. Towards the end of 2021 the Group successfully entered into several sale transactions that shall even strengthen the Group's liquidity position. On top of that, the Group is closely monitoring the situation in the countries to beware of any potential breaches of covenants.

As the precautionary measure, the Group keeps continuously monitoring the situation, nevertheless based on its current knowledge and available information, the Group does not expect COVID-19 to have an impact on its ability to continue as a going concern in the future, additionally to the fact that the other businesses, apart from the finance services, such as telecommunications and media, mechanical engineering, have not been touched by the covid-crisis. Even the real estate business has proved its resilience and showed only a limited impact on its performance cause by COVID-19.

B. Consolidated group and main changes for the period

B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 31 December 2021 and 2020.

Company	Domicile	Effective proportion of ownership interest	
		31 December 2021	31 December 2020
PPF Group N.V.	Netherlands	Parent Company	Parent Company
PPF Financial Holdings subgroup - subsidiaries			
PPF Financial Holdings a.s. *(formerly PPF Financial Holdings B.V.)**	Czech Republic	100.00%	100.00%
AB 4 B.V.	Netherland	91.12%	91.12%
Air Bank a.s.	Czech Republic	91.12%	91.12%
Bank Home Credit SB JSC	Kazakhstan	91.12%	91.12%
Favour Ocean Ltd.	Hong Kong	91.12%	91.12%
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	China	91.12%	91.12%
HC Consumer Finance Philippines, Inc.	Philippines	91.12%	91.12%
HCPH Financing 1, Inc.	Philippines	91.12%	91.12%
Home Credit a.s.	Czech Republic	91.12%	91.12%
Home Credit and Finance Bank LLC	Russia	91.12%	91.12%
Home Credit Asia Ltd.	Hong Kong	91.12%	91.12%
Home Credit N.V.	Netherland	91.12%	91.12%
Home Credit Consumer Finance Co., Ltd.	China	91.12%	91.12%
Home Credit Group B.V.	Netherland	91.12%	91.12%
Home Credit India Finance Private Ltd.	India	91.12%	91.12%
Home Credit Indonesia PT	Indonesia	77.45%	77.45%
Home Credit Insurance LLC	Russia	91.12%	91.12%
Home Credit International a.s.	Czech Republic	91.12%	91.12%
Home Credit Slovakia, a.s.	Slovakia	91.12%	91.12%
Home Credit US, LLC	USA	91.12%	45.65%
Home Credit Vietnam Finance Company Ltd.	Vietnam	91.12%	91.12%
Mobi Banka a.d. Beograd	Serbia	100.00%	100.00%
PPF banka, a.s.	Czech Republic	92.96%	92.96%
PPF Co3 B.V.	Netherlands	92.96%	92.96%
Shenzhen Home Credit Number One Consulting Co., Ltd.	China	91.12%	91.12%
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	China	91.12%	91.12%
Benxy s.r.o.**	Czech Republic	-	91.12%
PPF Financial Holdings subgroup - associates			
ClearBank Ltd.	United Kingdom	44.78%	40.61%
Telecommunications subgroup - subsidiaries			
PPF Telecom Group B.V.	Netherlands	100.00%	100.00%
CETIN a.s.	Czech Republic	100.00%	100.00%
CETIN Bulgaria EAD	Bulgaria	100.00%	100.00%
CETIN d.o.o. Beograd-Novi Beograd	Serbia	100.00%	100.00%
CETIN Finance B.V.	Netherlands	100.00%	100.00%
CETIN Group N.V. *(formerly CETIN Group B.V.)*	Netherlands	100.00%	100.00%
CETIN Hungary Zrt	Hungary	75.00%	75.00%
O2 Czech Republic a.s.	Czech Republic	90.52%	83.57%
O2 IT Services s.r.o.	Czech Republic	90.52%	83.57%
O2 Slovakia, s.r.o.	Slovakia	90.52%	83.57%
PPF Telco B.V.	Netherlands	100.00%	100.00%
PPF TMT Bidco 1	Netherlands	100.00%	100.00%
Telenor Bulgaria EAD***	Bulgaria	100.00%	100.00%
Telenor d.o.o. Beograd***	Serbia	100.00%	100.00%
Telenor Magyarország Zrt.***	Hungary	75.00%	75.00%

Company	Domicile	Effective proportion of ownership interest 31 December 2021	31 December 2020
Telenor Real Estate Hungary Zrt.***	Hungary	75.00%	75.00%
TMT Hungary B.V.	Netherlands	75.00%	75.00%
TMT Hungary Infra B.V.	Netherlands	75.00%	75.00%
Telenor Commmon Operation Zrt.	Hungary	-	100.00%
Telenor d.o.o. Podgorica	Montenegro	-	100.00%
Real estate subgroup - subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Art Office Gallery a.s.	Czech Republic	100.00%	100.00%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
Capellalaan (Hoofddorp) B.V.	Netherlands	100.00%	100.00%
De Reling (Dronten) B.V.	Netherlands	100.00%	100.00%
EusebiusBS (Arnhem) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
Fosol Enterprises Limited	Cyprus	89.91%	89.91%
Gen Office Gallery a.s.	Czech Republic	100.00%	100.00%
German Properties B.V.	Netherlands	100.00%	100.00%
Gorod Molodovo Pokoleniya LLC	Russia	73.00%	73.00%
Hofplein Offices (Rotterdam) B.V.	Netherlands	100.00%	100.00%
Charlie Com LLC	Russia	100.00%	100.00%
In Vino LLC	Russia	99.90%	99.90%
Intrust NN CJSC	Russia	66.67%	66.67%
Investitsionny Trust CJSC	Russia	78.75%	78.75%
ISK Klokovo LLC	Russia	100.00%	100.00%
Johan H (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Kateřinská Office Building s.r.o.	Czech Republic	100.00%	100.00%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Langen Property B.V.	Netherlands	100.00%	100.00%
Logistics-A LLC	Russia	100.00%	100.00%
Logistika-Ufa LLC	Russia	100.00%	100.00%
LvZH (Rijswijk) B.V.	Netherlands	100.00%	100.00%
Millennium Tower (Rotterdam) B.V.	Netherlands	100.00%	100.00%
Monheim Property B.V.	Netherlands	100.00%	100.00%
Monchyplein (Den Haag) B.V.	Netherlands	100.00%	100.00%
Murcja sp. z o.o.	Poland	100.00%	-
Plaza Development SRL	Romania	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
PPF reality a.s.	Czech Republic	100.00%	100.00%
PPF Real Estate s.r.o.	Czech Republic	100.00%	100.00%
PPF Real Estate I, Inc.	USA	100.00%	100.00%
PPF Real Estate Russia LLC	Russia	100.00%	100.00%
One Westferry Circus S.a.r.l.	Luxembourg	100.00%	100.00%
Razvitie LLC	Russia	60.07%	60.07%
RC PROPERTIES S.R.L.	Romania	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Skladi 104 LLC	Russia	60.06%	60.06%
Skolkovo Gate LLC	Russia	100.00%	100.00%
Stockmann StP Centre LLC	Russia	100.00%	100.00%
Sun Belt Office I, LLC	USA	100.00%	-
Sun Belt Office I Interholdco, LLC	USA	100.00%	-
Sun Belt Office II Interholdco, LLC	USA	100.00%	-
Sun Belt Office II, LLC	USA	100.00%	-
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
Telistan Ltd.	Cyprus	100.00%	99.90%
TK Lipetskiy LLC	Russia	100.00%	100.00%
Velthemia Ltd.	Cyprus	60.07%	60.07%
Wagnerford LLC	Russia	89.91%	89.91%
Wilhelminaplein B.V.	Netherlands	100.00%	100.00%
Kartontara LLC	Russia	-	100.00%
Spektr LLC	Russia	-	100.00%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2021	31 December 2020
Real estate subgroup – associates/joint ventures			
Flowermills Holding B.V.	Netherlands	49.94%	49.94%
Gilbey Holdings Ltd.	Cyprus	60.00%	60.00%
Komodor LLC	Ukraine	59.40%	59.40%
Marisana Enterprises Ltd.	Cyprus	49.94%	49.94%
Seal House JV a.s.	Czech Republic	50.00%	50.00%
MiddleCap Seal House Ltd.	United Kingdom	50.00%	50.00%
Westminster JV a.s.	Czech Republic	50.00%	50.00%
Carolia Westminster Hotel Ltd.	United Kingdom	45.00%	45.00%
Engineering subgroup - subsidiaries			
PPF Skoda B.V. *(formerly PPF IndustryCo B.V.)*	Netherlands	85.70%	87.80%
Bammer trade a.s.	Czech Republic	85.70%	87.80%
ŠKODA ELECTRIC a.s.	Czech Republic	85.70%	87.80%
Škoda Investment a.s.	Czech Republic	85.70%	87.80%
ŠKODA PARS a.s. (*formerly Pars nova a.s.*)	Czech Republic	85.70%	87.80%
Škoda Transportation a.s.	Czech Republic	85.70%	87.80%
Škoda Transtech Oy	Finland	85.70%	87.80%
ŠKODA VAGONKA a.s.	Czech Republic	85.70%	87.80%
Engineering subgroup - joint ventures			
SIBELEKTROPRIVOD LLC	Russia	42.85%	43.90%
TEMSA ULASIM ARACLARI SANAYI VE TICARET A.S.	Turkey	42.85%	43.90%
Media subgroup - subsidiaries			
TV Bidco B.V.	Netherlands	100.00%	100.00%
CME Media Enterprises B.V.	Netherlands	100.00%	100.00%
BTV Media Group EAD	Bulgaria	94.00%	94.00%
CME Services s.r.o.	Czech Republic	100.00%	100.00%
MARKIZA-SLOVAKIA, spol. s r.o.	Slovakia	100.00%	100.00%
PRO PLUS d.o.o.	Romania	100.00%	100.00%
Pro TV S.R.L.	Slovenia	100.00%	100.00%
TV Nova s.r.o.	Czech Republic	100.00%	100.00%
Other significant subsidiaries			
Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s.	Czech Republic	100.00%	100.00%
BONAK a.s.	Czech Republic	100.00%	100.00%
BLUE SEA HOLDING Srl	Belgium	58.91%	-
Cytune Pharma SAS	France	97.00%	96.00%
CzechToll s.r.o.	Czech Republic	100.00%	100.00%
Dream Yacht Group SA	Belgium	51.17%	-
Fodina B.V.	Netherlands	100.00%	100.00%
GEMCOL Ltd.	Cyprus	100.00%	100.00%
Letňany eGate s.r.o.	Czech Republic	100.00%	100.00%
Letňany Park Gate s.r.o.	Czech Republic	100.00%	100.00%
Letňany Air Land s.r.o.	Czech Republic	100.00%	100.00%
Letňany Air Logistics s.r.o.	Czech Republic	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF A3 B.V.****	Netherlands	-	100.00%
PPF Biotech B.V. *(formerly PPF Capital Partners Fund B.V.)*	Netherlands	97.00%	96.00%
PPF CYPRUS MANAGEMENT Ltd.	Cyprus	100.00%	100.00%
PPF Finco B.V.	Netherlands	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
PPF TMT Holdco 1 B.V.	Netherlands	100.00%	100.00%
Prague Entertainment Group B.V.	Netherlands	100.00%	100.00%
RAV Agro LLC	Russia	100.00%	100.00%
RAV Molokoproduct LLC	Russia	100.00%	100.00%
SCTbio a.s. *(formerly Sotio a.s.)*	Czech Republic	97.00%	92.16%
SOTIO Biotech AG *(formerly Cytune Pharma B.V.)*	France	97.00%	96.00%
SOTIO Biotech a.s.*****	Czech Republic	97.00%	-
Sotio Medical Research (Beijing) Co., Ltd.	China	97.00%	96.00%
Timeworth Holdings Ltd.	Cyprus	100.00%	100.00%
The Culture Trip Ltd.	United Kingdom	85.54%	85.54%
Vox Ventures B.V.	Netherlands	100.00%	100.00%
Sotio N.V.******	Netherlands	-	96.00%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2021	31 December 2020
Other significant associates/joint ventures			
CE Electronics Holding a.s.	Czech Republic	40.00%	-
FAST ČR, a.s.	Czech Republic	40.00%	-
Heureka Group a.s.	Czech Republic	40.00%	40.00%
LEAG Holding a.s.	Czech Republic	50.00%	50.00%
Lausitz Energie Verwaltungs GmbH	Germany	50.00%	50.00%
Navigare Yachting Global Holding AB	Sweden	33.88%	-
Mall Group a.s.	Czech Republic	40.00%	40.00%
CZC.cz s.r.o.	Czech Republic	40.00%	40.00%
Internet Mall Slovakia, s.r.o.	Slovakia	40.00%	40.00%
Internet Mall, a.s.	Czech Republic	40.00%	40.00%
MONETA Money Bank, a.s.	Czech Republic	29.94%	-

*Since 1 June 2021, the seat of the entity has been moved to the Czech Republic (refer to C.10.1).
**Merged with Air Bank a.s.
*** Since 1 March 2022 rebranded from Telenor to Yettel.
****Merged with CETIN Group N.V.
*****Demerged from the former Sotio a.s.
******Merged with PPF Biotech B.V.

The principal place of business corresponds to the domicile of the respective entity with the following exceptions:

Place of business	Entity
Russia	Anthemona Ltd., Flowermills Holding B.V., Marisana Enterprises Ltd.
United Kingdom	Tanaina Holdings Ltd., One Westferry Circus S.a.r.l.
Germany	Monheim Property B.V.

B.2. Changes through business combinations in 2021/2020

B.2.1. Sale of NBE-Therapeutics

In January 2021, the Group finalised the sale of its 26% stake in NBE-Therapeutics AG, a Swiss biotech company developing therapies for the treatment of solid tumours. The profit from the sale amounted to EUR 137 million and is recognised under profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries.

B.2.2. MONETA transaction

B.2.2.1. Acquisition of significant influence

On 21 January 2021, MONETA Money Bank a.s. (a Czech listed company, "MONETA"), announced that from PPF Group's subsidiary Tanemo a.s. it had received a public proposal for a voluntary tender offer for MONETA shareholders and an invitation for negotiations concerning the full acquisition of Air Bank and other Group companies (Home Credit a.s., Benxy s.r.o., and Home Credit Slovakia, a.s., collectively the "Air Bank Group") by MONETA.

A voluntary tender offer ("VTO") for the purchase of shares in MONETA pursuant to the Business Corporations Act (Act No. 90/2012 Coll., Section 322) was addressed to all existing shareholders of MONETA for a share purchase price of CZK 80 with a maximum volume of purchased shares of 20% of the total nominal value with the Group's right to increase it up to 29%. The acquisition of the shares above the 10% threshold was approved by the Czech

National Bank on 16 April 2021. As at 31 December 2021, Tanemo holds 153 million shares representing a 29.94% stake in MONETA.

As at 31 December 2021, in the Group's consolidated accounts, the investment in MONETA is accounted for using the equity method. The consolidated income statement includes the share of MONETA's financial performance after the Group acquired significant influence over MONETA on 16 April 2021.

In accordance with IFRS 3, the Group prepared a purchase price allocation exercise (PPA) to identify the fair value of the Group's share on the net assets acquired with the acquisition of the significant influence.

The following table summarises MONETA's fair values of assets and liabilities determined as at the Group's acquisition of the significant influence. The below assets and liabilities are not recognised in the Group's consolidated figures directly, and only the Group's share on MONETA's net assets is presented in the equity-accounted investees balance in the consolidated statement of financial position:

In millions of EUR, as at 16 April 2021

Fair value of assets (excluding goodwill)	12,446
Fair value of liabilities	11,140
Fair value of identifiable net assets (100%)	1,306

Goodwill arising from the acquisition has been recognised and presented with the equity-accounted investees' carrying amount, due to the excess of the purchase price over the Group's share on the fair value of net assets:

In millions of EUR

Effective ownership (originally acquired)	28.39%
Fair value of identified net assets (100%)	1,306
Fair value of identified net assets attributable to the Group's share	370
Total consideration	443
Goodwill (included in equity-acc. investee's carrying amount at acquisition)	73

B.2.2.2. Framework Agreement, classification of Air Bank Group

On 20 December 2021, MONETA announced that its general meeting had approved the acquisition of shares in Air Bank a.s. ("AB") and Czech and Slovak Home Credit ("HCAS" and "HCS", respectively). The general meeting granted its approval of MONETA entering as the purchaser into the following agreements stipulated by signed the Framework Agreement between MONETA and Tanemo:

- a share purchase agreement with Home Credit N.V. ("HCNV"), acting as the seller, under which MONETA will acquire from HCNV the ownership title to a 100% share in Air Bank a.s. ("AB") and Home Credit Slovakia, a.s. ("HCS"); and, simultaneously
- a share purchase agreement with Home Credit International a.s. ("HCI"), acting as the seller, under which MONETA will acquire from HCI the ownership title to a 100% share in Home Credit a.s. ("HCAS").

The sale transaction was expected to be completed within a 12-month period from the current reporting date. As at 31 December 2021, AB, HCAS and HCS (together, the "CEE region") were classified as a disposal group held for sale and a discontinued operation.

The financial performance, financial position, and cash-flows relating to the discontinued operations of the CEE region are presented in a separate note, i.e., Note E.40.

B.2.2.3. Termination agreement - post balance sheet event

On 31 May 2022, the Group announced that it signed an agreement with MONETA to terminate the process of combining the assets of Air Bank Group with MONETA (refer also to G.7). The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger as laid out in the framework agreement signed by the two parties in May 2021 and subsequently updated in November 2021.

These new circumstances, altering the economic parameters agreed last year, are as follows:

In line with IFRS 3, the completion of the transaction would have had severe implications for the accounting and regulatory levels of equity, following the estimated results of a purchase price allocation exercise (PPA). This would have also been a consequence of the deteriorating macroeconomic climate and rising interest rates. Without the need to steeply increase interest rates to counter soaring inflation, the PPA rules would have had only a limited impact on the transaction’s execution.

The deteriorating macroeconomic and geopolitical situation, including the effects of the war in Ukraine, are significantly increasing the economic risks regarding the newly formed banking entity’s asset performance. The current economic situation and difficulties concerning the prediction and visibility of future developments further reduce the growth potential of the merged bank.

As of the agreement on the termination, AB, HCAS and HCS ceased to meet the definition of a disposal group held for sale and a discontinued operation. This event is classified as non-adjusting event on the current reporting period. In subsequent reporting periods, the assets and liabilities of the CEE region will be presented using a line-by-line presentation. The income statement of the CEE region will be part of continued operations. 2021 comparative figures will be restated accordingly, in line with IFRS 5 requirements.

B.2.3. Acquisition of Dream Yacht Group

On 30 September 2021, the Group acquired the majority shareholding in Dream Yacht Group (“DYG”) through its subsidiary Blue Sea Holding Srl. The principal activity of DYG is the chartering and sale of boats and cruises. The acquisition has been realised through a capital contribution of EUR 60 million into the share capital of Dream Yacht Group.

From the Group’s perspective, the acquisition of Dream Yacht business is considered a long-term investment that enables better risk diversification by entering new businesses.

In accordance with IFRS 3, the Group prepared a purchase price allocation exercise (PPA) to identify the fair value of the acquired assets and assumed liabilities. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date. Given the existence of a put option to the benefit of the minority shareholders and a call option to the benefit of the majority shareholder under the shareholder’s agreement, the non-controlling interest was determined at its fair value as at the acquisition date. In connection with these put and call options, IFRS 3 requires goodwill to be recognised based on a 100% ownership (also known as full goodwill). As the put and call options are in place, the Group also recognised a put-option corresponding liability at fair value against a decrease of other reserves in equity of EUR 18 million. This option liability will be subsequently measured at fair value through profit or loss as at each reporting date.

Key assumptions and valuation approach

As the acquired business is a well-established world-spread boat charterer offering various boat rental and on-board services and boat sales, the key asset categories acquired in the acquisition were fixed assets representing notably the boats and equipment, mooring permits and the established brand of the group additionally identified.

Since each asset category has different characteristics, different asset valuation methods were applied. Based on the nature of the assets, for boats a market approach was used. The identified mooring permits were valued using a market approach, the trademark was valued using the relief-from-royalty method. It was concluded that the carrying amounts of other and financial assets as well as all assumed liabilities represent their respective fair values. Additionally, referring to the above paragraphs, the acquisition date non-controlling interest fair value was determined using a multicriteria approach aligned with general professional valuation practices comprising discounted-cash-flows method, multiple approach working with EBITDA, and other special approach considering net financial debt and future cash-flows.

The following table summarises the recognised amounts of assets and liabilities assumed in the acquisition, taking into consideration the facts stated above:

In millions of EUR, as at 30 September 2021

Fair value of assets acquired (excluding goodwill)	**338**
Cash and cash equivalents	45
Trade and other receivables	6
Property, plant and equipment	207
Intangible assets	26
Deferred tax assets	2
Other assets	52
Fair value of liabilities assumed	**298**
Due to banks and other financial institutions	65
Lease liabilities	88
Contract liabilities	80
Trade and other payables	49
Deferred tax liability	15
Other liabilities	1
Fair value of identifiable net assets	**40**

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR, as at 30 September 2021

Effective ownership (direct)	86.86%
Effective ownership (indirectly via Blue Sea Holding Srl)	51.17%
Total consideration	60
Purchase price (cash)	60
Contingent consideration (maximum amount of deferred earn-out)	20
Fair value of contingent consideration	-
Non-controlling interests	18
Fair value of identifiable net assets	40
Goodwill	38

The contingent consideration depends on the specified level of the future performance of the acquired business during a limited future timeframe. As at the acquisition date and 31 December 2021, fair value of this contingent consideration was determined to be nil. The contingent consideration was measured at fair value at acquisition and is measured at fair value through profit or loss, subsequently.

During the three-month period ended 31 December 2021, the consolidated Dream Yacht group contributed revenues of EUR 48 million and loss of EUR 7 million to the Group's results. If the acquisition had occurred on 1 January 2021, consolidated revenues would have increased by EUR 100 million and loss by EUR 26 million. The acquired business has been recovering from the covid pandemic crisis that halted with an increasing demand for its products and services.

B.2.4. Acquisition of Planeo Elektro (FAST Group)

In June 2021, the Group together with other partners signed an agreement for the acquisition of Planeo Elektro, a Czech-based consumer electronic wholesale and retail group operating in the Czech Republic, Slovakia, Hungary and Poland. The closing of the transaction was subject to antimonopoly approval that was obtained in September 2021. With effect from 9 November 2021, the Group, via a capital contribution of EUR 8 million to an intermediary equity-accounted holding company, indirectly acquired a 40% stake in Planeo Elektro classified as an associate. The Group consolidates this associate using the equity method.

B.2.5. Sale of Telenor Montenegro

In December 2021, the Group sold a 100% stake in Telenor d.o.o. Podgorica (Montenegro) to 4IG Nyrt. for a total consideration of EUR 141 million. Total profit from the sale of the entity amounted to EUR 27 million.

The following table summarises assets and liabilities of Telenor Montenegro when sold:

In millions of EUR

	21 December 2021
Goodwill	42
Property, plant and equipment (incl. right-of-use asset)	45
Intangible assets	25
Other assets	21
Cash and cash equivalent	11
Total assets	**144**
Other liabilities	28
Provisions	2
Total liabilities	**30**
Net assets value	**114**

B.2.6. Sale of minority stakes in Škoda engineering subgroup

In March 2020, the Group sold a 2.2% stake in the Škoda engineering subgroup to an entity controlled by Mr Korecký, one of the members of Škoda Transportation's supervisory board.

The following tables summarise the financial aspect of the transaction:

In millions of EUR

Consideration	8
Effective ownership sold	2.2%
Net asset attributable to non-controlling interest sold	8

In September 2021, the Group sold an additional 2.1% stake in the Škoda engineering subgroup to the same acquirer.

The following tables summarise the financial aspect of the transaction:

In millions of EUR

Consideration	8
Effective ownership sold	2.1%
Net asset attributable to non-controlling interest sold	6
Effect recorded in retained earnings (gain)	2

As of 31 December 2021, the Group´s effective share in the Škoda engineering subgroup is 85.7%.

B.2.7. Acquisition of London office building (in 2020)

In June 2020, through its newly established joint venture with an external partner, the Group acquired a 100% stake in MiddleCap Seal House Ltd. The entity owns the currently vacant London office building Seal House. This undertaking will involve the complete rebuilding or reconstruction of the building. The Group consolidates this project using the equity method.

The following table summarises the financial aspects of the above transactions:

	MiddleCap Seal House Ltd.
Transaction date	June 2020
Type of investment property	office building
Location	London
Effective stake acquired	50%
In millions of EUR	
Net assets at acquisition (100%)	1
of which:	
Total assets	44
Total liabilities	43
Consideration (paid in cash)	1
Group's share on net assets at acquisition (50%)	0.5
Group's share on post-acquisition capital increase	8

B.2.8. Acquisition of a 50% stake in Temsa (in 2020)

In May 2020, PPF Group together with a Turkish partner signed an agreement for the acquisition of a 100% stake in Temsa Ulaşım Araçları, a Turkish bus manufacturer. The transaction closed on 22 October 2020. Total consideration for the full stake amounted to EUR 17 million.

In the group's consolidated accounts, it is accounted for using the equity method. The consolidated income statement includes a share in Temsa's financial performance since the acquisition.

In accordance with IFRS 3, Temsa performed a purchase price allocation exercise based on which the acquired assets and assumed liabilities of the acquired business were restated to their respective fair values. The excess of the fair values of identified assets and liabilities over the purchase price resulted in the recognition of gain on a bargain purchase.

The following table summarise the recognised amounts of assets and liabilities assumed in the acquisition, taking into consideration the facts stated above:

In millions of EUR, as at 31 October 2020

Fair value of assets	229
Fair value of liabilities	185
Fair value of identifiable net assets	**44**

Gain on a bargain purchase arising from the acquisition has been recognised as a result of excess of fair value of identifiable net assets over the purchase price as follows:

In millions of EUR

Effective ownership	50%
Fair value of identifiable net assets	44
Net asset value attributable to the Group’s share	22
Purchase price	8
Gain on a bargain purchase	14

Gain on a bargain purchase was attributable to the following facts: Temsa got into financial problems in 2019 after change of ownership to a Swiss fund. Temsa was not able to repay its liabilities, production was interrupted, and the process of seeking for a new strategic and business-oriented partner started. The transaction documents were signed in April 2020 and finalised in October 2020 together with a financial restructuring based on a long-term business plan agreed with the banks.

B.2.9. Acquisition of Central European Media Enterprises (in 2020)

Through its indirect subsidiary, on 27 October 2019, the Group through its indirect subsidiary signed an agreement with Central European Media Enterprises Ltd. (“CME”), a company listed on NASDAQ/Prague Stock Exchange, to acquire CME. This transaction was subject to the customary closing conditions, including approval by CME’s shareholders, the European Commission, and national regulators in certain countries where CME is active. On 6 October 2020, the European Commission approved the transaction which was the last outstanding and most significant regulatory condition precedent. The transaction was legally finalised on 13 October 2020. As the Group acquired a 100% stake, CME was delisted from NASDAQ/Prague Stock Exchange.

The Group obtained control over CME’s media and entertainment operations in Bulgaria, the Czech Republic, Romania, Slovakia, and Slovenia. The Group plans to aim these operations to complement its telecommunication business in Central and Eastern Europe and will use the natural synergies between both sectors to strengthen and further develop their positions on the market. In accordance with IFRS 3, the Group prepared a purchase price allocation exercise (PPA) to identify the fair value of the acquired assets and assumed liabilities. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date. The acquired business was divided into five cash-generating units based on the geographic location of individual operations and unallocated corporate costs. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of goodwill.

The following table shows the key non-financial parameters of the transaction:

Transaction date		13 October 2020
Significant entities and stakes acquired		
BTV Media Group EAD	Bulgaria	94%
TV Nova s.r.o.	Czech Republic	100%
Pro TV S.R.L.	Romania	100%
MARKÍZA-SLOVAKIA, spol. s r.o.	Slovakia	100%
PRO PLUS d.o.o.	Slovenia	100%

The total consideration amounted to EUR 1,825 million. It comprised payments of EUR 1,296 million for the acquisition of shares and EUR 529 million as a shareholder loan to repay part of the current CME Group debt.

The acquisition was financed with a mix of equity and debt. The debt component consisted of a EUR 1,100 million senior secured term loan and a EUR 50 million revolving acquisition facility. The facilities have been fully underwritten by BNP Paribas, Crédit Agricole CIB, Credit Suisse, HSBC, Société Générale and UniCredit.

Key assumptions and valuation approach

As the acquired businesses are television broadcasting companies, the key asset categories acquired in the acquisition were programming rights, trademarks associated with the brands and fixed assets. Major fixed asset categories reported on the balance sheet are land and buildings, other machinery and equipment, including production related assets, and software.

Since each asset category has different characteristics, different asset valuation methods were used. The income approach was applied to measure the fair value of brands and some real estate assets. The market approach was applied for vehicles and some other real estate assets where appropriate. The cost approach was applied primarily to equipment, furniture and software. A combination of the income approach, the market approach and the cost approach were applied to measure the fair value of acquired and own-produced programming rights based on the specific characteristics of the relevant programming rights in each territory.

It was concluded that the carrying amounts of current and financial assets as well as all assumed liabilities represent their respective fair values.

The following table summarises the recognised amounts of assets and liabilities assumed in the acquisition, taking into consideration the facts stated above:

In millions of EUR

Fair value of assets (excluding goodwill)	**688**
Cash and cash equivalents	68
Trade and other receivables	141
Property, plant and equipment	111
Intangible assets	206
Programming assets	155
Other assets	7
Fair value of liabilities	**725**
Due to banks and other financial institutions	529
Trade and other payables	89
Programming liabilities	39
Deferred tax liability	23
Other liabilities	45
Fair value of identifiable net assets	**(37)**
Non-controlling interest	(5)

Trade receivables comprised gross contractual amounts due of EUR 149 million, whereas on the acquisition date, the collection of EUR 8 million was expected to be doubtful.

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	1,296
Non-controlling interests	(5)
Fair value of identifiable net assets	(37)
Goodwill	1,328

Goodwill is attributable to the established position of the CME businesses in the relevant markets, potential synergies with other Group operations (notably in telecommunications) and the assembled workforce. None of the goodwill recognised is expected to be deducted for tax purposes.

In the period from the acquisition date to 31 December 2020, the consolidated CME entities contributed revenue of EUR 179 million and profit of EUR 33 million to the Group's results. If the acquisition had occurred on 1 January 2020 consolidated revenue would have increased to approximately EUR 591 million and profit to approximately EUR 90 million.

B.2.10. Changes in real estate projects (in 2020)

In July 2020, the Group sold Mitino Sport City LLC for a consideration of EUR 24 million. The total loss from the sale of the entity amounted to EUR 4 million.

B.3. Other changes

B.3.1. Arrangements between Home Credit shareholders

With effect from 1 July 2019, PPF Financial Holdings B.V. and Emma Omega Ltd. as the direct shareholders of Home Credit Group B.V. entered into an agreement concerning certain transactions with Home Credit Group shares. The agreement was subsequently modified in September 2019 (the "Agreement").

Under the Agreement the parties agreed following arrangements valid as of 31 December 2021:

PPF Financial Holdings and Emma Omega have agreed that PPF Financial Holdings will sell to Emma Omega a 2.5% shareholding interest in Home Credit Group at the nominal value of share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group calculated for the period (a) from 31 December 2018 until 31 December 2023 in case of no Home Credit listing and (b) from the Home Credit listing date until 31 December 2023. Based on the market situation as of 31 December 2021 the fulfilment of the conditions is not probable, therefore the Agreement's value is currently valued to nil.

Under the Agreement, upon regular termination of it which shall occur on 31 December 2023, Emma Omega shall sell all its shares in Home Credit Group for their fair value derived entirely or partially from average market price of any material listed subsidiary of Home Credit Group if listed at that time. The contractual arrangements can be terminated also earlier than on regular termination date (31 December 2023) upon agreed and specified circumstances. The acquirer of the shares is an affiliate of PPF Financial Holdings (outside the Group).

B.3.2. Sole shareholding of O2 CZ

In June 2021, the Group's stake in O2 CZ's share capital was increased using reverse accelerated book-building for a maximum price of CZK 264 per share. As at 31 December 2021, the Group held a 90.52% stake in O2 CZ.

The following table summarises the financial aspect of the transactions described above:

In millions of EUR

Total consideration (approx. CZK 264 per share)	200
Effective ownership acquired from external parties	6.43%
Net asset value attributable to non-controlling interests acquired	(30)
Effect recorded in retained earnings (loss)	(170)

As the holder of more than 90% of the share capital of O2 CZ, the Group initiated a squeeze-out procedure of the remaining holders in O2 CZ through a mandatory tender offer for the shares in this telecommunications operator held by the remaining minority shareholders. The transfer of all shares to the Group was approved by the general meeting of O2 CZ on 26 January 2022. O2 CZ subsequently submitted a request for the delisting of its shares from the Prague Stock Exchange and RM-SYSTÉM (i.e., both Czech stock exchanges). The last trading day of O2 CZ shares was 28 February 2022.

A consideration of CZK 270 per share will be paid to the remaining holders of 28.5 million shares (representing the current minority shareholders). The total liability from the squeeze-out amounted to approx. EUR 310 million. The settlement process of this liability to the remaining holders started in March 2022.

B.3.3. Sale of 30% stake in CETIN Group N.V. (closed in 2022)

In October 2021, the Group has entered in an agreement with GIC Private Limited to sell its 30% stake in CETIN Group N.V. that is the sole owner of CETIN CZ, CETIN Bulgaria and CETIN Serbia and holds a 75% stake in CETIN Hungary. The completion of the transaction was subject to regulatory approvals and was finally closed on 10 March 2022. GIC has become a minority shareholder and the Group retained its control over CETIN Group N.V. Result from this transaction will be recorded directly in retained earnings as it represents a transaction with owners.

B.3.4. Acquisition of hotel operator in Rotterdam (closed in 2022)

In December 2020, the Group signed an agreement with Tower Hotel Rotterdam (a hotel operator), the anchor tenant in the Millennium Tower building owned by the Group, for the future acquisition of the hotel's operations. The closing of this transaction occurred in April 2022 and the purchase price amounted to EUR 6 million. In the meantime, the Group provided the seller with operational bridge financing and a consolidation loan to settle the existing minority shareholders, both totalling EUR 5 million.

B.3.5. Sale of Mall Group (closed in 2022)

In November 2021, the Group, together with its partners entered into agreement for the sale of 100% of Mall Group (as at 31 December 2021, the Group held a 40% stake) to Allegro.pl. The closing was subject to the approval by the appropriate antitrust authorities. The consideration for the sale was concluded as a cash consideration plus a non-cash consideration in the form of shares in Allegro. The closing finally became effective in April 2022, and the cash consideration amounting to EUR 225 million and the consideration in Allegro shares (10,023,118 pieces with fair value of approx. EUR 76 million) were collected by the Group in April 2022. As at 31 December 2021, the carrying amount of the investment in Mall Group was classified as assets held for sale.

B.3.6. Telecommunication business restructuring (2020)

As at 1 July 2020, the Group completed the separation of the retail and infrastructure sections at three of its Telenor-branded mobile operators in Bulgaria, Hungary, and Serbia (since March 2022 rebranded from Telenor to Yettel). The newly established companies were CETIN Hungary (with its direct holding entity TMT Hungary Infra), CETIN Bulgaria, and CETIN Serbia. In December 2020 and January 2021, the Group finalised the legal restructuring by including all newly established CETIN businesses under CETIN Group B.V., the historical direct owner of CETIN CR. The ownership percentage structure has not changed, and the new companies are fully consolidated in the Group's financial statements.

C. Risk exposures, risk management objectives and procedures

This section provides details on the Group's exposure to risks and describes the methods used by the management to control the risks. The most important types of financial risks to which the Group is exposed are the credit, market, operational and liquidity risks. Market risk includes mainly currency risk and interest rate risk.

As at 31 December 2021, all disclosures with the financial figures in this whole C section show figures solely for the continuing operations, i.e., excluding the part of the Group, that is classified as held-for-sale as at 31 December 2021 and representing discontinued operations. The relevant disclosures for this part of the Group are presented in E.40.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Due to the varying nature of the Group's businesses and associated risks the senior management of each business segment is responsible for setting up and monitoring the risk management policies. The board of directors and the Group's senior management, including shareholders, regularly perform business reviews of individual business segments, including an assessment of the risk management.

For its consumer finance and corporate banking business represented by Home Credit (including Air Bank), PPF banka, and Mobi Banka, the Group established the group risk committee and mandated it to assist the board of directors in the risk management area. The group risk committee designs and implements the risk management framework. The group risk committee approves the main risk management internal regulations such as the group risk management framework, the internal capital adequacy assessment framework, and the internal liquidity assessment framework. The group risk committee also approves the counterparty exposure limits for the largest counterparties.

As the most significant part of the Group's financial operations, the Home Credit subgroup ("Home Credit Group") established the function of chief risk officer (CRO) to head the Home Credit Group's risk management department. The Home Credit Group also established two risk-related committees: the asset liability committee (ALCO) and the group operational risk management committee. Home Credit Group's CRO and the committees are responsible for the development, implementation, and monitoring of risk management in their specified areas.

All subsidiary banks established the function of chief risk officer who heads the independent risk management function in the respective banks. Telecommunication entities have their own separate credit management units.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the products and services offered. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management of risk arising from participation in foreign subsidiaries and from financial instruments is fundamental to the Group's business and is an essential element of its operations.

Major risks related to participation in foreign subsidiaries include the risk of impairment due to adverse economic conditions, movements in foreign exchange rates, and liquidity risk given the strong growth in emerging markets. Those risks are managed by the Group by monitoring developments in foreign markets, using a robust investment decision-making process, and exercising prudence in liquidity management. The Group faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

Risk management policies at other significant associates/JVs are determined by the controlling shareholder(s) and/or other major shareholders. The Group regularly monitors and analyses the situation at said associates/JVs as a minority shareholder exercising its significant influence through its existing representatives in the respective executive bodies.

C.1. Derivative financial instruments

The Group holds a variety of derivative financial instruments for trading and risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the following sections. The nature of the derivative instruments used by the Group is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar contracts, of which value changes in response to changes in interest rates, foreign exchange rates, security prices and/or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC products).

C.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. The swaps most used by the Group are interest rate and cross-currency interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit and liquidity risk arising from default of the respective counterparties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

C.1.2. Forwards and futures

Forwards and futures contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Forwards and futures contracts result in credit exposure to the counterparty and exposure to market risk based on changes in market prices relative to the contracted amounts.

C.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. As a buyer of over-the-counter options, the Group is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. As a writer of over-the-counter options, the Group is subject to market risk, as it is obliged to make payments if the option is exercised by the counterparty.

C.1.4. Other derivatives

In connection with some significant acquisitions, the Group negotiated various over-the-counter contracts. Those existing at the reporting date are recognised at fair value using external or internal valuations.

C.2. Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group’s exposure to credit risk arises in connection with the provision of consumer financing to private individual customers (Home Credit Group). Other significant businesses affected by credit risk are corporate banking (PPF banka) and telecommunications business (O2 CZ, CETIN entities and Telenor entities).

C.2.1. Home Credit Group (including Air Bank)

For risk management purposes, the Home Credit Group classifies the loans made to individual customers into several classes, the most significant of which are cash loans, consumer loans, revolving loans, car loans and mortgage loans. This core part of the Home Credit Group’s loan portfolio consists of a large number of loans with relatively low outstanding amounts.

For Home Credit Group credit risk management the board of directors uses the Home Credit Group credit risk department. This department is responsible for overseeing the Group’s credit risk, including:

- formulating credit risk policies in consultation with business units covering credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan classes;
- establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the management of the various business units, while large exposures and new types of exposures require Home Credit Group approval. The Home Credit Group uses one central loan administration system to facilitate loan underwriting;

- continuous monitoring of performance of the Home Credit Group's individual credit exposures by country, product class and distribution channel;
- limiting of concentrations of credit exposures by country, product class and distribution channel;
- approving counterparty limits for financial institutions;
- reviewing business units' compliance with agreed exposure limits;
- providing advice, guidance and specialist skills to business units to promote best practice throughout the Home Credit Group in the management of credit risk.

Home Credit Group continuously monitors the performance of individual credit exposures at both individual business unit and Home Credit Group levels using several criteria, including delinquency rates, default rates, and collection efficiency metrics. Home Credit Group has an active fraud prevention and detection programme. Credit risk developments are reported by the Home Credit Group credit risk department to the board of directors on a regular basis.

Home Credit Group operates its business in multiple geographies. Some of them suffered economic downturns in recent years. Home Credit Group developed tools and rapid response guidelines expected to significantly limit major credit losses resulting from an economic downturn. These actions include specific adjustments of the underwriting decision making, pricing and collections strategies.

Credit underwriting process

The credit underwriting process involves the verification of customer data, combined with sophisticated scoring models that consider both risk and profitability to determine whether an applicant is eligible for a product and, if so, at what price.

Information supplied by the applicant may be cross checked with information in the Group's customer database for the relevant country. Consumer loans are provided with minimum documentation from the customer. Applications for other products, in particular cash loans, require more supporting documentation and verification. If the standards set by the Group are not being adhered to, the Group discontinues selling through the relevant retailer's employee or the relevant retailer.

Fraud prevention

The Group has developed a set of tools aimed at fraud prevention, detection and investigation that keep the levels of fraud risk observed low. The focus is on the tight monitoring of the sales process and proper design of the incentive models. Other tools include cross checks and the verification of application data provided by the customer, biometrical ID verification tools and use of third-party data in the underwriting process. The use of specific tools varies, based on their availability in the respective market and on the legal and regulatory framework.

General loan collection

The Group's loan collection system follows standard steps and procedures, which may vary depending on country-specific requirements and the legal and operational tools available for collection.

Pre-collection measures

Various forms of communication are used to remind customers how and when to pay – e.g., welcome letters (or calls) – and SMS reminders are sent to customers a short time prior to payment due dates.

Early collection

The early collection procedures vary depending on which specific collection segment a customer is assigned to, based on exposure, customer account data and previous collection behaviour. These procedures are typically applied to payments which are 5 to 75 days overdue. The Group uses SMS messages, outbound calls, letters and interactive voice response tools to communicate with customers to remind them of, and procure, the overdue amounts.

Administrative and personal collection

The Group sends the customer written correspondence including a warning that the full amount of the loan could be declared immediately due and payable if a loan reaches a higher stage of delinquency, with outstanding payments typically more than 60 to 90 days overdue (the point in time at which a loan moves from early collection to administrative and personal collection may vary). Letters are then followed by a call explaining to the customer the consequences of not repaying the debt.

Late collection

Late collection procedures are usually initiated when a loan becomes 90 days overdue. Usage of external agencies or internal field collector methods is typically considered.

Legal collection, debt sale

Loans with outstanding repayments that have been overdue for more than 360 days are referred to the Group's external legal counsel, who informs the customer through formal correspondence that the loan is closed and that legal action will commence against the customer. As an alternative, debt selling to collection agencies may also be considered. The approval authority for any debt sale in the Group rests with the ALCO.

C.2.2. PPF banka (the "Bank")

The board of directors has partially delegated the responsibility for the management of credit risk to the credit committee. A separate credit risk management department, reporting to the credit committee, is responsible for the oversight of the Bank's credit risk similar to the Home Credit Group procedures mentioned above, but with business specifics representing limiting concentrations of exposure to counterparties, geographies and segments (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

Since 2014, the Bank has calculated the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard and the Regulation of the European Parliament and of the Council on Prudential Requirements for Credit Institutions and Investment Firms.

Loans with renegotiated terms and the Group's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Group has implemented a new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Group has decided to grant a concession to the debtor. A forbearance measure may be either a modification of terms and conditions or the refinancing of the contract. A modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on the debt or if there is a high risk of default, there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

C.2.3. Telecommunications

For telecommunications, business credit risk is managed by the credit management units of relevant entities and is based on three main activities:

- prevention: scoring of new customers – regular monitoring of customers' payment morale, activation of control procedures (integrated black list, external credit registers, and other external information databases), limits and/or deposits applied based on customer segments or the product, credit limits for indirect sales partners (dealers, distributors, franchises) for the purchase of our products, collateral security (deposits, receivables insurance, bills of exchange, pledges of real estate, bank guarantees etc.).
- monitoring of accounts receivables: regular monitoring of the creditworthiness of existing customers and monitoring and analysing of the receivable aging structure (internal and external indicators of any potential bad debts). These activities are processed in an integrated system solution for the scoring, maintenance and collection of receivables.
- collection process: credit management units cooperate with the customer care units in the implementation of a reasonable, effective and continual collection process. Collection process competences are allocated separately. In the CETIN subgroup, collection from active customers is in the competence of the accounting unit; subsequent collection is the responsibility of the treasury unit, the legal unit, and the accounting unit. In other segments, collection from active customers is in the competence of the customer care unit; any collection after contracts are cancelled falls within the responsibility of the credit management unit.

C.2.4. Concentration of credit risk

The following tables show the economic and geographic concentration of credit risk. The figures for 2021 and 2020 below and in the whole C section exclude the fair value hedge adjustments of EUR nil for Loans due from customers (2020: positive EUR 14 million) and negative EUR 81 million for bonds at amortised cost presented under Investment securities but classified as assets held for sale (2020: negative EUR 10 million) (refer to C.4.4):

In millions of EUR, as at 31 December

	2021	2021	2020	2020
Economic concentration				
Households/individuals	9,127	41.57%	14,412	53.48%
Financial services	8,468	38.56%	7,598	28.19%
Corporate sector	1,897	8.64%	1,718	6.37%
Public sector	1,497	6.82%	2,447	9.08%
Construction and real estate	547	2.49%	345	1.28%
Mechanical engineering	375	1.71%	418	1.55%
Other	47	0.21%	12	0.05%
Total	**21,958**	**100.00%**	**26,950**	**100.00%**
Geographic concentration				
Czech Republic	8,549	38.93%	10,307	38.24%
Russia	4,337	19.75%	3,212	11.92%
China	2,781	12.67%	7,459	27.68%
Vietnam	1,071	4.88%	830	3.08%
Kazakhstan	1,004	4.57%	777	2.88%
Cyprus	479	2.18%	353	1.31%
Slovakia	238	1.08%	713	2.65%
Netherlands	85	0.39%	86	0.32%
Other EU countries	1,494	6.80%	1,306	4.85%
Other	1,920	8.75%	1,907	7.07%
Total	**21,958**	**100.00%**	**26,950**	**100.00%**
Of which:				
Loans due from customers	9,335	42.52%	14,192	52.66%
Cash and cash equivalents (excl. cash on hand)	6,274	28.58%	6,250	23.19%
Investment securities and trading derivatives*	2,756	12.55%	2,918	10.83%
Loan commitments and guarantees (off-balance sheet)	1,305	5.94%	1,674	6.21%
Trade and other receivables and other financial assets**	1,217	5.54%	1,121	4.16%
Loans and receivables due from banks and other financial institutions	727	3.31%	475	1.76%
Contract assets	260	1.18%	297	1.10%
Hedging derivatives	84	0.38%	23	0.09%

*excl. equity securities, positive fair values of hedging derivatives (being presented in a separate row in the above table), and FV hedge adjustments (refer to C.4.4)

**Other financial assets represent cash collateral for payment cards, specific deposits and receivables and receivables from sale of shares in subsidiaries, associates and JVs totalling EUR 97 million (2020: EUR 82 million), refer to E.11. In the consolidated statement of financial position presented as other assets.

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, if any, that are included in the allowance for un-collectability. The table comprises off-balance sheet items (refer to E.41.1) and financial assets, except for equity securities.

Credit quality and collateral received

The following table summarises information about the credit quality of the Group's loan exposure:

In millions of EUR, as at 31 December 2021 (excl. held-for-sale presented in E.40)

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	10,391	727
Stage 1	7,732	727
Stage 2	1,621	-
Stage 3	1,038	-
Loss allowance	(1,062)	-
Carrying amount	**9,329**	**727**

*excluding cash collateral for derivative instruments of EUR 6 million (applies hereinafter in this section)

In millions of EUR, as at 31 December 2020

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	16,110	475
Stage 1	11,760	475
Stage 2	3,184	-
Stage 3	1,166	-
Loss allowance	(1,930)	-
Carrying amount	**14,180**	**475**

*excluding cash collateral for derivative instruments of EUR 9 million (applies hereinafter in this section)

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt and/or equity securities and received guarantees. Collateral for loans and advances to banks is held mainly under reverse repos and as a part of securities borrowing activities. There are no overdue loans to banks.

All these transactions are conducted at arm's length.

In millions of EUR, as at 31 December 2021 (excl. held-for-sale presented in E.40)

Fair value of collateral received for loans and receivables	Loans due from customers		Loans and receivables due from banks and other financial institutions	
	Stage 1-2	Stage 3	Stage 1-2	Stage 3
Secured by:				
Property	382	38	-	-
Deposits with banks	15	-	-	-
Securities received under reverse repo	-	-	474	-
Equity securities	163	-	-	-
Other	97	-	-	-
Total collateral received	**657**	**38**	**474**	**-**

In millions of EUR, as at 31 December 2020

Fair value of collateral received for loans and receivables	Loans due from customers		Loans and receivables due from banks and other financial institutions	
	Stage 1-2	Stage 3	Stage 1-2	Stage 3
Secured by:				-
Property	1,044	42	-	-
Deposits with banks	14	-	-	-
Securities received under reverse repo	-	-	110	-
Equity securities	202	-	-	-
Other	252	19	-	-
Total collateral received	**1,512**	**61**	**110**	**-**

The Group also received collateral for reverse repo operations with central banks as follows:

In millions of EUR (2021: excl. held-for-sale presented in E.40)

Fair value of collateral received for reverse repo operations	31 December 2021	31 December 2020
For receivables from reverse repo operations classified as:		
Cash and cash equivalents	4,868	4,733
Financial assets at FVTPL - trading	427	-
Total	**5,295**	**4,733**

The total value of assets held as collateral is EUR 6,605 million (2020 EUR 6,563 million) and consists of the collateral stated above (2021: EUR 6,464 million; 2020: EUR 6,416 million; refer to E.41.3) plus collateral in the form of guarantees received (2021: EUR 141 million; 2020: EUR 147 million).

No collateral was held for trade and other receivables in 2021 and in 2020. For a detailed credit quality overview of financial assets, refer to E.2-E.5.

The net realisable value of the collateral assessed by the Group is based on an opinion prepared by a valuation expert. The net realisable value of the collateral is determined considering this value, the exposure collateralised, a coefficient reflecting the Group's ability to realise the collateral when becomes enforceable, and the time factor of such a realisation.

C.3. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures, as well as liquidity position projections, are subject to review and approval by senior management.

The Group's treasury department collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on specific markets and facilities, the nature of the related risks and the magnitude of their impact on the Group's business, management tools available and preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from central banks, debt securities and subordinated debt. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	6,343	-	-	-	-	6,343
Investment securities and derivatives	517	194	301	492	1,336	2,840
Financial assets at FVTPL*	481	74	70	111	770	1,506
Financial assets FVOCI*	25	48	221	369	548	1,211
Financial assets at AC	11	72	10	12	18	123
Loans and receivables due from banks and other financial institutions	651	63	13	-	-	727
Loans due from customers	2,406	3,332	1,867	1,493	237	9,335
Trade and other receivables**	1,012	294	113	37	27	1,483
Total financial assets	**10,929**	**3,883**	**2,294**	**2,022**	**1,600**	**20,728**

*excl. equity instruments (refer to E.2.1 and E.2.3 for FVTPL and FVOCI, respectively)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.11

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	27	54	73	244	662	1,060
Due to non-banks	5,827	1,275	337	37	1	7,477
Due to banks and other financial institutions	2,047	3,314	1,609	4,301	54	11,325
Debt securities issued	126	451	637	1,832	495	3,541
Subordinated liabilities	-	-	-	-	189	189
Trade and other payables*	1,183	292	8	11	33	1,527
Lease liabilities**	38	103	135	287	132	695
Total financial liabilities	**9,248**	**5,489**	**2,799**	**6,712**	**1,566**	**25,814**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.17

Net liquidity position 2021	**1,681**	**(1,606)**	**(505)**	**(4,690)**	**34**	**(5,086)**

The less-than-three-months interval within due to non-banks contains banking deposits, most of which are repayable on demand.

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	6,388	-	-	-	-	6,388
Investment securities and derivatives	186	95	158	1,141	1,361	2,941
Financial assets at FVTPL	40	31	58	107	511	747
Financial assets FVOCI*	145	42	70	551	331	1,139
Financial assets at AC	1	22	30	483	519	1,055
Loans and receivables due from banks and other financial institutions	407	44	5	12	7	475
Loans due from customers	3,702	4,510	3,035	2,724	221	14,192
Trade and other receivables**	1,029	230	90	37	48	1,434
Total financial assets	**11,712**	**4,879**	**3,288**	**3,914**	**1,637**	**25,430**

*excl. equity instruments (refer to E.2.3)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.11

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	25	88	39	184	440	776
Due to non-banks	9,011	931	123	242	2	10,309
Due to banks and other financial institutions	2,233	3,682	1,114	3,909	98	11,036
Debt securities issued	303	1,564	320	1,543	1,038	4,768
Subordinated liabilities	-	3	-	-	253	256
Trade and other payables*	1,043	230	149	7	33	1,462
Lease liabilities**	35	92	107	232	168	634
Total financial liabilities	**12,650**	**6,590**	**1,852**	**6,117**	**2,032**	**29,241**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.17

Net liquidity position 2020	**(938)**	**(1,711)**	**1,436**	**(2,203)**	**(395)**	**(3,811)**

The net liability position in 2021 and 2020 reflects the fact that the Group finances the previous acquisitions of its significant investments (CME group in 2020, Telenor assets in 2018, O2 CZ/CETIN in previous years) and investment property using bank financing and debt securities. The Group repays such loans by proceeds from future dividends, rental income or the sale of assets, or is able to refinance such facilities at their maturities.

The following tables show the residual maturities of balance sheet and off-balance sheet liabilities on an undiscounted cash flow basis. Only those liability items are shown for which the total estimated undiscounted cash flows differ from the book values shown in the consolidated statement of the financial position.

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Due to non-banks	5,841	1,314	348	44	5	7,552
Due to banks and other financial institutions	2,167	3,553	1,791	4,500	64	12,075
Debt securities issued	165	534	740	1,982	511	3,932
Subordinated liabilities	-	11	12	35	202	260
Trade and other payables*	1,185	295	9	11	36	1,536
Lease liabilities**	45	117	151	318	159	790
Loan commitments (off-balance sheet)	395	121	693	28	4	1,241
Payment guarantees provided (off-balance sheet)	3	3	24	1	-	31
Total	**9,801**	**5,948**	**3,768**	**6,919**	**981**	**27,417**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Due to non-banks	9,020	956	130	256	5	10,367
Due to banks and other financial institutions	2,397	3,985	1,287	4,143	104	11,916
Debt securities issued	343	1,699	415	1,726	1,105	5,288
Subordinated liabilities	-	11	8	24	271	314
Trade and other payables*	1,052	233	152	7	33	1,477
Lease liabilities**	39	102	119	256	200	716
Loan commitments (off-balance sheet)	713	46	625	111	1	1,496
Payment guarantees provided (off-balance sheet)	6	8	27	117	-	158
Total	**13,570**	**7,040**	**2,763**	**6,640**	**1,719**	**31,732**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position

The expected cash outflows and inflows related to trading and hedging derivatives are as follows:

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Outflows						
Interest rate derivatives held for trading	(508)	(4,268)	(3,000)	(3,223)	(8,221)	(19,220)
Currency derivatives held for trading	(2,973)	(2,219)	(1,079)	(210)	-	(6,481)
Hedging derivatives	(53)	(209)	(265)	(106)	(3)	(636)
Inflows						
Interest rate derivatives held for trading	508	4,269	3,000	3,222	8,217	19,216
Currency derivatives held for trading	2,966	2,218	1,081	199	-	6,464
Hedging derivatives	57	227	284	121	4	693
Net position 2021	**(3)**	**18**	**21**	**3**	**(3)**	**36**

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Outflows						
Interest rate derivatives held for trading	(407)	(4,053)	(1,772)	(3,235)	(6,686)	(16,153)
Currency derivatives held for trading	(2,917)	(927)	(1,252)	(234)	-	(5,330)
Hedging derivatives	(265)	(221)	(171)	(127)	(31)	(815)
Inflows						
Interest rate derivatives held for trading	403	4,066	1,777	3,224	6,683	16,153
Currency derivatives held for trading	2,922	930	1,245	232	-	5,329
Hedging derivatives	269	217	173	130	34	823
Net position 2020	**5**	**12**	**-**	**(10)**	**-**	**7**

C.4. Market risk

Market risk is the risk that changes in market rates, such as interest rates, foreign exchange rates, and prices of equity securities will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposure and keep it within acceptable limits.

The bulk of the Group’s exposure to market risk arises in connection with the use of liabilities denominated in foreign currencies to finance the Group’s operations, and to the extent the term structure of interest-bearing assets differs from that of liabilities. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions subject to risk limits or frameworks set by senior management.

C.4.1. Interest rate risk

The Group’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating-rate assets and liabilities, the Group is also exposed to interest rate cash-flow risk, which varies depending on the different repricing characteristics of the various floating-rate instruments.

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group’s senior management monitors compliance with these limits. Interest rate derivatives (refer to E.12) are one of the tools the Group uses to manage this position.

Interest rate derivatives are primarily used to bridge the repricing mismatch between assets and liabilities. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group’s financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 200-basis-point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2021 would be approximately EUR 271 million higher/lower (2020: EUR 332 million) and the revaluation reserve in equity would be EUR 33 million higher/ 45 lower (31 December 2020: EUR 30 million higher / 58 lower).

The tables below summarise the interest rate repricing gap of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables present an analysis of the interest rate gap position (excl. derivatives):

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	2.94%	6,343	-	-	-	-	6,343
Investment securities	3.58%	502	532	164	369	606	2,173
Financial assets at FVTPL	3.02%	449	124	-	7	259	839
Financial assets at FVOCI*	3.86%	42	336	154	350	329	1,211
Financial assets at AC	4.65%	11	72	10	12	18	123
Loans and receivables due from banks and other financial institutions	5.77%	663	63	1	-	-	727
Loans due from customers	19.58%	3,084	3,391	1,676	1,044	140	9,335
Trade and other receivables**	0.62%	1,011	294	114	37	27	1,483
Total financial assets		**11,603**	**4,280**	**1,955**	**1,450**	**773**	**20,061**

*excl. equity instruments (refer to E.2.3)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.11

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	1.62%	2	2	21	133	288	446
Due to non-banks	3.51%	5,827	1,275	337	37	1	7,477
Due to banks and other financial institutions	5.00%	5,358	3,008	915	2,012	32	11,325
Debt securities issued	4.33%	126	451	637	1,832	495	3,541
Subordinated liabilities	5.63%	17	158	-	-	14	189
Trade and other payables*	0.24%	1,182	292	9	11	33	1,527
Lease liabilities**	3.09%	39	103	135	287	131	695
Total financial liabilities		**12,551**	**5,289**	**2,054**	**4,312**	**994**	**25,200**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.17

Effect of interest rate derivatives		**226**	**27**	**(42)**	**(171)**	**(40)**	**-**
Net position 2021		**(722)**	**(982)**	**(141)**	**(3,033)**	**(261)**	**(5,139)**

In millions of EUR, as at 31 December 2020

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	0.38%	6,388	-	-	-	-	6,388
Investment securities	1.76%	183	868	122	599	901	2,673
Financial assets at FVTPL	1.24%	11	194	40	33	201	479
Financial assets at FVOCI*	2.95%	167	236	49	468	219	1,139
Financial assets at AC	0.72%	5	438	33	98	481	1,055
Loans and receivables due from banks and other financial institutions	1.07%	407	44	5	12	7	475
Loans due from customers	23.93%	4,274	4,496	2,964	2,388	70	14,192
Trade and other receivables**	0.01%	1,080	212	79	37	27	1,435
Total financial assets		**12,332**	**5,620**	**3,170**	**3,036**	**1,005**	**25,163**

*excl. equity instruments (refer to E.2.3)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.11

In millions of EUR, as at 31 December 2020

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	0.74%	8	43	17	88	287	443
Due to non-banks	1.00%	9,011	931	123	242	2	10,309
Due to banks and other financial institutions	6.80%	5,486	3,650	886	1,003	11	11,036
Debt securities issued	5.01%	303	1,564	320	1,543	1,038	4,768
Subordinated liabilities	3.17%	-	163	93	-	-	256
Trade and other payables*	0.65%	1,043	230	149	7	33	1,462
Lease liabilities**	3.13%	35	94	108	231	166	634
Total financial liabilities		**15,886**	**6,675**	**1,696**	**3,114**	**1,537**	**28,908**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.17

Effect of interest rate derivatives		**898**	**305**	**179**	**(934)**	**(218)**	**230**
Net position 2020		**(2,656)**	**(750)**	**1,653**	**(1,012)**	**(750)**	**(3,515)**

C.4.2. Equity price risk

Equity price risk is the risk that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

C.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency. It is the Group's policy to hedge such mismatches with derivative financial instruments to eliminate the foreign currency exposure.

The Group's main foreign exposures are to the European, the US and Asian countries in which the Group operates. Its exposures are measured mainly in Czech crowns, US dollars, Chinese yuan, Russian roubles, Hungarian forints, Kazakhstani tenges and Indian rupees. As the currency in which the Group presents its consolidated financial statements is the euro, movements in the exchange rates between these currencies and the euro affect the Group's consolidated financial statements in OCI (translation reserve). Net investments in foreign operations are not hedged.

The following table summarises the Group's exposure in individual countries and respective local functional currencies. Any exposure in the individual countries in other than the local currency is excluded.

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(1,080)	5,392	574	1,543	185	367	165	491	598	849	803	693	10,580

In millions of EUR, as at 31 December 2020

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(1,653)	4,913	932	1,347	194	292	(11)	524	578	883	855	578	9,432

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the consolidated statement of income. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group entity. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or through short-term FX trades.

The Group entities' largest foreign currency exposures are for financial assets and financial liabilities, i.e., exposures in currencies different from the entities' functional currencies:

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	EUR	CZK	CNY	RUB	INR	KZT	USD	HUF	Other	Total
Financial assets	1,189	212	-	6	11	-	712	25	368	2,523
Financial liabilities	3,074	91	1	66	-	-	616	-	87	3,935
Effect of FX derivatives	(305)	(221)	-	51	(297)	(48)	171	(33)	(172)	(854)
Net FX position	**(2,190)**	**(100)**	**(1)**	**(9)**	**(286)**	**(48)**	**267**	**(8)**	**109**	**(2,266)**

In millions of EUR, as at 31 December 2020

	EUR	CZK	CNY	RUB	INR	KZT	USD	HUF	Other	Total
Financial assets	1,438	78	3	5	9	-	530	11	251	2,325
Financial liabilities	2,175	426	-	66	-	-	463	1	61	3,192
Effect of FX derivatives	282	-	-	62	(351)	(112)	153	117	(242)	(91)
Net FX position	**(455)**	**(348)**	**3**	**1**	**(342)**	**(112)**	**220**	**127**	**(52)**	**(958)**

The following tables present an analysis of the sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 5% change in CZK, USD, RUB, KZT, CNY, HUF and INR to EUR exchange rates:

In millions of EUR, as at 31 December 2021

	CZK	USD	RUB	KZT	CNY	HUF	INR
Effect of 5% currency depreciation against EUR	(265)	(22)	(77)	(16)	(29)	(42)	(11)
Effect of 5% currency appreciation against EUR	265	22	77	16	29	42	11

In millions of EUR, as at 31 December 2020

	CZK	USD	RUB	KZT	CNY	HUF	INR
Effect of 5% currency depreciation against EUR	(229)	(10)	(67)	(9)	(47)	(50)	(9)
Effect of 5% currency appreciation against EUR	229	10	67	9	47	50	9

C.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of financial derivative instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other financial derivatives. The purpose of the Group's economic hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with its asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets, as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging of the Group's net exposure based on its asset and liability positions. Therefore, the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within the relevant repricing bands.

When the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk, it classifies the loans in question into homogenous groups, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

Pursuant to its above interest rate risk management policy and with the objective to match the interest rate profile of its assets and liabilities, the Group started to apply hedge accounting to better align the internal risk management for interest rate driven changes in fair value of certain loan portfolios and bonds with external reporting. The hedged portfolios, represented by a part of retail (cash, consumer, revolving, car and mortgage loans receivables) and corporate loans receivables, and government bonds, were and are all denominated in CZK. The hedge of the retail loans was a portfolio hedge (discontinued during the second half of 2020 as further described below). The hedge of the corporate loans and of the government bonds is either a hedge of a single loan or a single bond issue, or a hedge of a group of loans or bond issues (micro hedge).

The hedged government bonds, corporate loans and the hedged retail loans carry fixed interest rates. The mortgage loans carry fixed interest rates until the next repricing.

For the fair value hedge of the retail loans portfolios (portfolio hedging), the composition of the hedged portfolios was changed monthly with repayment of existing retail loans (where those defaulted were excluded from the hedged portfolio), and with newly originated retail loans that were added to the portfolio. Additional interest rate swaps might have been added to the group of hedging instruments to match the underlying position of the loans.

The common objective of the hedging of both loan portfolios and bonds is to offset the changes in the fair value of the CZK hedged items due to the changes in market interest rates by gains or losses on the hedging instruments (CZK interest rate swaps). In this way, the Group also matches its assets with its floating rate liabilities. The Group applies hedge accounting for these hedge relationships. The hedge effectiveness is measured either cumulatively (was for the discontinued retail loans fair value hedge) or in each reporting period (is for bonds, was for corporate loans). The hedge effectiveness is measured for each hedge relationship separately with application of the dollar offset method. The hedge ineffectiveness might result from imperfect matching of the hedging instruments with the hedged items (volumes, timing of cash flows).

For the year ending 31 December 2021, all continuing micro fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 3.5 million from the hedge ineffectiveness is presented in the consolidated income statement under net gains/losses on financial assets/liabilities caption (2020: loss of EUR 1 million).

During the first half of 2021, the Group decided to terminate several micro hedge relationships, due to a change in the Group’s risk management strategy. All discontinued micro fair value hedges were assessed as effective being in the range of 80-125% until the discontinuation date.

Discontinued micro hedge relationships were following:

- Corporate loans with effective date of discontinuance of 31 May 2021 due to repayment. The related cumulative fair value adjustment was released in full in the consolidated statement of income due to its insignificance.
- Government bonds with effective date of discontinuance of April and May 2021, because of a planned termination of the connected hedging instruments (interest rate swaps). The related cumulative fair value hedge adjustment started to be amortised since 1 May 2021 in the consolidated statement of income applying the effective interest rate method.

For the year ending 31 December 2020, all micro fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 1 million from the hedge ineffectiveness is presented in the consolidated income statement under net gains/losses on financial assets/liabilities caption, where no PL effect relates to the portfolio hedge and a loss of EUR 1 million relates to the micro hedge.

During the second half of 2020, the Group decided to cease all its portfolio hedge relationships, with an effective date of this discontinuance of 1 October 2020. The hedged items in these portfolio hedge relationships were retail loans portfolios. Thus, all portfolio fair value hedges are presented as discontinued in the below tables.

Until the period ending 1 October 2020 (portfolio hedge discontinuation date), all discontinued fair value hedges were assessed as effective being in the range of 80-125%. No PL effect from the related hedge ineffectiveness is presented in profit or loss.

C.4.4.1. Micro hedge

The following table shows the details on the hedging derivatives used for the fair value hedge relationships (continuing):

In millions of EUR, as at 31 December 2021

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	Carrying amount of the hedging instruments		Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
		Assets (refer to E.2.1, E.40)	Liabilities (refer to E.12, E.40)		
Interest rate swaps	415*	67	(2)	Investment securities and derivatives/ Assets held for sale (for assets) --- Financial liabilities at FVTPL/Liabilities directly associated with assets held for sale (for liabilities)	(82)

*approx. CZK 10,265 million

In millions of EUR, as at 31 December 2020

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	Carrying amount of the hedging instruments		Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
		Assets (refer to E.2.1)	Liabilities (refer to E.12)		
Interest rate swaps	609*	10	(21)	Investment securities and derivatives (for assets) / Financial liabilities at FVTPL	(1)

*approx. CZK 15,975 million

The following table shows the details on the hedged items subject to the fair value hedge relationships (continuing):

In millions of EUR, as at 31 December 2021

Fair value hedges (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Bonds (refer to E.40)	409	(81)	Assets held for sale	78
Total	**409**	**(81)**		**78**

In millions of EUR, as at 31 December 2020

Fair value hedges (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Corporate loans (refer to E.4)	30	-	Loans due from customers (non-retail)	1
Bonds (refer to E.2.2)	1,003	(10)	Investment securities	(1)
Total	**1,033**	**(10)**		**-**

The maturity and interest rate risk profiles of the Group's hedging instruments used in micro fair value hedge relationships is, as follows:

In EUR million, as at 31 December 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Interest rate swaps						
Notional principal	-	-	-	4	411	415
Average interest rate	-	-	-	0.6%	4.14%	-

In EUR million, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Interest rate swaps						
Notional principal	-	31	-	78	500	609
Average interest rate	-	0.3%	-	1.2%	1.8%	-

The total notional amount of the interest rate swaps used as the hedging instruments for the discontinued fair value micro hedge relationships (discontinued during 2021) amounted to CZK 5,610 million (approx. EUR 226 million) as at the moment of discontinuation. The related changes in fair values used for calculating hedge ineffectiveness during the year 2021 resulted in a loss of EUR 1.5 million. As at 31 December 2021, the unamortised FV hedge adjustment relating to the discontinued fair value hedge relationships amounts to negative EUR 3 million.

C.4.4.2. Portfolio hedge

The total notional amount of the interest rate swaps used as the hedging instruments for the discontinued fair value portfolio hedge relationships (discontinued during 2020) amounted to CZK 21,600 million (approx. EUR 823 million) as at the moment of discontinuation. The related changes in fair values used for calculating hedge ineffectiveness during the year 2020 resulted in a decrease of EUR 21 million.

During the year ended 31 December 2021, the Group decided to fully expense all accumulated portfolio FV hedge adjustments totalling EUR 14 million due to their insignificance. These FV hedge adjustments were initially in 2020 intended to be amortised with a 3-year period applying the effective interest rate method.

In millions of EUR, as at 31 December 2020

Fair value hedges - portfolio (disc.) (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Cash loans (refer to E.4)	-	4	Loans due from customers (retail)	6
Revolving loans (refer to E.4)	-	2	Loans due from customers (retail)	3
Mortgage loans (refer to E.4)	-	7	Loans due from customers (retail)	10
Car loans (E.4)	-	1	Loans due from customers (retail)	2
Total	**-**	**14**		**21**

The Phase 2 amendments of IBOR reform provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group will apply the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group will amend the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies.

The Group is actively monitoring the situation – there were no instruments linked to major benchmark reference rates which were to cease as at 31 December 2021.

C.5. Insurance risk

The main risk faced by the Group under insurance contracts is that the actual claims and benefit payments, or the timing thereof, will differ from expectations. This is influenced by the frequency of claims, severity of claims, claims settlement period, etc. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover current and future liabilities under insurance contracts. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group uses reinsurance agreements as a part of its risk mitigation programme. Insurance risk is transferred to reinsurance on a pro rata and disproportional basis. Most reinsurance contracts are proportional reinsurance (quota/surplus reinsurance) combined with excess of loss reinsurance.

C.5.1. Life insurance

Insurance risks related to life insurance contracts include biometric risks arising from events related to mortality trends, longevity, morbidity, etc., as well as risks related to trends in lapses and acquisition and maintenance expenses from insurance contracts.

The vast majority of life insurance contracts offered by the Group have two components: the main programme, which is a savings (endowment/pure endowment) component, and riders that may include pure risks cover, such as accident cover or critical illness cover. One of the Group's products also includes a pension annuity. All of the Group's life insurance contracts have a guaranteed interest rate. In order to fulfil its obligations to policyholders, the Group uses the concept of asset-liability matching, which means that the Group invests in assets with a rate of return equal to or more than the minimum interest guaranteed under insurance contracts.

Risks associated with the savings component of insurance contracts are screened (i.e. assessed and analysed) regularly in light of the principle of prudence. Such screening includes, inter alia, analysing the prevailing conditions on financial markets and any regulatory restrictions. The screening results are used to shape the underwriting and pricing policies of the Group.

C.5.2. Non-life insurance

Non-life insurance business comprises mainly loan and accident insurance. Insurance risk on non-life insurance contracts is divided into price risk, concentration risk and reserve deficiency risk. The Group's portfolio of accident insurance is not subject to catastrophe risk. Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk, the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in its pricing policy.

C.6. Risks specific to real estate business

C.6.1. Concentration risk

The Group's goal is to hold a well-balanced portfolio with respect to the geographical concentration of its assets. Therefore, it broadened its geographical focus during the last years by having properties in the Czech Republic, Germany, the Netherlands, Poland, Romania, Russia, the USA, and the United Kingdom. Any potential concentration risk is also managed through diversified investments into different real estate sectors such as office, logistics and retail and through careful selection of real estate projects and internal project management controls.

C.6.2. Valuation risk

Given the nature of the assets and the requirement that they should be measured at fair market value, the Group uses only reputable and internationally well-known independent experts to establish fair market values. In the case the valuation is made based on internal calculations, it is always subject to several rounds of discussions between internal real estate analysts and the Group's senior management, with strict emphasis on taking a justifiable, conservative approach.

C.6.3. Occupancy risk

The Group is exposed to an occupancy risk stemming from the possibility of losing the tenant or the need to provide for significant incentives either to keep the current tenant or to obtain a new one. In the current buyers' market environment, when faced with such requirements the Group's position is not very strong. To partially mitigate such adverse conditions, the Group tries to offset the immediate negative impact in the long term, e.g., to negotiate long rental agreements incorporating the unilateral option to renew the agreement or to impose significant penalties if the contract is broken by the tenant.

C.7. Fair value of financial assets and liabilities

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments measured using: market prices quoted in active markets for similar instruments; prices quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include a comparison with similar instruments for which market observable prices exist, the net present value and discounted cash flow models, Black-Scholes option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of debt securities, through other comprehensive income, and of foreign currency futures are based on their quoted market price. Other derivative contracts are not exchange traded and their fair value is estimated using an arbitrage pricing model whose key parameters are the relevant foreign exchange rates and interbank interest rates prevailing at the reporting date.

The following table shows the carrying amounts and fair values of financial instruments measured at AC, including their levels in the fair value hierarchy (excl. FV hedge adjustments, refer to C.4.4):

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at AC (E.2.2)	123	123	95	3	25
Loans and receivables due from banks and other financial institutions	727	727	18	709	-
Loans due from customers	9,335	9,273	-	6	9,267
Trade and other receivables*	1,483	1,483	-	-	1,483
Due to non-banks	(7,477)	(7,451)	-	(7,440)	(11)
Due to banks and other financial institutions	(11,325)	(11,423)	-	(9,692)	(1,731)
Debt securities issued	(3,541)	(3,646)	(210)	(2,992)	(444)
Subordinated liabilities	(189)	(185)	-	-	(185)
Trade and other payables**	(2,222)	(2,222)	-	-	(2,222)

*incl. cash collateral for payment cards and other financial assets
**excl. tax and other non-financial liabilities

In millions of EUR, as at 31 December 2020

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at AC (E.2.2)	1,055	1,055	1,046	-	9
Loans and receivables due from banks and other financial institutions	475	475	6	467	2
Loans due from customers	14,192	14,257	-	9	14,248
Trade and other receivables*	1,434	1,434	-	-	1,434
Due to non-banks	(10,309)	(10,314)	-	(10,302)	(12)
Due to banks and other financial institutions	(11,036)	(11,132)	-	(8,628)	(2,504)
Debt securities issued	(4,768)	(4,890)	(1,026)	(3,470)	(394)
Subordinated liabilities	(256)	(248)	-	-	(248)
Trade and other payables**	(2,096)	(2,096)	-	-	(2,096)

*incl. cash collateral for payment cards and other financial assets
**excl. tax and other non-financial liabilities

The Group’s fair-value estimates for its other financial assets and liabilities are not materially different from their carrying values.

Where they are available, the fair value of financial instruments measured at amortised costs is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

To improve accuracy of the value estimate for retail loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, life-time value ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of current accounts and deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e., based on quoted market prices (Level 1), calculated using valuation techniques where all the model inputs are observable in the market (Level 2), or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 31 December 2021 (excl. held-for-sale)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	458	1,103	17	1,578
Financial assets FVOCI	1,489	141	22	1,652
Financial liabilities at FVTPL	(412)	(633)	(15)	(1,060)
Total	**1,535**	**611**	**24**	**2,170**

In millions of EUR, as at 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	445	269	33	747
Financial assets at FVOCI	1,515	139	42	1,696
Financial liabilities at FVTPL	(356)	(333)	(87)	(776)
Total	**1,604**	**75**	**(12)**	**1,667**

The Group uses the following techniques to determine fair value under Level 2 and Level 3:

Level 2 assets include mainly financial derivatives, corporate bonds and treasury bills. For derivative exposures the fair value is estimated using the present value of the cash flows resulting from the transactions considering market inputs like FX spot and forwards rates, benchmark interest rates, swap rates, etc. The fair value of corporate bonds, treasury bills is calculated as the present value of cash flows using the benchmark interest rates.

Level 3 assets include equity instruments not traded on the market where the fair value is calculated using the valuation techniques including expert appraisals.

There were no transfers between Level 1, 2 and 3 in 2021 and in 2020.

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the year ended 31 December 2021

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	33	42	(87)	(12)
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	(21)	-	8	(13)
Purchases or originations of financial assets	77	1	-	78
Sales/settlements	(73)	(21)	67	(27)
Transfer to assets held for sale	-	(1)	-	(1)
Effect of movements in exchange rates	1	1	(3)	(1)
Balance as at 31 December 2021	**17**	**22**	**(15)**	**24**

In millions of EUR, for the year ended 31 December 2020

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	50	39	(113)	(24)
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	(26)	-	(6)	(32)
Net gains/(losses) recorded in other comprehensive income	-	1	-	1
Purchases of financial assets	-	18	-	18
Additions from business combinations	10	-	-	10
Sales/settlements	-	-	32	32
Transfer out of/into Level 3	-	(16)	-	(16)
Effect of movements in exchange rates	(1)	-	-	(1)
Balance as at 31 December 2020	**33**	**42**	**(87)**	**(12)**

The financial assets at FVOCI in Level 3 represent equity securities of EUR 22 million (2020: EUR 42 million). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments at the businesses in question.

The main unobservable inputs used in measuring fair value of Level 3 assets are expected net cash flows and cost of equity. Expected net cash flows are projected cash flows from entity’s business plan multiplied by enterprise value-to-sales ratio derived from similar market participants. All of these outputs are estimated to some degree and significant changes would result in changes of fair value.

C.8. Offsetting financial assets and liabilities

The Group's derivative transactions are predominantly entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g., when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

Loans and advances provided and received under repo operations are covered by global master repurchase agreements and similar agreements with terms like those of ISDA master netting agreements.

C.9. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk to balance the avoidance of financial losses/damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk has been assigned to the senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The individual subsidiaries have their local internal audit teams that also cooperate with the Group internal audit on the PPF Group level. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

C.10. Capital management

The Group's objective is to maximise the shareholder value while maintaining investor, creditor and market confidence and being able to sustain the future development of the businesses. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

To achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to interest-bearing loans and borrowings. Any breaches in meeting the financial covenants would permit lenders to call loans and borrowings, subject to the Group not being able to remedy the breach. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

In 2021, PPF Group N.V. did not make any distributions to its shareholders (2020: EUR 30 million).

C.10.1. Financial services segment

PPF Group restructured its consumer finance and other banking business represented by Home Credit, Air Bank and PPF banka under PPF Financial Holdings B.V., a new holding entity (the "Subgroup"), in 2015. PPF Financial Holdings B.V. became a financial holding company and as such became subject to consolidated prudential requirements under Regulation (EU) 575/2013 of the European Parliament and of the Council (the "CRR") and Directive 2013/36/EU of the European Parliament and of the Council (the "CRD") as transposed in the Czech Republic. The Czech National Bank acts as the consolidating supervisor of the Subgroup. PPF banka was appointed as the responsible reporting entity for the Subgroup.

Pursuant to the amendments to the CRD (amended by Directive (EU) 2019/878 of the European Parliament and of the Council) and the CRR (amended by Regulation (EU) 2019/876 of the European Parliament and of the Council) as of 20 May 2019, PPF Financial Holdings B.V. was expected to apply for a new special authorisation by the competent authorities in the Czech Republic and, simultaneously, in the Netherlands. To simplify the authorisation process, the shareholders of the company decided to conduct a cross-border conversion and redomiciled from the Netherlands to the Czech Republic.

After the Conversion, PPF Financial Holdings a.s. was subject to the same capital requirements on its consolidated basis as PPF Financial Holdings B.V. before the Conversion. The Subgroup was required to fulfil the following minimum capital requirements:

- a Tier 1 capital adequacy ratio of at least 6%; and
- a total capital adequacy ratio of at least 8%.

Additionally, the Subgroup was required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer 0.14%.

The Subgroup monitors and maintains other regulatory requirements, such as large exposures, liquidity, and leverage ratios.

Based on a decision by the Czech National Bank in 2015, the Subgroup was identified as an Other Systemically Important Institution (O-SII). This classification has been confirmed every year since then. No additional capital requirement was imposed due to this classification.

However, the Czech Republic did not transpose the CRD to the Czech legislation in time as required by the EU law. Therefore, the capital requirements imposed by the CRR ceased to be effective for the Subgroup as of 28 June 2021. For the same reason, the designation of PPF Financial Holdings a.s. as an O-SII was revoked by the Czech National Bank on 28 June 2021. Authorisation process for financial holdings became effective in the Czech Republic only in October 2021. PPF Financial Holdings submitted its formal application to the Czech National Bank in November 2021. As at 31 December 2021 the application was still pending (it was approved in March 2022). However, throughout the reporting period, the Subgroup maintained all capital requirements and reported them to the Czech National Bank as if effective for the Subgroup.

Some of the Subgroup's subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulatory requirements, requiring the respective entities to maintain a ratio of total capital to total risk-weighted assets at or above a certain minimum level. The ratios are calculated based on the entities' financial statements prepared in accordance with local accounting standards. The Subgroup's policy in this respect is to support the subsidiaries with capital as necessary to maintain the subsidiaries' full compliance with the relevant requirements.

The Group and the Subgroup complied with all externally imposed capital requirements, large exposure requirements, liquidity requirements, and leverage requirements throughout the reporting period.

The following table presents the composition of the Subgroup's regulatory capital:

In millions of EUR, as at 31 December

	2021	2020
Issued capital	0.00	0.05
Share premium	2,324	2,324
Retained earnings and other reserves	313	579
Full year profit/(loss) included into capital	(258)	(493)
Minority interests on CET 1	13	9
Adjustment to CET 1 due to IFRS 9	180	603
(-) Additional valuation adjustment	(4)	(2)
(-) Intangible assets	(237)	(203)
(-) Deferred tax assets (deductible part)	(605)	(174)
(-) Investments in financial sector	(20)	-
Total Tier 1 capital	**1,708**	**2,642**
Total Tier 2 capital	**404**	**347**
Total capital	**2,112**	**2,989**
Total capital adequacy ratio	**11.52%**	**14.94%**

D. Segment reporting

The Group recognises reportable segments that are defined in both geographical and sector terms. These segments offer different products and services and are managed separately because they operate in completely distinct business sectors. The Group's board of directors and shareholders (the chief operating decision maker) review the internal management reports of individual segments on a regular basis.

The following summary describes the operations and the geographic focus of each reportable segment.

Reportable segment	Business name/brand	Operations	Geographic focus
Financial segment	PPF banka and its subsidiaries	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic (disc.)**, Slovakia (disc.)**, Russia, Asia
	Air Bank* and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic (disc.)**, Slovakia (disc.)**
	Mobi Banka	Deposits, loans and other transactions and balances with retail customers	Serbia
	ClearBank *(associate)*	Clearing and settlement services	United Kingdom
Telecommunications	O2	Telecommunications operator providing a range of voice and data services (CZ), mobile operator (SK)	Czech Republic, Slovakia
	CETIN	Administration and operation of data and communication networks	Czech Republic, Hungary, Bulgaria, Serbia
	Telenor *(Yettel since March 2022)*	Mobile operators providing a range of voice and data services	Hungary, Bulgaria, Serbia and Montenegro
Media	TV Bidco and its subsidiaries	Television broadcasting	Czech Republic, Bulgaria, Romania, Slovakia and Slovenia
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russia, Romania, USA
Mechanical engineering	Škoda	Production, development, assembling and repairs of vehicles for public transport	Czech Republic, Eastern Europe, Russia, Finland
	Temsa *(JV)*	Production of buses	Turkey
Insurance	PPF Insurance	Provision of life insurance products	Russia
Other	Sotio	Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases	Czech Republic, USA, China, France, Switzerland
	RAV Holding	Grain and livestock production, storage and trade	Russia
	O2 Arena/ O2 Universum	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	CzechToll	Toll operating and collection system	Czech Republic

Reportable segment	Business name/brand	Operations	Geographic focus
Other (cont.)	Dream Yacht/ Navigare *(associate)*	Sea boat charter services	worldwide
	LEAG *(JV)*	Extraction, processing, refining and sale of lignite, generation of electricity and heat	Germany
	Mall/Heureka *(associates)*	E-commerce and comparison-shopping platforms	Central and Eastern Europe
	FAST *(associate)*	Consumer electronic wholesaler and retailer	Czech Republic, Slovakia, Hungary, Poland
	The Culture Trip	Online publishing and book selling	worldwide
	MONETA Money Bank *(associate)*	Provider of banking and financing services to individual customers and clients in the SME segment	Czech Republic

*part of Home Credit Group
**CEE region comprising Home Credit a.s., Home Credit Slovakia, a.s., Air Bank a.s. and its subsidiaries is presented as discontinued operations (refer to B.2.2).

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to the segments. Significant non-cash expenses comprise mainly impairment losses on financial and non-financial assets. Eliminations represent intercompany balances among individual reporting segments.

Total segment revenue contains the following categories of continuing operations that may be reconciled to the consolidated statement of income and discontinued operations (refer to B.2.2 and E.40). The main categories are presented in the below table:

In millions of EUR, for the year ended 31 December 2021

	Continuing	Discontinued	Total
Interest income	2,558	207	2,765
Fee and commission income	371	44	415
Net earned premiums	74	-	74
Net rental and related income	209	-	209
Telecommunications income	3,331	-	3,331
Mechanical engineering income	614	-	614
Media income	677	-	677
Other income*	88	-	88
Total revenue from external customers	**7,922**	**251**	**8,173**

*incl. toll operations income, revenue from leisure business and agriculture income

In millions of EUR, for the year ended 31 December 2020

	Continuing	Discontinued	Total
Interest income	4,187	201	4,388
Fee and commission income	400	35	435
Net earned premiums	70	-	70
Net rental and related income	156	-	156
Telecommunications income	3,156	-	3,156
Mechanical engineering income	419	-	419
Media income*	179	-	179
Other income**	44	-	44
Total revenue from external customers	**8,611**	**236**	**8,847**

*since the acquisition in October 2020 (refer to B.2.9)
**incl. toll operations income and agriculture income

The Group does not have a major customer or individual customer with revenue exceeding 10% of total segment revenue.

In 2021, the Group changed the presentation of its telecommunication segment. It is now aligned with PPF Telecom Group as it better reflects the way how segment performance is evaluated by the chief operation decision makers. Previously, the telecommunication segment included other holding entities that are now part of the unallocated segment. Comparative figures were restated accordingly.

The following table shows the main items from the financial statements broken down according to reportable segments for the year ended 31 December 2021 and comparative figures for 2020:

In millions of EUR

2021	Financial services	Telecommu-nications	Media	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	3,162	3,327	677	213	66	615	99	14	-	8,173
Inter-segment revenue	21	9	5	2	1	-	2	31	(71)	-
Total revenue	**3,183**	**3,336**	**682**	**215**	**67**	**615**	**101**	**45**	**(71)**	**8,173**
Segment share of profit/(loss) of equity-accounted investees	(19)	-	-	(5)	-	7	(51)	-	-	(68)
Net profit/(loss) for the year	**(258)**	**530**	**120**	**101**	**5**	**56**	**(246)**	**(46)**	**12**	**274**
Capital expenditure	70	520	17	2	-	81	33	6	(13)	716
Depreciation and amortisation	(205)	(700)	(45)	(3)	(1)	(24)	(21)	(1)	6	(994)
Other significant non-cash expenses	(1,194)	(101)	-	(2)	-	(4)	(199)	(61)	7	(1,554)
Segment assets	25,454	7,739	2,143	2,993	216	1,118	3,140	1,527	(2,144)	42,186
of which: equity-accounted investees	_51_	_1_	-	_80_	-	_42_	_1,446_	-	-	_1,620_
Segment liabilities	22,742	6,382	1,186	2,023	171	703	1,206	799	(2,154)	33,058
Segment equity	**2,712**	**1,357**	**957**	**970**	**45**	**415**	**1,934**	**728**	**10**	**9,128**

In millions of EUR

2020	Financial services	Telecommu-nications	Media*	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	4,795	3,155	179	161	62	421	60	14	-	8,847
Inter-segment revenue	14	4	1	1	1	-	2	38	(61)	-
Total revenue	**4,809**	**3,159**	**180**	**162**	**63**	**421**	**62**	**52**	**(61)**	**8,847**
Segment share of profit/(loss) of equity-accounted investees	(9)	-	-	29	-	13	37	-	-	70
Net profit/(loss) for the year	**(553)**	**432**	**34**	**52**	**5**	**(53)**	**(130)**	**(56)**	**(22)**	**(291)**
Capital expenditure	123	612	9	1	-	54	35	-	(2)	832
Depreciation and amortisation	(199)	(675)	(11)	(3)	(1)	(28)	(9)	(1)	4	(923)
Other significant non-cash expenses	(2,416)	(79)	(3)	(2)	-	(37)	(121)	(4)	2	(2,660)
Segment assets	24,765	7,899	2,078	2,197	191	986	2,172	1,859	(2,489)	39,658
of which: equity-accounted investees	_32_	_1_	-	_69_	-	_36_	_759_	-	-	_897_
Segment liabilities	21,907	6,063	1,252	1,428	143	708	814	1,222	(2,396)	31,141
Segment equity	**2,858**	**1,836**	**826**	**769**	**48**	**278**	**1,358**	**637**	**(93)**	**8,517**

*Media segment represents the CME group acquired in October 2020 (refer to B.2.9)

D.1.1. Financial services segment

The financial services segment is primarily represented by Home Credit Group (consumer lending) and PPF Banka (corporate banking). The Home Credit Group reports on one global consumer lending segment where all information about similar products, services, and customers is presented. This approach suits the global business strategy of having a similar approach to customers, a unique and unified product portfolio, as well as centralised processes that drive operational excellence. The Home Credit Group also presents additional information for revenue and net interest income based on the division of countries into four geographic clusters: China, the Commonwealth of Independent States, South East Asia, Central and Eastern Europe. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation, Kazakhstan, Vietnam, India, Indonesia, the Philippines, the Czech Republic, and Slovakia. The Russian and Kazakh Home Credit businesses and Air Bank operate under banking licences allowing for the collection of deposits. Retail banking comprises Mobi Banka, a Serbian bank not related to the Home Credit business.

The following table shows the main items from the financial statements broken down according to reportable segments for 2021 and 2020:

In millions of EUR

2021	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*CIS**	*SEA*	*CEE (disc.)***	*Other*					
Revenue from customers	3,018	1,148	792	827	251	-	137	20	8	-	3,183
Inter-segment revenue	-	-	-	-	-	-	40	-	24	(64)	-
Total revenue	**3,018**	**1,148**	**792**	**827**	**251**	**-**	**177**	**20**	**32**	**(64)**	**3,183**
Net interest income from external customers	1,878	707	449	558	195	(31)	78	10	(2)	-	1,964
Inter-segment net interest income	(66)	(1)	(1)	(29)	(4)	(31)	40	(1)	24	3	-
Total net interest income	**1,812**	**706**	**448**	**529**	**191**	**(62)**	**118**	**9**	**22**	**3**	**1,964**
Net profit/(loss) for the year	**(309)**						**67**	**(4)**	**(14)**	**2**	**(258)**
Capital expenditure	65						4	1	-	-	70
Depreciation and amortisation	(199)						(4)	(2)	-	-	(205)
Other significant non-cash expenses	(1,191)						-	(1)	(2)	-	(1,194)
Segment assets	16,262						9,518	208	549	(1,083)	25,454
Segment liabilities	14,446						8,836	178	367	(1,085)	22,742
Segment equity	**1,816**						**682**	**30**	**182**	**2**	**2,712**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe (incl. Air Bank)
**CEE region (refer to the above paragraphs in this section) is classified as held for sale and related operations are classified as discontinued as at 31 December 2021, segment reporting is presented as if there were no discontinued operations. Results from discontinued operations are presented in separate note E.40.

In millions of EUR

2020	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*CIS**	*SEA*	*CEE (disc.)***	*Other*	*PPF Banka*	*Mobi Banka*			
Revenue from customers	4,646	2,654	764	984	236	8	138	15	10	-	4,809
Inter-segment revenue	(1)	-	-	-	(1)	-	54	-	14	(67)	-
Total revenue	**4,645**	**2,654**	**764**	**984**	**235**	**8**	**192**	**15**	**24**	**(67)**	**4,809**
Net interest income from external customers	2,947	1,682	448	672	184	(39)	76	6	-	-	3,029
Inter-segment net interest income	(63)	-	(2)	(39)	(1)	(21)	53	(1)	14	(3)	-
Total net interest income	**2,884**	**1,682**	**446**	**633**	**183**	**(60)**	**129**	**5**	**14**	**(3)**	**3,029**
Net profit/(loss) for the year	**(577)**						**37**	**(5)**	**(3)**	**(5)**	**(553)**
Capital expenditure	120						3	-	-	-	123
Depreciation and amortisation	(194)						(3)	(2)	-	-	(199)
Other significant non-cash expenses	(2,362)						(52)	(1)	(1)		(2,416)
Segment assets	18,528						6,476	206	517	(962)	24,765
Segment liabilities	16,583						5,869	170	245	(960)	21,907
Segment equity	**1,945**						**607**	**36**	**272**	**(2)**	**2,858**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe (incl. Air Bank)
**CEE region (refer to the above paragraphs in this section) is classified as held for sale and related operations are classified as discontinued as at 31 December 2021. Results from discontinued operations presented in separate note E.40.

D.1.2. Telecommunications segment

The telecommunications segment is represented by O2 CZ, CETIN and Telenor (since 1 March 2022 Telenor rebranded to Yettel). After 1 July 2020, the separation of the Telenor entities in three countries into the retail and infrastructure businesses in the CEE countries was followed by the internal restructuring of Group's telecommunication segment from a managerial perspective. CETIN CZ, CETIN Bulgaria, CETIN Hungary, and CETIN Serbia came under CETIN Group, which remained under the control of PPF Telecom Group B.V.

O2 CZ is further divided into two geographical segments corresponding to the geographical location of customers. The Telenor Serbia and Montenegro segment comprises two individual business units with a common management and business strategy. In December 2021, Telenor Montenegro was sold, refer to B.2.5.

In millions of EUR

2021	O2 Czech Republic	O2 Slovakia	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallo-cated	Elimi-nations	**Consoli-dated**
Revenue from external customers	1,280	301	540	422	461	318	3	3	8	-	-	3,336
Inter-segment revenue	14	4	5	5	11	391	125	110	91	-	(756)	-
Total revenue	**1,294**	**305**	**545**	**427**	**472**	**709**	**128**	**113**	**99**	**-**	**(756)**	**3,336**
Operating profit excl. depr., amort. and impairments	**429**	**134**	**132**	**134**	**144**	**347**	**100**	**79**	**77**	**4**	**(11)**	**1,569**
Net profit/(loss) for the period	**166**	**38**	**39**	**71**	**63**	**102**	**56**	**38**	**36**	**(79)**	**-**	**530**
Capital expenditure	83	59	16	41	24	185	44	49	21	-	(2)	520
Depreciation and amortisation	(171)	(69)	(67)	(42)	(52)	(209)	(32)	(36)	(32)	-	10	(700)
Other significant non-cash expenses	(45)	(11)	(12)	(12)	(16)	(5)	-	-	-	-	-	(101)
Segment assets	1,937	576	710	500	564	2,483	424	324	357	990	(1,126)	7,739
Segment liabilities	920	301	204	115	95	1,578	135	96	78	3,740	(880)	6,382
Segment equity	**1,017**	**275**	**506**	**385**	**469**	**905**	**289**	**228**	**279**	**(2,750)**	**(246)**	**1,357**

In millions of EUR

2020	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallo-cated	Elimi-nations	**Consoli-dated**
Revenue from external customers	1,208	286	505	395	426	328	2	1	4	4	-	3,159
Inter-segment revenue	19	4	6	7	10	386	62	47	44	13	(598)	-
Total revenue	**1,227**	**290**	**511**	**402**	**436**	**714**	**64**	**48**	**48**	**17**	**(598)**	**3,159**
Operating profit excl. depr., amort. and impairments	**378**	**127**	**166**	**140**	**160**	**331**	**48**	**38**	**38**	**10**	**(11)**	**1,425**
Net profit/(loss) for the period	**136**	**39**	**56**	**55**	**60**	**96**	**26**	**18**	**17**	**(71)**	**-**	**432**
Capital expenditure	158	70	140	19	29	147	23	16	11	1	(2)	612
Depreciation and amortisation	(181)	(60)	(82)	(60)	(69)	(181)	(18)	(17)	(16)	(1)	10	(675)
Other significant non-cash expenses	(27)	(11)	(11)	(13)	(14)	(3)	-	-	-	-	-	(79)
Segment assets	1,882	567	767	510	707	2,381	409	310	364	470	(468)	7,899
Segment liabilities	907	276	212	119	126	1,524	127	78	74	2,854	(234)	6,063
Segment equity	**975**	**291**	**555**	**391**	**581**	**857**	**282**	**232**	**290**	**(2,384)**	**(234)**	**1,836**

E. Notes to the consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Cash on hand	69	138
Current accounts	959	1,056
Balances with central banks	272	253
Placements with financial institutions due within one month	88	123
Reverse repo operations with central banks	4,955	4,818
Total cash and cash equivalents	**6,343**	**6,388**

As at 31 December 2021, restricted cash and cash equivalents amount to EUR 145 million (2020: EUR 271 million) from which the majority (EUR 95 million; 2020: EUR 265 million) is restricted by borrowing agreements contracted by Chinese Home Credit and Benxy (where for Benxy only 2020 applies, no restrictions in 2021) with creditors either to the disbursement of loans to retail clients or the repayment of loans received from creditors. If cash is used to provide loans to retail clients, the loans are pledged as collateral. Thus, the restrictions on cash effectively increase the security of the creditors.

There are no other restrictions on the availability of cash and cash equivalents.

E.2. Investment securities and derivatives

Investment securities and derivatives comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Financial assets at FVTPL*	1,578	747
Financial assets at AC**	123	1,045
Amortised cost	123	1,055
FV hedge adjustment**	-	(10)
Financial assets at FVOCI	1,652	1,696
Total investment securities and derivatives	**3,353**	**3,488**

*incl. derivatives
**refer to C.4.4

E.2.1. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Financial assets held for trading	387	446
Government and other public-sector bonds	384	443
Corporate bonds	3	3
Reverse repo operations	435	-
Positive fair value of trading derivatives	583	245
Interest rate derivatives	526	182
Currency derivatives	57	63
Positive fair values of hedging derivatives	84	23
Financial assets not held for trading	89	33
Corporate bonds	3	23
Equity securities	72	-
Loans and receivables	14	10
Total financial assets at FVTPL	**1,578**	**747**

During the first half of 2021, the Group enriched its trading portfolio for reverse repo operations.

For more details on notional amounts and the positive and negative fair values of derivative instruments (trading and hedging) refer to E.12.

E.2.2. Financial assets at AC

Financial assets at AC (excl. FV hedge adjustment – refer to E.2) comprise the following:

In millions of EUR, as at 31 December 2021

	Gross amount	Amortised cost
Government bonds	93	93
Corporate bonds	30	30
Total financial assets at AC	**123**	**123**

In millions of EUR, as at 31 December 2020

	Gross amount	Amortised cost
Government bonds	1,038	1,038
Corporate bonds	18	17
Other	4	-
Total financial assets at AC	**1,060**	**1,055**

Credit quality analysis

No loss allowances on financial assets at AC was recognised as at 31 December 2021 (2020: EUR 5 million).

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stages classification. The amounts presented are gross carrying amounts unless otherwise stated. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for financial assets at AC as investment securities are calculated on an individual basis.

In millions of EUR, as at 31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	24	-	-	-	24
Low risk	82	-	-	-	82
Medium risk	17	-	-	-	17
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross amount	**123**	**-**	**-**	**-**	**123**
Loss allowance	-	-	-	-	-
Total carrying amount	**123**	**-**	**-**	**-**	**123**

In millions of EUR, as at 31 December 2020

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	1,038	-	-	-	1,038
Low risk	17	-	-	-	17
Medium risk	-	-	-	-	-
High risk	-	1	-	-	1
Default	-	-	4	-	4
Gross amount	**1,055**	**1**	**4**	**-**	**1,060**
Loss allowance	-	(1)	(4)	-	(5)
Total carrying amount	**1,055**	**-**	**-**	**-**	**1,055**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Debt securities	1,211	1,139
Government bonds	783	764
Corporate bonds	428	375
Equity securities	441	557
Shares	441	557
Total financial assets at FVOCI	**1,652**	**1,696**

As of 31 December 2021, the Group holds 15.8 million shares in Polymetal PLC. (2020: 15.8 million). The fair value amounted to EUR 247 million and a revaluation loss of EUR 50 million was recognised in equity in 2021 (2020: fair value of EUR 297 million; EUR 132 million revaluation gain was recognised in equity). The shares are listed on the London Stock Exchange and classify as Level 1 from a fair value determination perspective.

As of 31 December 2021, the Group holds 14.6 million shares in the British biotechnology company Autolus Therapeutics PLC, representing a 21.26% share (2020: 14.6 million shares, a 27.98% share). The Group classifies this investment as an equity investment measured at FVOCI. Autolus is a global leader in the field of oncological T-cell therapy. The fair value amounted to EUR 67 million and a revaluation loss of EUR 39 million was recognised in equity in 2021 (2020: a fair value of EUR 106 million; a EUR 61 million revaluation loss was recognised in equity). The shares were acquired by the Group through the US NASDAQ stock exchange. The shares are classified as Level 1 from a fair-value determination perspective.

Credit quality analysis

The following table shows the fair value of the Group's debt instruments at FVOCI split by credit risk, based on the Group's internal rating system and year-end stage classification. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for debt instruments at FVOCI are calculated on an individual basis.

In millions of EUR, as at 31 December 2021

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	567	-	-	-	567
Low risk	328	-	-	-	328
Medium risk	283	33	-	-	316
High risk	-	-	-	-	-
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,178**	**33**	**-**	**-**	**1,211**

In millions of EUR, as at 31 December 2020

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	516	-	-	-	516
Low risk	195	-	-	-	195
Medium risk	363	65	-	-	428
High risk	-	-	-	-	-
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,074**	**65**	**-**	**-**	**1,139**

An analysis of the changes in the corresponding ECL allowances in relation to debt instruments at FVOCI as investment securities is as follows:

In millions of EUR, for the year ended 2021

Loss allowance – debt securities at FVOCI*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(5)**	**(3)**	**-**	**-**	**(8)**
Change in loss allowances	-	1	-	-	1
Transfer from other stages/(to) Stage 1	-	1	-	-	1
New originated or purchased	(1)	-	-	-	(1)
Change in PD/EAD/LGD, unwind of discount	2	-	-	-	2
Effect of movements in exchange rates	1	1	-	-	2
Net change during the period	**2**	**2**	**-**	**-**	**4**
Loss allowance as at 31 December	**(3)**	**(1)**	**-**	**-**	**(4)**

*In the case the debt security was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the debt security as at the beginning of the period.

In millions of EUR, for the year ended 2020

Loss allowance – debt securities at FVOCI*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(2)**	**(1)**	**-**	**-**	**(3)**
Change in loss allowances	-	(2)	-	-	(2)
Transfer from other stages/(to) Stage 2	-	(2)	-	-	(2)
New originated or purchased	(1)	-	-	-	(1)
Change in PD/EAD/LGD, unwind of discount	(2)	-	-	-	(2)
Net change during the period	**(3)**	**(2)**	**-**	**-**	**(5)**
Loss allowance as at 31 December	**(5)**	**(3)**	**-**	**-**	**(8)**

*In the case the debt security was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the debt security as at the beginning of the period.

E.3. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Gross amount	727	475
Loss allowance	-	-
Total carrying amount	**727**	**475**
Term deposits at banks	45	49
Minimum reserve deposits with central banks	67	223
Loans to banks	27	39
Loans and advances provided under repos	448	104
Cash collateral for derivative instruments	140	60

The minimum reserve deposits are mandatory non-interest-bearing deposits with restricted withdrawals, maintained in accordance with regulations issued by central banks in countries in which the Group's banking entities operate.

Credit quality analysis

The following table shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stages classification. The amounts presented are gross carrying amounts unless stated otherwise. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for loans to banks and other financial institutions are calculated on an individual basis.

In millions of EUR, as at 31 December

					2021	2020
Loans to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	85	-	-	-	85	234
Low risk	594	-	-	-	594	195
Medium risk	48	-	-	-	48	46
High risk	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross amount	**727**	**-**	**-**	**-**	**727**	**475**
Loss allowance	-	-	-	-	-	-
Total carrying amount	**727**	**-**	**-**	**-**	**727**	**475**

As at 31 December 2020 and as at 31 December 2021 the loss allowance for loans and receivables due from banks and other financial institutions was nil.

E.4. Loans due from customers

Loans due from customers comprise the following items:

In millions of EUR

	31 December 2021	31 December 2020
Cash loans	5,512	8,931
Amortised cost	5,512	8,927
FV hedge adjustment*	-	4
Consumer loans	1,426	2,386
Revolving loans	561	901
Amortised cost	561	899
FV hedge adjustment*	-	2
Mortgage loans	5	290
Amortised cost	5	283
FV hedge adjustment*	-	7
Car loans	-	157
Amortised cost	-	156
FV hedge adjustment*	-	1
Loans due from customers – retail (carrying amounts)	**7,504**	**12,665**
Loans to corporations	1,718	1,437
Loans to equity-accounted investees	107	92
Other	6	12
Loans due from customers – non-retail (carrying amounts)	**1,831**	**1,541**
Total loans due from customers (carrying amounts)	**9,335**	**14,206**

*refer to C.4.4

E.4.1.1. Loans due from customers – retail

Loans due from customers – retail (excl. FV hedge adjustments – refer to the above table) comprise the following:

In millions of EUR, as at 31 December 2021

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**6,326**	**1,522**	**590**	**5**	**8,443**
Stage 1	4,565	1,238	445	5	6,253
Stage 2	1,085	165	112	-	1,362
Stage 3	676	119	33	-	828
POCI	-	-	-	-	-
Loss allowance	**(814)**	**(96)**	**(29)**	**-**	**(939)**
Stage 1	(201)	(34)	(9)	-	(244)
Stage 2	(319)	(25)	(9)	-	(353)
Stage 3	(294)	(37)	(11)	-	(342)
POCI	-	-	-	-	-
Total carrying amount	**5,512**	**1,426**	**561**	**5**	**7,504**

*incl. mortgage loans

In millions of EUR, as at 31 December 2020

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**10,461**	**2,586**	**970**	**463**	**14,480**
Stage 1	7,267	2,095	736	406	10,504
Stage 2	2,552	294	170	36	3,052
Stage 3	642	197	64	21	924
POCI	-	-	-	-	-
Loss allowance	**(1,534)**	**(201)**	**(71)**	**(23)**	**(1,829)**
Stage 1	(273)	(54)	(17)	(1)	(345)
Stage 2	(995)	(68)	(12)	(2)	(1,077)
Stage 3	(266)	(79)	(42)	(20)	(407)
POCI	-	-	-	-	-
Total carrying amount	**8,927**	**2,385**	**899**	**440**	**12,651**

*incl. mortgage loans and car loans

Credit quality analysis:

The Group's maximum exposure to credit risk and the year-end stage classification are shown in the above table. The Group does not apply its internal credit rating system to retail portfolios as other more appropriate measures are applied. Details of these measures are set out in Note F.1.7. ECL allowances for retail loans due from customers (consumer lending) are calculated on a collective basis.

An analysis of the changes in the corresponding ECL allowances in relation to loans due from customers – retail results in the following:

In millions of EUR, for the year ended 31 December 2021

Loss allowance – Loans due from customers – retail*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(345)**	**(1,077)**	**(407)**	**-**	**(1,829)**
Changes in the loss allowance	64	(5)	(309)	-	(250)
Transfer from other stages/(to) Stage 1	(8)	17	-	-	9
Transfer from other stages/(to) Stage 2	42	(147)	3	-	(102)
Transfer from other stages/(to) Stage 3	30	125	(312)	-	(157)
New originated or purchased	(96)	(50)	(55)	-	(201)
Change in PD/EAD/LGD, unwind of discount	(331)	(626)	(531)	-	(1,488)
Financial assets fully repaid**	147	261	76	-	484
Write-offs	333	1,201	772	-	2,306
Transfer to assets held for sale	14	13	143	-	170
Effect of movements in exchange rates	(30)	(70)	(31)	-	(131)
Net change during the period	**101**	**724**	**65**	**-**	**890**
Loss allowance as at 31 December	**(244)**	**(353)**	**(342)**	**-**	**(939)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

In millions of EUR, for the year ended 31 December 2020

Loss allowance – Loans due from customers – retail*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(577)**	**(427)**	**(576)**	**-**	**(1,580)**
Changes in the loss allowance	150	(719)	(346)	-	(915)
Transfer from other stages/(to) Stage 1	(7)	18	-	-	11
Transfer from other stages/(to) Stage 2	139	(864)	3	-	(722)
Transfer from other stages/(to) Stage 3	18	127	(349)	-	(204)
New originated or purchased	(117)	(85)	(58)	-	(260)
Change in PD/EAD/LGD, unwind of discount	(520)	(457)	(722)	-	(1,699)
Financial assets fully repaid**	172	95	67	-	334
Write-offs	521	480	1,206	-	2,207
Effect of movements in exchanges rates	26	36	22	-	84
Net change during the period	**232**	**(650)**	**169**	**-**	**(249)**
Loss allowance as at 31 December	**(345)**	**(1,077)**	**(407)**	**-**	**(1,829)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

E.4.1.2. Loans due from corporations and equity-accounted investees – non-retail

Loans to corporations and equity-accounted investees comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Gross amount	**1,948**	**1,630**
Loans to corporations	1,835	1,535
Loans to equity-accounted investees	113	95
Loss allowance	**(123)**	**(101)**
Total carrying amount*	**1,825**	**1,529**

*excl. loans and advances provided under repo operations and other

Credit quality analysis:

The following table shows the credit quality and the maximum exposure to credit risk based on the Group’s internal credit rating system and year-end stages classification. The amounts presented are gross of impairment allowances. Details of the Group’s internal grading system are set out in Note F.1.7. ECL allowances for non-retail loans due from customers comprising loans to corporations and to equity-accounted investees, are calculated on an individual basis.

In millions of EUR, as at 31 December

					2021	2020
Loans due from customers – non-retail (corporations and equity-accounted investees)	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	286	-	-	-	286	287
Low risk	220	-	-	-	220	132
Medium risk	961	201	-	-	1,162	903
High risk	11	59	-	-	70	67
Default	-	-	210	-	210	241
Total gross amount	**1,478**	**260**	**210**	**-**	**1,948**	**1,630**
Loss allowance	(13)	(9)	(101)	-	(123)	(101)
Total carrying amount*	**1,465**	**251**	**109**	**-**	**1,825**	**1,529**

*excl. loans and advances provided under repo operations and other

The changes in the corresponding ECL allowances in relation to loans to corporations and to equity-accounted investees are analysed below:

In millions of EUR, for the year ended 31 December 2021

Loss allowance - Loans due from customers – non-retail (corporations and equity-accounted investees)*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(12)**	**(15)**	**(74)**	**-**	**(101)**
Changes in the loss allowance	4	(5)	-	-	(1)
Transfer from other stages/(to) Stage 2	4	(5)	-	-	(1)
New originated or purchased	(8)	-	(1)	-	(9)
Change in PD/EAD/LGD, unwind of discount	4	(1)	(58)	-	(55)
Financial assets fully repaid**	1	-	2	-	3
Financial assets derecognised due to sale	-	9	31	-	40
Write-offs	-	-	4	-	4
Transfer to assets held for sale	(1)	3	1	-	3
Effect of movements in exchange rates	(1)	-	(6)	-	(7)
Net change during the period	**(1)**	**6**	**(27)**	**-**	**(22)**
Loss allowance as at 31 December	**(13)**	**(9)**	**(101)**	**-**	**(123)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

In millions of EUR, for the year ended 31 December 2020

Loss allowance - Loans due from customers – non-retail (corporations and equity-accounted investees)*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(9)**	**(1)**	**(49)**	**-**	**(59)**
Changes in the loss allowance	3	(3)	(32)	-	(32)
Transfer from other stages/(to) Stage 2	2	(3)	-	-	(1)
Transfer from other stages/(to) Stage 3	1	-	(32)	-	(31)
New originated or purchased	(6)	-	-	-	(6)
Change in PD/EAD/LGD, unwind of discount	(5)	(12)	(17)	-	(34)
Financial assets fully repaid**	2	1	1	-	4
Financial assets derecognised	3	-	-	-	3
Write-offs	-	-	18	-	18
Effect of movements in exchange rates	-	-	5	-	5
Net change during the period	**(3)**	**(14)**	**(25)**	**-**	**(42)**
Loss allowance as at 31 December	**(12)**	**(15)**	**(74)**	**-**	**(101)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

E.5. Trade and other receivables, contract balances

Trade and other receivables and contract assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Gross amount	1,266	1,185
Trade receivables	1,199	1,144
Accrued income	67	41
Individual loss allowance	(144)	(126)
Total trade and other receivables	**1,122**	**1,059**
Gross amount	261	298
Individual loss allowance	(1)	(1)
Total contract assets	**260**	**297**

Credit quality analysis

The Group generally uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances. In the engineering segment, where trade receivables comprise a small number of large balances, a specific loss allowance is used. In contrast, in the telecommunications and real estate segments, where a large number of small balances is typical, the portfolio approach is applied.

Loss rates are calculated using the roll rate method based on the probability of receivables progressing through the successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics: geographic region, age of customer relationship, and type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers using the provision matrix.

In millions of EUR, as at 31 December 2021

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	2.2%	1,271	(28)	1,243	No
1-90 days	6.6%	122	(8)	114	No
91-180 days	41.2%	17	(7)	10	Yes
more than 180 days past due	87.2%	117	(102)	15	Yes
Total		**1,527**	**(145)**	**1,382**	

In millions of EUR, as at 31 December 2020

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	2.0%	1,245	(25)	1,220	No
1-90 days	5.7%	106	(6)	100	No
91-180 days	30.0%	30	(9)	21	Yes
more than 180 days past due	85.3%	102	(87)	15	Yes
Total		**1,483**	**(127)**	**1,356**	

Loss rates are based on actual credit loss experiences over past years. The rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. The most significant scalar factors are the GDP forecast and industry outlook as well as actual and forecasted unemployment rates.

The movements in the loss allowance in respect of trade and other receivables and contract assets during the year were as follows.

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	(127)	(85)
Additions resulting from business combination	-	(8)
Disposals resulting from business combination	3	-
Impairment losses recognised in profit or loss	(32)	(42)
Financial assets derecognised during the period (excl. write offs)	1	-
Release of impairment losses on written-off items	20	11
Transfer to assets held for sale	1	-
Effect of movements in exchange rates	(11)	(3)
Balance as at 31 December	**(145)**	**(127)**

Contract assets and contract liabilities

The following table provides information about the carrying amounts of receivables, contract assets and contract liabilities from contracts with customers.

In millions of EUR

	31 December 2021	31 December 2020
Receivables, which are included in trade and other receivables	**1,016**	**870**
Contract assets	**260**	**297**
out of which:		
Contract assets (mechanical engineering)	119	227
Contract assets (telecommunications)	64	62
Contract assets (real estate)	77	8
Contract liabilities	**(409)**	**(352)**
out of which:		
Contract liabilities (mechanical engineering)	(225)	(251)
Contract liabilities (telecommunications)	(103)	(101)
Contract liabilities (leisure)	(79)	-
Contract liabilities (real estate)	(2)	-

Contract assets primarily relate to the Group’s rights to consideration for work completed but not billed at the reporting date on mechanical engineering contracts. The contract assets are transferred to receivables when the rights become unconditional. For the telecommunications segment, contract assets relate to rights to consideration in exchange for goods or services that the Group has already transferred to customers but not yet invoiced. These contract assets particularly include contracts with customers where the supply of telecommunication services is supplemented by the sale of subsidised telecommunication equipment. A contract asset arises from the reallocation of revenues under a customer contract from telecommunication services provided and recognised during the life of the contract to the revenues from the sale of such subsidised equipment, which is recognised at the time of sale. For the real estate segment, the contract assets relate to the rights to consideration for work completed but not billed at the reporting date from a construction of residential projects. The contract assets are transferred to receivables when the Group issuer an invoice to the customer.

Contract liabilities primarily relate to advances received from customers for engineering contracts, for which revenue is recognised when the Group is able to reliably measure the progress in the completion of the contracts. The Group applies the input method. A contract liability in the telecommunications segment is the Group's obligation to deliver goods or to provide services for which the Group has received consideration from the customer. Contract liabilities include mostly telecommunication services prepaid by customers on prepaid cards. These revenues are recognised when the voice or data traffic takes place, or when other services are provided, or when the card associated with the prepaid credit expires. Contract liabilities also arise when activation fees are invoiced upon the conclusion of a new contract that is not a stand-alone performance obligation and are thus accrued over the term of the contract with the customer. Contract liabilities in leisure business arise from forward sales of boats and deferred income.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

In millions of EUR, for the period ended 31 December 2021

	Contract assets	Contract liabilities
Balance as at 1 January 2021	297	(352)
Additions resulting from business combination	-	(80)
Disposals resulting from business combination	(1)	-
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	199
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(159)
Transfers from contract assets recognised at the beginning of the period to receivables	(241)	-
Offset of contract assets recognised at the beginning of the period with advances received	(4)	-
Increases as a result of changes in the measure of progress	200	-
Effect of movements in exchange rates	9	(17)
Balance as at 31 December 2021	**260**	**(409)**

In millions of EUR, for the period ended 31 December 2020

	Contract assets	Contract liabilities
Balance as at 1 January 2020	287	(277)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	82
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(166)
Transfers from contract assets recognised at the beginning of the period to receivables	(133)	-
Offset of contract assets recognised at the beginning of the period with advances received	(8)	-
Increases as a result of changes in the measure of progress	156	-
Effects of movements in exchange rates	(5)	9
Balance as at 31 December 2020	**297**	**(352)**

The transaction price allocated to the remaining performance obligations related to contracts with customers (unsatisfied or partially unsatisfied) is as follows:

In millions of EUR

	31 December 2021	31 December 2020
Within 1 year	1,336	1,080
1-2 years	1,032	918
2-5 years	1,014	803
More than 5 years	1,115	672
Transaction price on performance obligations yet to be satisfied*	**4,497**	**3,473**

E.6. Inventories and programming assets

Inventories comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Mechanical engineering inventories	193	134
Goods/merchandise for resale	88	77
Trading property	59	28
Agricultural inventories	7	4
Total inventories	**347**	**243**

The carrying amounts of inventories comprise impairment allowance of EUR 29 million (2020: EUR 24 million) which represents notably an allowance for mechanical engineering categories and slow-moving and damaged items.

Programming assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Acquired programming rights	72	67
Produced programming rights	83	60
Released	48	36
Completed but not transmitted	6	3
In the course of production	29	21
Prepayments on acquired programming rights, other programming assets	49	29
Total programming assets	**204**	**156**

Programming assets relate solely to Group's media business, represented by the CME group acquired in 2020 (refer to B.2.9). The balance contains acquired licenses from third parties, own production and related prepayments (refer to F.1.16).

E.7. Equity-accounted investees

The following table shows the breakdown of individual equity-accounted investees (comprising associates and joint-ventures):

In millions of EUR

	31 December 2021	31 December 2020
LEAG*	909	696
MONETA	472	-
Metropolis (Russia)	56	47
Mall Group (Vivantis and Mallpay)	15	38
Heureka Group	26	19
ClearBank	40	28
Temsa*	24	20
Other	78	49
Total equity-accounted investees	**1,620**	**897**

*a joint-venture

The following table shows the breakdown of the share on profits and losses of equity-accounted investees:

In millions of EUR, for the year ended 31 December

	2021	2020
LEAG*	(54)	67
MONETA	(1)	-
Metropolis (Russia)	(3)	37
Mall Group (Vivantis and Mallpay)	(2)	(19)
Heureka Group	5	2
The Culture Trip**	-	(15)
ClearBank	(25)	(15)
Temsa*	2	12
Other	10	1
Total share of profit/(loss) in equity-accounted investees	**(68)**	**70**

*a joint-venture
**In September 2020, The Culture Trip became a fully consolidated entity.

The difference between the total investment and the Group's share in equity comprises goodwill.

<u>LEAG</u>

Since October 2016, the Group holds a 50% stake in LEAG, a German group of entities dealing with the extraction, processing, refining, and sale of lignite, and the generation of electricity and heat. LEAG operates mines, power plants, and a refining plant. The following table shows LEAG's financial position and performance:

In millions of EUR

	31 December 2021	31 December 2020
Percentage ownership interest (direct)	**50.00%**	**50.00%**
Non-current assets	2,549	2,894
Current assets	9,451	3,300
Non-current liabilities	(4,126)	(3,345)
Current liabilities	(6,057)	(1,457)
Net assets (100%)	1,817	1,392
Carrying amount of investment in JV (50.00%)	**909**	**696**
	2021	2020
Total revenue	3,417	2,515
Total net profit/(loss) for the period (100%)	(109)	134
Group's share on profit/(loss) (50.00%)	**(54)**	**67**
Total other comprehensive income/(expense) for the period (100%)	531	(60)
Group's share on other comprehensive income/(expense) (50%)	**266**	**(30)**

Other comprehensive income comprises a cash flow hedge effect related to the forward contracts for CO_2 emission rights. The hedging instruments are commodity derivatives designed to hedge the purchase price for future purchases of emission rights.

The other comprehensive result in 2021 and 2020, as well as profit or loss, follows the development of emission rights market prices. For the cumulated hedging reserve refer to E.20.4.

MONETA

As at 31 December 2021, the Group holds a 29.94% stake in Moneta bank (refer to B.2.2 for the details of the acquisition realised in April 2021). The following table shows the financial position and performance of MONETA:

In millions of EUR

	31 December 2021
Percentage ownership interest (direct)	**29.94%**
Total assets*	13,833
Total liabilities*	(12,527)
Net assets (100%)	1,306
Group's share of net assets (29.94%)	391
Goodwill included in carrying amount of the investment	81
Carrying amount of investment in associate (29.94%)	**472**
Since the acquisition of significant influence on 16 April 2021 to 31 December 2021	2021
Total revenue	361
Total net loss for the period (100%)**	(4)
Group's share on loss (29.94%)**	**(1)**

*Being a bank it does not report assets and liabilities in division between current and non-current parts.
**With the acquisition of significant influence of Moneta, the Group properly performed the PPA exercise (in line with IFRS 3, refer to B.2.2). Additionally, following the IFRS 9 expected credit losses guidelines, the Group recognised, immediately after the acquisition, its share on ECL day-one loss after tax of EUR 30 million on the financial assets in MONETA. Excluding this ECL day-one loss, the Group's share on profit of MONETA in 2021 would have totalled EUR 29 million.

Metropolis (Russia)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings. In 2021, due to the positive development of the rouble exchange rate, the project made a revaluation loss compensated by a translation gain (100%) of EUR 27 million (2020: a translation gain of EUR 90 million), recorded directly in equity.

In millions of EUR

	31 December 2021	31 December 2020
Percentage ownership interest (direct)	**49.99%**	**49.99%**
Non-current assets	355	350
Current assets	19	15
Non-current liabilities	(248)	(255)
Current liabilities	(14)	(16)
Net assets (100%)	112	94
Carrying amount of investment in associate (49.99%)	**56**	**47**
	2021	2020
Total revenue	34	33
Total net profit/(loss) for the period (100%)	(5)	73
Group's share on profit/(loss) (49.99%)	**(3)**	**37**
Total other comprehensive income/(expense) for the period (100%)	27	(90)
Group's share on other comprehensive income/(expense) (49.99%)	**14**	**(45)**
Dividends received by the Group	-	2

Mall Group

In October 2017, the Group acquired a 40% stake in Mall Group a.s. The investment comprised Mall Group and Heureka, representing an e-commerce platform in Central and Eastern Europe and a comparison-shopping platform in the Czech Republic and Slovakia. Mall and Heureka subsequently demerged into two discreet subgroups. In April 2022, the Group sold its share in

Mall Group (refer to B.3.5), which was the eventual result of a transaction signed during 2021, so the related part of the carrying amount of this equity-accounted investee is presented under assets held for sale (refer to E.40). As at 31 December 2021, the Group, within the item Mall Group equity-accounted investee, presents its share on net assets of Vivantis and Mallpay which have been transferred from Mall Group, i.e., only the part of Mall Group subject to the disposal in 2022 is classified as held for sale as at 31 December 2021 in these consolidated financial statements and these disclosures.

The following table presents the financial position and performance of Mall Group:

In millions of EUR

	31 December 2021	31 December 2020
Percentage ownership interest (direct)	**40.00%**	**40.00%**
Non-current assets	108	160
Current assets	234	185
Non-current liabilities	(36)	(36)
Current liabilities	(251)	(215)
Net assets (100%)	55	94
Carrying amount of investment in associate (40.00%)*	**22**	**38**
	2021	2020
Total revenue	626	840
Total net profit/(loss) for the period (100%)	(4)	(47)
Group's share on profit/(loss) (40.00%)	**(2)**	**(19)**

*In 2021, a part of the carrying amount of investment in associate amounting to EUR 7 million presented under assets held for sale (refer to B.3.5).

The following table presents the financial position and performance of Heureka Group:

In millions of EUR

	31 December 2021	31 December 2020
Percentage ownership interest (direct)	**40.00%**	**40.00%**
Non-current assets	30	24
Current assets	36	40
Non-current liabilities	(200)	(196)
Current liabilities	(24)	(31)
Net assets (100%)	(158)	(163)
Group's share of net assets (40.00%)	(63)	(65)
Goodwill included in carrying amount	89	84
Carrying amount of investment in associate (40.00%)	**26**	**19**
	2021	2020
Total revenue	77	65
Total net profit for the period (100%)	13	2
Group's share on profit (40.00%)	**5**	**2**

<u>ClearBank</u>

ClearBank is a UK bank that, since 2017, has been providing clearing and settlement services. As at 31 December 2021, the Group holds a 44.78% stake (2020: 40.61%) with a net asset value of EUR 84 million (2020: EUR 65 million).

<u>Temsa</u>

In October 2020, the Group acquired a 50% stake in Temsa Ulasim Araclari Sanayi ve Ticaret A.S. (refer to B.2.8). Temsa is a Turkish bus manufacturer with its subsidiaries in Germany, France and the USA responsible for sales and marketing activities.

The following table presents the financial position and performance of TEMSA:

In millions of EUR

	31 December 2021	31 December 2020
Percentage ownership interest (direct)	**50.00%**	**50.00%**
Non-current assets	79	118
Current assets	110	108
Non-current liabilities	(81)	(112)
Current liabilities	(60)	(74)
Net assets (100%)	48	40
Carrying amount of investment in associate (50%)	**24**	**20**
	2021	2020*
Total revenue*	163	22
Total net loss for the period (100%)*	4	(4)
Group's share on the loss (50%)	**2**	**(2)**
Gain on bargain purchase recognised directly to profit	-	14
Group's share on profit/(loss) (50%)	**2**	**12**

*total revenue and net loss presented as since the acquisition from 31 October to 31 December 2020

E.8. Investment property

Investment property comprises projects located in the Russian Federation, the USA, the Netherlands, the UK, the Czech Republic, Romania, Poland, and Germany, and consists mainly of completed and rented office premises, buildings, warehouses, and shopping malls.

The following table shows the breakdown of investment property by category and country:

In millions of EUR, as at 31 December 2021

	Russia	USA	Netherlands	UK	Czech Republic	Romania	Poland	Germany	Total
Office	503	407	336	129	95	94	76	32	1,702
Warehouse	339	-	-	-	-	-	-	-	339
Retail	260	-	25	-	-	-	-	-	285
Residential	1	-	-	29	19	-	-	-	49
Land plot	30	-	-	-	7	-	-	-	37
Other	1	-	-	-	-	-	-	-	1
Total investment property	**1,134**	**407**	**391**	**158**	**121**	**94**	**76**	**32**	**2,413**

In millions of EUR, as at 31 December 2020

	Russia	USA	Netherlands	UK	Czech Republic	Romania	Poland	Germany	Total
Office	382	-	366	119	93	95	-	24	1,079
Warehouse	270	-	-	-	-	-	-	-	270
Retail	247	-	27	-	-	-	-	-	274
Residential	-	-	-	27	14	-	-	-	41
Land plot	60	-	-	-	7	-	-	-	67
Other	60	-	-	-	-	-	-	-	60
Total investment property	**1,019**	**-**	**393**	**146**	**114**	**95**	**-**	**24**	**1,791**

The following table shows the roll-forward of investment property:

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	1,791	2,002
Disposals resulting from business combination	(4)	(27)
Additions - direct acquisition through asset deal	462	-
Additions - capitalised costs	71	43
Disposals	(16)	(2)
Transfer to assets held for sale	(43)	(4)
Unrealised gains from investment property	74	109
Unrealised losses from investment property	(32)	(18)
Effect of movements in exchange rates	110	(312)
Balance as at 31 December	**2,413**	**1,791**

The most significant developments in the real estate segment in 2021 were as follows:

- an acquisition of up and running office complex Mansell Overlook near Atlanta (USA) in March 2021;
- an acquisition of up and running office complex South Park Center in Orlando (USA) in December 2021;
- an acquisition of up and running office building New City in Warsaw (Poland) in December 2021.

The most significant transaction in the real estate segment in 2020 was a sale of a land plot owned by Mitino Sport City LLC (refer to B.2.10).

E.8.1. Techniques used for valuing investment property

Residual calculation

The residual method takes into consideration the level of revenues or sales that could be achieved by disposing of development properties. The total sum of these revenues or sales is known as the gross development value (GDV) and includes all separate areas that comprise the entire development, including residential and/or commercial areas (apartment areas, terraces/balconies, garages, parking, cellars and any garden areas).

From the GDV figure, the total development costs associated with the development of the project are deducted to arrive at the residual or market value of the land. These deductions typically include construction costs together with any contingency element, ancillary costs, legal/agency and professional fees, purchaser costs, financing costs and the developer's profit or required rate of return for the risk of undertaking the project.

Income approach – discounted cash flow (DCF) calculation

The income approach is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviours of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists.

In a commercial income-producing property, this approach capitalises an income stream into the present value. This can be done using revenue multipliers or capitalisation rates applied to net operating income.

The DCF methodology reflects the market's perception of a relationship between a property's potential income and its market value, a relationship expressed as a capitalisation rate or yield. This approach converts the anticipated benefits in terms of income (cash flow) or amenity to be derived from the ownership of the property into a value indication through capitalisation. This approach is widely used when appraising either income-producing properties or properties capable of producing an income. The property is valued by capitalising the future cash flow produced by the building at the end of the assumed holding period. These future cash flows (both rental and capital receipts from an assumed sale, and assumed expenditure required to realise same) are then discounted back at a discount rate that reflects a typical investor's overall target rate of return.

Sales comparable approach

This method relies on direct evidence from the market of sales and/or offers on properties with similar characteristics. As it is difficult to find evidence of comparables which are identical to any given property which is to be valued, the evidence must be adjusted to align it with the property in question. This allows the comparable evidence to be utilised in a calculation. The adjustments made will vary depending on the drivers of value in any given market and the specific differences between the property being valued and the comparables. The amount of adjustment depends on the judgement and knowledge of the valuer and relies on their skill and understanding of the market.

The following table summarises valuation methods used for different categories of investment property:

Country	Category	Valuation method
Netherlands	office/retail	Income approach
Germany	office	Income approach
Czech Republic	office/residential	Income approach/ Residual approach (property under development)
Russia	office/retail (incl. under development)	Income approach
Russia	warehouse (incl. under development)	Income approach
Romania	office	Income approach
United Kingdom	office/residential	Income approach
USA	office	Income approach
All locations	land	Sales comparison

The following table summarises the significant inputs used in measuring the fair value of investment property used in the valuation of income-generating properties:

For the year ended 31 December 2021

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 11.52-17.34	EUR 11.78-17.66	4.5%-8.4%	5.8%-10.9%
Germany	EUR 11.06	EUR 12.06	4.81%	5.67%
Czech Republic	EUR 11.03-15.12	EUR 14.13-15.12	5.01%-7.34%	6.13%-7.49%
Russia	EUR 4.49-37.71	EUR 4.71-41.85	7.87%-11.14%	8.25%-11.55%
Romania	EUR 8.23-16.38	EUR 17.92-18.46	7%-7.6%	7.97%-8.55%
United Kingdom	EUR 14.61	EUR 39.86	0.76%	7.52%
USA	EUR 16.8	EUR 21.93	5.58%	7.90%

For the year ended 31 December 2020

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 8.38-17.25	EUR 10.3-17.53	4.65%-8.85%	5.9%-12.08%
Germany	EUR 10.5	EUR 12.06	5.00%	7.43%
Czech Republic	EUR 12.94-14.83	EUR 14.56-15.54	5.71%-7.28%	6.24%-7.44%
Russia	EUR 4.06-35.29	EUR 4.67-39.51	7.41%-10.7%	8.53%-11.22%
Romania	EUR 6.72-17.07	EUR 17.92-18.04	7.4%-7.6%	6.75%
United Kingdom	EUR 13.61	EUR 42.05	1.39%	8.04%

The Group categorised investment property within Level 3 of the fair value hierarchy, as certain inputs for the assessment of the fair value are unobservable.

E.9. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment (excl. right-of-use assets):

In millions of EUR, for the year ended 31 December 2021

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	983	1,761	1,272	695	173	4,884
Accumulated depreciation and impairment losses	(222)	(510)	(591)	(389)	(4)	(1,716)
Carrying amount as at 1 January 2021	**761**	**1,251**	**681**	**306**	**169**	**3,168**
Additions resulting from business combinations	11	-	-	81	16	108
Additions	41	39	142	88	168	478
Disposals resulting from business combinations	(8)	-	(16)	-	(7)	(31)
Disposals	(1)	-	(2)	(14)	(1)	(18)
Other transfers	14	26	42	16	(98)	-
Depreciation charge (incl. discontinued operations)	(36)	(75)	(172)	(110)	-	(393)
Impairment reversal/(charge)	4	-	(1)	-	(6)	(3)
Transfer to assets held for sale	(3)	-	-	(4)	-	(7)
Effect of movements in exchange rates	38	68	16	11	5	138
Carrying amount as at 31 December 2021	**821**	**1,309**	**690**	**374**	**246**	**3,440**
Cost	1,077	1,923	1,418	823	254	5,495
Accumulated depreciation and impairment losses	(256)	(614)	(728)	(449)	(8)	(2,055)

The roll-forward of right-of-use assets amounting to EUR 708 million as at 31 December 2021 (2020: EUR 621 million) is disclosed in E.22.1.

In millions of EUR, for the year ended 31 December 2020

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	945	1,773	1,214	668	150	4,750
Accumulated depreciation and impairment losses	(201)	(456)	(536)	(358)	(3)	(1,554)
Carrying amount as at 1 January 2020	**744**	**1,317**	**678**	**310**	**147**	**3,196**
Additions resulting from business combinations	47	-	-	40	2	89
Additions	39	35	125	59	115	373
Disposals	(1)	-	(6)	(5)	(1)	(13)
Other movements	2	11	53	17	(89)	(6)
Depreciation charge (incl. discontinued operations)	(32)	(70)	(153)	(100)	-	(355)
Impairment charge	(8)	-	-	-	(4)	(12)
Effect of movements in exchange rates	(30)	(42)	(16)	(15)	(1)	(104)
Carrying amount as at 31 December 2020	**761**	**1,251**	**681**	**306**	**169**	**3,168**
Cost	983	1,761	1,272	695	173	4,884
Accumulated depreciation and impairment losses	(222)	(510)	(591)	(389)	(4)	(1,716)

In both periods, the most significant additions of PPE relate to the construction and modernisation of a mobile telecommunication infrastructure mainly in the Czech Republic (related radio network modernization and roll-out of 5G and continuous investments into a fixed network), Hungary (radio network modernization and roll-out of 5G), Slovakia (radio network modernization and roll-out of 5G) and Bulgaria (roll-out of 5G).

E.10. Intangible assets and goodwill

E.10.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	2,955	1,659
Additions resulting from business combinations	38	1,342
Disposals resulting from business combinations	(42)	-
Impairment losses recognised	(16)	(14)
Effect of movements in exchange rates	49	(32)
Balance as at 31 December	**2,984**	**2,955**

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	31 December 2021	31 December 2020
O2 CZ – Czech operations	408	388
O2 CZ – Slovak operations	40	40
CETIN Czech Republic	114	108
CETIN Hungary	184	186
CETIN Bulgaria	104	104
CETIN Serbia	188	188
Telenor Hungary*	188	192
Telenor Bulgaria*	118	118
Telenor Serbia*	183	183
Telenor Montenegro**	-	42
CME - Bulgaria	58	58
CME - Czech Republic	666	631
CME - Romania	365	371
CME - Slovakia	201	201
CME - Slovenia	90	90
Other	77	55
Total goodwill*	**2,984**	**2,955**

*Since 1 March 2022 rebranded from Telenor to Yettel.
**Telenor Montenegro was sold in December 2021 (refer to B.2.5).

Goodwill is semi-annually tested annually for impairment. A reasonably possible change in the key assumptions on which the management has based its determination of the recoverable amounts would not result in carrying amounts higher than their recoverable amounts.

<u>O2 CZ</u>

The impairment test involves determining the recoverable amount of the consolidated entity, corresponding to the value in use. The value in use is the present value of future cash flows expected to be derived from the CGU.

Value in use is determined in a discounted cash flow enterprise valuation model and derived from cash flow forecasts (for 2022 to 2024). Cash flows beyond the forecast period were extrapolated – convergence period (for 2025 to 2034) using appropriate growth rates based on general economic data derived from macroeconomic and financial studies.

The calculation of value in use is most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 2.0% growth rate is used.

Discount rate – the discount rate reflects the Group’s estimate of the risk and related expected return specific to the CGU. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analysts as a benchmark for the weighted average cost of capital are used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2021 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates the draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2021. Additionally, the EV/Sales multiple is considered as well.

As O2 CZ was a publicly traded company on the Czech Stock Exchanges until 28 February 2022, its share price on the exchange was considered a supportive indication of value, while taking into consideration share liquidity.

The final value in use is allocated into two O2 CZ cash generating sub-units, O2 Czech Republic and its subsidiary O2 Slovakia, in the following way: The enterprise value is divided by the proportion of the sub-units' EBITDAs, and the respective net debts of the sub-units are subtracted to calculate the resulting equity values.

<u>TELENOR</u>

Telenor's CEE businesses operate in three countries and were identified as individual CGUs for the purposes of the impairment test. These operating businesses are in Hungary, Bulgaria and Serbia. Since 1 March 2022, all Telenor entities have been rebranded to Yettel.

The impairment test involves determining the recoverable amounts of the above four cash-generating units, which correspond to their value in use. The value in use of a CGU is the present value of the future cash flows expected to be derived from each CGU.

Value in use is determined in an enterprise valuation model and assessed from the group-internal perspective. Value in use is derived from the most recent forecast for a period of five years (for 2022 to 2026), prepared by management at the time of the impairment test. The forecast is also based on future market trends, general macroeconomic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of value in use for each Telenor CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the companies conduct their principal businesses, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A growth rate of 2.5% is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analysts as a benchmark for the weighted average cost of capital is used to determine the discount rate for each respective Telenor CGU. The resulting discount rates and their effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2021 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2021.

<u>CETIN CZ</u>

The impairment test involves determining the CETIN CZ cash-generating unit's recoverable amount, corresponding to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGU.

Value in use is determined in an enterprise valuation model and assessed from a group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years (for 2022 to 2028), prepared by management and most recent at the time of the impairment test. Management believes that use of longer than usual 5 years forecast of future cashflows insufficiently reliable due to long term contracts with O2 Czech Republic (e.g., MSA and MOSA contracts). The medium-term forecast is based on the past experience as well as on future market trends. Further, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of value in use for CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 2.5% growth rate is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as of 31 December 2021 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2021. Additionally, the EV/Sales multiple is considered as well.

<u>CETIN CEE (excl. CZ)</u>

CETIN's CEE businesses represent operating companies in three countries and were identified as individual CGUs for the purposes of the impairment test.

The impairment test involves determining the above three cash-generating unit's recoverable amount, corresponding to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGUs.

Value in use is determined in an enterprise valuation model and assessed from a group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years (for 2022 to 2028), prepared by management and most recent at the time of the impairment test. Management believes that use of longer than usual 5 years forecast of future cashflows is sufficiently reliable due to long term contracts with operating companies (e.g., MSA and MOSA contracts). The medium-term forecast is based on past experience, future market trends, and general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of a CGU's value in use are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A growth rate of 2.5% is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2021 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the publicly traded peer companies for 2021.

<u>CME</u>

CME subgroup is managed on a geographical basis, with five operating segments: Bulgaria, the Czech Republic, Romania & Moldova, Slovakia, and Slovenia where these segments were also identified as the respective CGUs for the purposes of the goodwill impairment testing.

The impairment test involves determining each CGU's recoverable amount, corresponding to its value in use, and comparing this to its carrying value as at the valuation date. Value in use is the present value of the future cash flows expected to be derived from each CGU.

Value in use is determined in an enterprise valuation model and assessed from the group-internal perspective. Value in use is derived from the CME subgroup's 2022 budget and most recent long-term plan prepared by the management at the time of the impairment testing. CME subgroup's 2022 budget and long-term plan (2023 - 2025) are based on past experience, expected macroeconomic and television advertising market trends and other information known to the business.

The calculation of a CGU's value in use is most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. The Group has conservatively applied a terminal growth rate of 2% for each CGU.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used in the 2021 test will be subject to regular reassessments and potential adjustments. Goodwill valuation was determined by purchase price allocation of the acquired subgroup value in 2020.

E.10.2. Intangible assets

Intangible assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Software	498	542
Licences	526	556
Customer relationships	652	764
In-process research and development	47	206
Trademark	353	349
Other	128	124
Work in progress	150	143
Total intangible assets	**2,354**	**2,684**

Licences (including spectrum licences) facilitate the roll-out of mobile services. Customer relationships are an asset ensuring a long-term revenue stream from customers who have made commitments to purchase specific amounts of products or services. In the case of O2 CZ and Telenor, they comprise individuals, small/home offices, and corporations.

The following table shows the roll-forward of intangible assets:

In millions of EUR, for the year ended 31 December 2021

	Software	Licences	Customer relation-ships	IPRD	Trade-marks	Other intangible assets	Work in progress	Total
Cost	1,336	892	1,290	332	522	195	148	4,715
Accumulated amortisation and impairment losses	(794)	(336)	(526)	(126)	(173)	(71)	(5)	(2,031)
Carrying amount as at 1 January 2021	**542**	**556**	**764**	**206**	**349**	**124**	**143**	**2,684**
Additions resulting from business combinations	6	5	-	-	19	-	-	30
Additions	88	32	-	6	6	20	84	236
Additions from internal development	52	-	-	2	-	-	12	66
Disposals resulting from business combinations	(3)	(9)	(12)	-	-	-	(2)	(26)
Disposal	(2)	(7)	-	-	-	(1)	(2)	(12)
Transfer to assets held for sale	(60)	-	-	-	-	-	-	(60)
Other transfers	51	34	-	(1)	-	7	(91)	-
Amortisation charge (incl. discontinued operations)	(205)	(91)	(109)	(1)	(11)	(34)	-	(451)
Impairment reversal/(charge)	2	-	-	(177)	(21)	-	(1)	(197)
Effect of movements in exchange rates	27	6	9	12	11	12	7	84
Carrying amount as at 31 December 2021	**498**	**526**	**652**	**47**	**353**	**128**	**150**	**2,354**
Cost	1,429	954	1,300	88	566	200	155	4,692
Accumulated amortisation and impairment losses	(931)	(428)	(648)	(41)	(213)	(72)	(5)	(2,338)

In 2021, the impairment of in-process-research-and-development assets relates to biotech business.

In millions of EUR, for the year ended 31 December 2020

	Software	Licences	Customer relation-ships	IPRD	Trade-marks	Other intangible assets	Work in progress	Total
Cost	1,258	815	1,329	351	271	106	51	4,181
Accumulated amortisation and impairment losses	(689)	(256)	(429)	(28)	(151)	(35)	-	(1,588)
Carrying amount as at 1 January 2020	**569**	**559**	**900**	**323**	**120**	**71**	**51**	**2,593**
Additions resulting from business combinations	15	-	-	-	192	-	2	209
Additions	126	104	-	23	65	32	109	459
Additions from internal development	35	-	-	14	-	-	23	72
Disposal	(16)	-	-	-	-	(1)	-	(17)
Other movements	20	(2)	(1)	(26)	(4)	53	(34)	6
Amortisation charge (incl. discontinued operations)	(178)	(82)	(109)	(4)	(23)	(31)	-	(427)
Impairment charge	(5)	-	-	(113)	-	-	(6)	(124)
Effect of movements in exchange rates	(24)	(23)	(26)	(11)	(1)	-	(2)	(87)
Carrying amount as at 31 December 2020	**542**	**556**	**764**	**206**	**349**	**124**	**143**	**2,684**
Cost	1,336	892	1,290	332	522	195	148	4,715
Accumulated amortisation and impairment losses	(794)	(336)	(526)	(126)	(173)	(71)	(5)	(2,031)

In 2020, the impairment of in-process-research-and-development assets of relates to biotech (EUR 87 million) and mechanical engineering (EUR 26 million) businesses.

E.11. Other assets

Other assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Prepaid expenses and advances	160	177
Cost to obtain or fulfil the contract	72	56
Other tax receivables	57	29
Specific deposits and other specific receivables	47	20
Cash collateral for payment cards	37	57
Receivables from sale of shares in subsidiaries, associates and JVs	13	5
Other settlements accounts	6	59
Biological assets	5	4
Insurance related other assets	4	3
Other	80	75
Subtotal other assets (gross)	**481**	**485**
Individual loss allowance	(5)	(4)
Deferred expenses and advances	(1)	-
Specific deposits and other specific receivables	(2)	-
Other	(2)	(4)
Total other assets (net)	**476**	**481**

Capitalised incremental costs to obtain contracts, presented in line with IFRS 15, include commissions for external and internal business channels that are directly attributable to obtaining customer contracts and incremental. The amortisation of these costs is recognised in a separate line (amortisation of cost to obtain contracts) in profit or loss; the amortisation period is determined by the expected average duration of contracts separately for business customers and for consumers and separately for certain product types (ranging from 16 to 48 months).

E.12. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (FVTPL) comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Negative fair values of trading derivatives	608	300
Interest rate derivatives	529	187
Currency derivatives	79	113
Negative fair values of hedging derivatives	6	33
Liabilities from short sales of securities	412	356
Other	34	87
Total financial liabilities at FVTPL	**1,060**	**776**

Details of trading derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2021

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	3,614	1	(8)
Interest rate swaps	13,478	525	(520)
Other	43	-	(1)
Exchange-traded products:			
Interest rate futures	84	-	-
Total	**17,219**	**526**	**(529)**
Currency derivatives			
OTC products:			
Forward exchange contracts	1,045	7	(28)
Currency swap contracts	3,104	42	(43)
Foreign exchange options (purchase)	279	8	-
Foreign exchange options (sale)	283	-	(8)
Total	**4,711**	**57**	**(79)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2020

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	1,133	-	(1)
Interest rate swaps	10,469	182	(185)
Other	40	-	(1)
Exchange-traded products:			
Interest rate futures	15	-	-
Total	**11,657**	**182**	**(187)**
Currency derivatives			
OTC products:			
Forward exchange contracts	2,570	11	(36)
Currency swap contracts	6,526	47	(72)
Foreign exchange options (purchase)	394	5	-
Foreign exchange options (sale)	395	-	(5)
Total	**9,885**	**63**	**(113)**

*refer to E.2.1.

The following tables shows details of the hedging derivatives:

In millions of EUR, as at 31 December 2021

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	251	14	-
Currency swap contracts	367	6	(3)
Interest rate swap contracts	549	64	(3)
Total	**1,167**	**84**	**(6)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2020

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	381	6	(6)
Currency swap contracts	393	5	(2)
Interest rate swap contracts	796	12	(25)
Total	**1,570**	**23**	**(33)**

*refer to E.2.1.

E.13. Liabilities due to non-banks

Liabilities due to non-banks comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Current accounts and demand deposits	3,008	7,194
Term deposits	2,382	1,980
Loans received under repos	2,065	1,111
Loans	17	19
Collateral deposits for derivatives	4	4
Other	1	1
Total liabilities due to non-banks	**7,477**	**10,309**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Home Credit and Finance Bank and Air Bank (for Air Bank only 2020 applies, for 2021 classified as held-for-sale, refer to E.40).

E.14. Liabilities due to banks and other financial institutions

Liabilities due to banks and other financial institutions comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Secured loans (other than repos)	6,325	8,380
Unsecured loans	3,284	2,524
Loans received under repos	1,590	63
Collateral deposits for derivatives	107	42
Repayable on demand	-	5
Other	19	22
Total liabilities due to banks	**11,325**	**11,036**

Secured loans include the following significant loan facilities related to the acquisition of Telenor assets:

In 2018, PPF Telecom Group B.V. consolidating the telecommunications segment entered into a secured facilities agreement with a syndicate of banks. In July 2018, under this agreement, the Group utilised secured term loan facilities amounting to EUR 2,396 million and CZK 10,172 million (approx. EUR 380 million). During 2019 and 2020, the secured term loan facilities were restructured and partially refinanced by euro medium term notes issued by PPF Telecom Group B.V. (refer to E.15). As at 31 December 2020, the outstanding amounts of the secured term loan facilities were EUR 374 million and CZK 4,386 million (approx. EUR 167 million). In September 2021, the remaining part of the secured term loan facilities was repaid in full, the facilities were cancelled, and the related security was released.

CETIN Group N.V., PPF Telecom Group B.V.'s subsidiary, became a party to a term and revolving facilities agreement with a syndicate of banks in August 2021. CETIN Group N.V. then utilised bridge, term, and incremental term loan facilities amounting to EUR 1,450 million in aggregate, which also remained outstanding as at 31 December 2021. A committed revolving facility of EUR 200 million was undrawn as at 31 December 2021. The actual amount of outstanding loan liabilities stated in the table above is lower by unamortised fees and other transaction costs directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method. These loan facilities are unsecured.

Parameters of EUR-denominated loan facilities borrowed by CETIN Group N.V. and outstanding as at 31 December 2021:

	Bridge loan facility	Term loan facility	Incremental term loan facility
Repayable by	2023*	2026	2026
Margin rate over 3M EURIBOR	0.70% - 1.85%	1.25%	1.00%
Actual respective margin levels applicable	0.70%	1.25%	1.00%

*Considering a prolongation option of the borrower.

Secured loans further include the following significant loan facilities related to the acquisition of CME group:

In October 2019, TV Bidco B.V. consolidating the media segment entered into a senior facilities agreement with a syndicate of banks and in October 2020 utilised a secured term loan facility amounting to EUR 1,100 million to fund the merger with CME and refinance CME's existing indebtedness (refer to B.2.9). The actual amount of outstanding secured loan liabilities stated in the above table is lower by unamortised facility and legal fees directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method.

As at 31 December 2021, the outstanding amount under the senior term loan was EUR 990 million (2020: EUR 1,100 million).

The following loans are EUR-denominated:

Repayable by	2025
Margin rate over EURIBOR	2.875% - 3.875%
Actual respective margin levels applicable	3.50%

As at 31 December 2021 and 2020, the Group complied with the financial covenants imposed by its loan facilities.

E.15. Debt securities issued

Debt securities issued relate to bonds issued, certificates of deposit, asset-backed security issues and promissory notes except for subordinated items.

The maturities of the debt securities are as follows:

In millions of EUR

	31 December 2021	31 December 2020
Fixed rate debt securities	**3,426**	**4,606**
Within 1 year	401	1,703
1-2 years	504	241
2-3 years	754	309
3-4 years	617	689
4-5 years	651	609
More than 5 years	499	1,055
Variable rate debt securities	**115**	**162**
Within 1 year	70	75
1-2 years	45	65
2-3 years	-	22
Total debt securities issued	**3,541**	**4,768**

As at 31 December 2021, debt securities issued of EUR 11 million (2020: EUR 2,786 million) were secured, of which EUR 9 million (2020: EUR 82 million) by cash loan receivables, EUR 1 million (2020: EUR 261 million) by consumer loan receivables, EUR 1 million (2020: EUR 168 million) by cash and cash equivalents. As at 31 December 2020, debt securities of EUR 2,275 million were secured by shares in subsidiaries. In September 2021, by repaying all secured term loan facilities in full, described in E.14, the bond security was released as well, refer to E.41.1.

In March 2019, the Group established a EUR 3,000 million medium term note programme. At the same time, via its subsidiary PPF Telecom Group B.V, the Group obtained corporate credit ratings Ba1 by Moody's, BB+ by Standard & Poor’s and BBB- by Fitch Ratings. During 2019 and 2020, under this programme, the Group issued senior secured Eurobonds in the aggregate nominal amount of EUR 2,250 million. As at 31 December 2021 and 2020, the unused capacity of the programme was EUR 750 million. The majority of the bond proceeds were used to repay the Group’s secured loans.

In July 2020, the Group received commitments from a wide group of relationship banks for a committed unsecured credit facility of EUR 625 million, which shall serve as the liquidity back-up for CETIN CZ’s EUR 625 million Eurobond maturing in December 2021. During 2021, the Group terminated these commitments as the Eurobond was refinanced by bank loans drawn by CETIN Group N.V., as described in E.14.

E.16. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	31 December 2021	31 December 2020
Bond issue of CZK 4,000 million	Variable	2027	158	151
Bond issue of EUR 92 million	Variable	2028	17	93
Bond issue of EUR 80 million	Fixed	2031	14	-
Bond issue of CZK 276 million*	Variable	2029	-	10
Loan CZK 1,5 million	Fixed	2026	-	2
Total subordinated liabilities			**189**	**256**

*Subordinated bonds issue amounting to EUR 11 million as at 31 December 2021 has been transferred to and is presented under liabilities directly associated with assets held for sale (refer to E.40).

The bond issue of CZK 4,000 million was issued in December 2017. The interest rate was determined as a fixed rate for the first two years and subsequently, in 2020 in accordance with the contractual terms, it was changed to a floating rate (variable). The Group has an early redemption option exercisable on or after 18 December 2022.

The bond issue of EUR 92 million was issued in September 2018. The bonds bear a variable coupon rate of 6M EURIBOR + 2.95 p.a., but until September 2021 they bore a fixed coupon rate of 3.6% p.a. Their final maturity is in September 2028. The Group has an early redemption option exercisable in September 2023. Most of the bond issue made by a subsidiary was acquired by the Parent Company during 2021.

The bond issue of EUR 80 million was issued in July 2021. The bonds bear a fixed coupon rate of 3.6% p.a. and their final maturity is in July 2031. The Group has an early redemption option exercisable in July 2026. As at 31 December 2021, the significant part of the issue is held by the Parent.

E.17. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Settlements with suppliers	931	806
Wages and salaries	184	158
Social security and health insurance	38	35
Other taxes payable	90	102
Lease liabilities	695	634
Accrued expenses	242	182
Deferred income	88	44
Advance received	43	31
Customer loan overpayments	110	189
Financial settlement and other similar accounts	13	9
Deferred payment for acquisition of Telenor	104	308
Payables arising out of insurance operations	3	3
Programming related liabilities - media	57	30
Other	82	132
Total trade and other payables	**2,680**	**2,663**

E.18. Insurance and other provisions

Provisions comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Insurance provisions	196	164
Provisions for asset retirement obligations	51	62
Warranty provisions	29	20
Provisions for litigation except for tax-related litigations	20	11
Provisions for onerous contracts	9	10
Other provisions	84	71
Provisions for insurance commissions return	11	5
Provisions for restructuring	4	6
Provisions for expected credit losses from loan commitments and financial guarantees	3	4
Other	66	56
Total provisions	**389**	**338**

Movements in non-insurance provisions can be analysed as follows:

In millions of EUR, for the year ended 31 December 2021

	Provisions for asset retirement obligations	Warranty provisions	Provisions for litigation except for tax-related litigations	Provisions for onerous contracts	Other provisions	Total
Balance as at 1 January	**62**	**20**	**11**	**10**	**71**	**174**
Disposals resulting from business combinations	(2)	-	-	-	(1)	(3)
Provisions created during the year	7	19	10	7	94	137
Provisions used during the year	(1)	(11)	(1)	(8)	(67)	(88)
Provisions released during the year	(16)	-	(1)	-	(15)	(32)
Effect of movements in exchange rates	1	1	1	-	2	5
Balance as at 31 December	**51**	**29**	**20**	**9**	**84**	**193**
Non-current (> 1 year)	51	1	6	3	10	71
Current (< 1 year)	-	28	14	6	74	122
Total provisions	**51**	**29**	**20**	**9**	**84**	**193**

In millions of EUR, for the year ended 31 December 2020

	Provisions for asset retirement obligations	Warranty provisions	Provisions for litigation except for tax-related litigations	Provisions for onerous contracts	Other provisions	Total
Balance as at 1 January	**42**	**20**	**12**	**6**	**55**	**135**
Additions resulting from business combinations	-	-	2	-	-	2
Provisions created during the year	23	11	3	5	90	132
Provisions used during the year	(1)	(10)	(3)	(1)	(51)	(66)
Provisions released during the year	-	-	(2)	-	(16)	(18)
Effect of movements in exchange rates	(2)	(1)	(1)	-	(7)	(11)
Balance as at 31 December	**62**	**20**	**11**	**10**	**71**	**174**
Non-current (> 1 year)	49	-	5	-	28	82
Current (< 1 year)	13	20	6	10	43	92
Total provisions	**62**	**20**	**11**	**10**	**71**	**174**

The Group recognised a provision for asset retirement obligations of EUR 51 million (2020: EUR 62 million). The amount of the provision is affected by the decreased estimate of the present value of the future costs of dismantling, removing of assets and restoring sites in connection with network construction. Scenarios of future costs based on management estimations, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of any future dismantling and removing of assets.

E.18.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Non-life insurance provisions	33	28
Provisions for unearned premiums	32	27
Provisions for outstanding claims	1	1
RBNS provisions	1	1
Life insurance provisions	163	136
Provisions for outstanding claims	3	3
Mathematical provisions	150	123
Provisions for profit participation allocated to policyholders	9	8
Other insurance provisions	1	2
Total insurance provisions	**196**	**164**

Movements in provisions for unearned premiums (gross amount) can be analysed as follows:

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	27	37
Premiums written during the year	23	18
Premiums earned during the year	(21)	(19)
Effect of movements in exchange rates	3	(9)
Balance as at 31 December	**32**	**27**

Movements in selected life insurance provisions (gross amount) were as follows:

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	131	148
Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year	(5)	(5)
Mathematical provision for contracts maturing in the current reporting year	(6)	(6)
Mathematical provision for contracts expired due to death of the insured person	(1)	-
Increase in mathematical provision for active contracts concluded in previous years	25	24
Provision for insurance contracts concluded in the current period	4	4
Bonuses (profit) credited to policyholders	2	1
Effect of movements in exchange rates	9	(35)
Balance as at 31 December	**159**	**131**

The estimated timing of the net cash outflows resulting from recognised insurance liabilities is as follows:

In millions of EUR, for the year ended 31 December 2021

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years	Total
Non-life insurance provisions	16	13	4	-	-	33
Life insurance provisions	12	19	17	71	44	163

In millions of EUR, for the year ended 31 December 2020

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years	Total
Non-life insurance provisions	13	11	4	-	-	28
Life insurance provisions	9	15	16	60	36	136

E.19. Issued capital and share premium

Issued capital represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by a shareholder resolution.

The following table provides details of authorised and issued shares:

	2021	2020
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	62,401	62,401
Par value per share	EUR 10	EUR 10

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

In 2021, share premium, representing the excess received by the Parent Company over the par value of its shares, amounted to EUR 677 million (2020: EUR 677 million).

E.20. Other reserves and retained earnings

E.20.1. Retained earnings

Retained earnings include legal and statutory reserves representing reserves, the creation and use of which is limited by legislation and the articles of association of each company within the Group and that are not available for distribution to shareholders. As at 31 December 2021, these non-distributable reserves to shareholders totalled EUR 110 million (2020: EUR 164 million).

E.20.2. Revaluation reserve

The revaluation reserve represents the changes, net of deferred tax, in the fair value of financial assets at FVOCI. The revaluation reserve is not available for distribution to shareholders.

E.20.3. Currency translation reserves

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of companies within the Group with a functional currency other than the Group presentation currency, which is the euro. The translation reserve is not available for distribution to shareholders.

E.20.4. Hedging reserve

The hedging reserve represents mainly a cash flow hedge effect related to the forward contracts for CO_2 emission rights recognised in other comprehensive income by the Group's joint venture LEAG. The hedging instruments are commodity derivatives designed to hedge the purchase price for future purchases of emission rights. In 2021, the Group recognised its share on the gain in other comprehensive income amounting to EUR 263 million (2020: share on loss of EUR 31 million).

E.20.5. Other reserves

Other reserves comprise primarily a balance of EUR 181 million (2020: EUR 181 million) of an AT1 subordinated bond issued by one of Home Credit subgroup's subsidiaries. AT1 bond represents perpetual subordinated loan participation notes with a nominal value of USD 200 million. The notes are non-callable for the first 5 years and 3 months and bear a discretionary fixed interest rate of 8.8% p.a. payable quarterly until 7 February 2025. Balance related to AT1 subordinated bond is not available for distribution to the shareholders.

E.21. Non-controlling interests

The following subsidiaries of the Group have material non-controlling interests:

Name of subsidiary	Abbr.	Applicable	Country of incorporation
Home Credit Group B.V. (subgroup)	HC	2021/2020	Netherlands
PPF banka, a.s. (subgroup)	PPFB	2021/2020	Czech Republic
O2 Czech Republic a.s. (subgroup)	O2 CZ	2021/2020	Czech Republic
TMT Hungary B.V. (subgroup)	TMT	2021/2020	Netherlands
TMT Hungary Infra B.V. (subgroup)	TMT Infra	2021/2020	Netherlands
Velthemia Ltd. (subgroup)	VELT	2021/2020	Cyprus
PPF Skoda B.V. (subgroup)*	MECH	2021/2020	Netherlands

*formerly PPF IndustryCo B.V.

The following table summarises the information relating to these subsidiaries:

In millions of EUR

As at 31 December 2021	HC	PPFB	O2 CZ	TMT	TMT Infra	VELT	MECH	Other	**Total**
NCI percentage (ownership)	**8.88%**	**7.04%**	**9.48%**	**25.00%**	**25.00%**	**39.93%**	**14.30%**		
Total assets	16,262	9,518	1,694	732	424	296	1,118		
Total liabilities	(14,446)	(8,836)	(1,097)	(205)	(135)	(162)	(701)		
Net assets	1,816	682	597	527	289	134	417		
Net assets attributable to NCI of the sub-group	(10)	-	56	-	-	-	-		
Net assets attributable to owners of the Parent	1,806	682	653	527	289	134	417		
Carrying amount of NCI	**144**	**48**	**56**	**132**	**72**	**54**	**60**	**30**	**596**
For the year ended 31 December 2021									
NCI percentage during the period	**8.88%**	**7.04%**	**12.38%**	**25.00%**	**25.00%**	**39.93%**	**13.37%**		
Revenue	3,020	187	1,589	545	128	27	613		
Profit/(loss)	(303)	67	204	40	56	24	33		
Other comprehensive income/(expense)	194	7	(6)	2	2	3	2		
Total comprehensive income/(expense)	(109)	74	198	42	58	27	35		
Profit/(loss) allocated to NCI	**(27)**	**5**	**25**	**10**	**14**	**9**	**4**	**(5)**	**35**
OCI allocated to NCI	**16**	**1**	**4**	**(3)**	**(1)**	**3**	**2**	**1**	**23**
Dividends paid to NCI	-	-	65	21	11	-	-	-	97

In millions of EUR

As at 31 December 2020	HC	PPFB	O2 CZ	TMT	TMT Infra	VELT	MECH	Other	**Total**
NCI percentage (ownership)	**8.88%**	**7.04%**	**16.43%**	**25.00%**	**25.00%**	**39.93%**	**12.20%**		
Total assets	18,518	6,474	1,682	791	414	231	975		
Total liabilities	(16,582)	(5,869)	(1,075)	(212)	(132)	(127)	(706)		
Net assets	1,936	605	607	579	282	104	269		
Net assets attributable to NCI of the sub-group	(8)	-	-	-	-	-	-		
Net assets attributable to owners of the Parent	1,928	605	607	579	282	104	269		
Carrying amount of NCI	**155**	**43**	**100**	**145**	**71**	**42**	**33**	**13**	**602**
For the year ended 31 December 2020									
NCI percentage during the period	**8.88%**	**7.04%**	**16.43%**	**25.00%**	**25.00%**	**39.93%**	**12.20%**		
Revenue	4,642	208	1,503	511	63	28	419		
Profit/(loss)	(552)	37	175	55	25	4	(53)		
Other comprehensive income	(364)	4	10	18	(3)	(12)	(18)		
Total comprehensive income	(916)	41	185	73	22	(8)	(71)		
Profit/(loss) allocated to NCI	**(49)**	**3**	**28**	**14**	**6**	**2**	**(6)**	**(40)**	**(42)**
OCI allocated to NCI	**(32)**	**(1)**	**(3)**	**(23)**	**1**	**(13)**	**(2)**	**(7)**	**(80)**
Dividends paid to NCI	-	-	(31)	(2)	-	-	-	-	(33)

E.22. Leases

The Group acts as a lessee under lease contracts for stores, office and technical buildings, telecommunications technology, vehicles, and office equipment.

E.22.1. Right-of-use assets

The following table shows the roll-forward of right-of-use assets:

In millions of EUR, for the year ended 31 December 2021

	Land and buildings	Telecom. technology and related equipment	Boats	Other tangible assets and equipment	Total
Carrying amount					
Balance as at 1 January 2021	499	83	-	39	621
Additions resulting from business combinations	-	-	122	1	123
Additions	112	5	2	21	140
Disposals resulting from business combinations	(2)	-	-	(14)	(16)
Disposal	(12)	(1)	-	(1)	(14)
Transfer to assets held for sale	(12)	-	-	-	(12)
Depreciation charge (incl. discontinued operations)	(118)	(11)	(7)	(14)	(150)
Effects of movements in exchange rates	21	(2)	(2)	(1)	16
Balance as at 31 December 2021	**488**	**74**	**115**	**31**	**708**

In millions of EUR, for the year ended 31 December 2020

	Land and buildings	Telecom. technology and related equipment	Other tangible assets and equipment	Total
Carrying amount				
Balance as at 1 January 2020	568	75	23	666
Additions resulting from business combinations	9	-	15	24
Additions	82	17	12	111
Disposal	(24)	-	(1)	(25)
Depreciation charge (incl. discontinued operations)	(119)	(12)	(10)	(141)
Effects of movements in exchange rates	(17)	3	-	(14)
Balance as at 31 December 2020	**499**	**83**	**39**	**621**

For the maturity analysis of lease liabilities, please refer to C.3.

Amounts recognised in profit and loss

In millions of EUR, for the year ended 31 December

Leases under IFRS 16	2021	2020
Interest on lease liabilities	28	23
Expenses relating to short- term leases	10	7
Expenses relating to lease of low-value assets	1	1
Variable lease payments	(1)	(1)

E.22.2. Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The held extension options are exercisable only by the Group and not by the lessors. At the lease commencement date the Group assesses whether it is reasonably certain that it will exercise the extension options. The Group reassesses whether it is reasonably certain that it will exercise the options if significant events or changes in circumstances within its control occur.

The Group has estimated that should it exercise the extension option, potential future lease payments would result in an increase of EUR 14 million (2020: EUR 12 million) in lease liability.

Total cash outflow for leases amounted to EUR 164 million for the year ended 31 December 2021 (2020: EUR 152 million).

E.22.3. Operating leases where the Group acts as a lessor

The Group also leases out its investment properties. The table below shows the future minimum lease payments under non-cancellable operating leases. None of the leases included contingent rentals.

In millions of EUR

	31 December 2021	31 December 2020
Within 1 year	166	100
1-5 years	524	355
More than 5 years	282	226
Total receivables under non-cancellable operating leases	**972**	**681**

E.23. Reconciliation of movements of liabilities to cash flows arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities:

In millions of EUR, for the year ended 31 December 2021

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**5,024**	**11,036**	**634**	**16,694**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	936	-	-	936
Proceeds from liabilities due to banks and other financial institutions	-	11,686	-	11,686
Repayment of debt securities issued	(2,328)	-	-	(2,328)
Repayment of liabilities due to banks and other financial institutions	-	(12,067)	-	(12,067)
Repayment of principal portion of lease liabilities	-	-	(142)	(142)
Additions resulting from business combinations	-	65	89	154
Disposals resulting from business combinations	-	-	(14)	(14)
Total changes from financing cash flows	**(1,392)**	**(316)**	**(67)**	**(1,775)**
Effects of movements in exchange rates	124	633	17	774
Transfer to liabilities directly associated with assets held for sale (refer to E.40)	(11)	(28)	(12)	(51)
New leases	-	-	117	117
Interest expense	194	667	28	889
Interest paid	(209)	(667)	(22)	(898)
Balance as at 31 December	**3,730**	**11,325**	**695**	**15,750**

In millions of EUR, for the year ended 31 December 2020

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**4,601**	**16,854**	**676**	**22,131**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	2,398	-	-	2,398
Proceeds from liabilities due to banks and other financial institutions	-	8,936	-	8,936
Additions due to acquisitions of subsidiaries	-	-	22	22
Repayment of debt securities issued	(1,860)	-	-	(1,860)
Repayment of liabilities due to banks and other financial institutions	-	(14,294)	-	(14,294)
Repayment of principal portion of lease liabilities	-	-	(132)	(132)
Total changes from financing cash flows	**538**	**(5,358)**	**(110)**	**(4,930)**
Effects of movements in exchange rates	(146)	(401)	(26)	(573)
New leases	-	-	91	91
Interest expense	228	1,067	23	1,318
Interest paid	(197)	(1,126)	(20)	(1,343)
Balance as at 31 December	**5,024**	**11,036**	**634**	**16,694**

E.24. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Financial assets at FVTPL (E.2.1)*	8	16
Financial assets at FVOCI (E.2.3)	43	48
Financial assets at AC (E.2.2)	3	1
Due from banks and other financial institutions	64	88
Cash loan receivables	1,793	3,072
Consumer loan receivables	421	763
Revolving loan receivables	147	123
Mortgage loan receivables	1	1
Loans to corporations	72	71
Other	6	4
Total interest income*	**2,558**	**4,187**

*Total interest income represents interest income calculated using the effective interest method except for financial assets at FVTPL.

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Due to customers	137	175
Due to banks and other financial institutions	666	1,067
Debt securities issued	186	218
Lease liabilities	28	23
Subordinated liabilities	8	9
Significant financing component (IFRS 15)	7	-
Other	24	38
Total interest expenses	**1,056**	**1,530**
Net interest income	**1,502**	**2,657**

E.25. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Insurance commissions	204	199
Penalty fees	31	61
Cash transactions	32	27
Customer payment processing and account maintenance	34	34
Commission income from partners	25	54
Retailers’ commissions	14	4
Other	31	21
Total fee and commission income	**371**	**400**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Commissions to retailers	6	4
Cash transactions	21	24
Payment processing and account maintenance	62	51
Payments to deposit insurance agencies	22	21
Credit and other register expense	24	27
Other	34	28
Total fee and commission expense	**169**	**155**
Net fee and commission income	**202**	**245**

E.26. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December

	2021	2020
Net trading income/(expense)	42	(69)
Debt securities trading	28	17
FX trading	11	(50)
Derivatives	3	(13)
Other	-	(23)
Net gains/(losses) on financial assets/liabilities at FVTPL not held for trading	34	(33)
Other net losses on financial assets	(1)	(8)
Dividend income	18	26
Net realised gains	2	8
Financial assets at FVOCI	3	11
Loans and receivables	(1)	(3)
Total net gain/(loss) on financial assets	**95**	**(76)**

E.27. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December

	2021	2020
Cash loan receivables	1,165	1,981
Consumer loan receivables	(2)	305
Revolving loan receivables	26	44
Mortgage loan receivables	(1)	-
Loans to corporations	60	67
Trade and other receivables	24	33
Financial assets at FVOCI	(3)	4
Other financial assets*	-	(3)
Total net impairment losses on financial assets	**1,269**	**2,431**

*incl. impairment losses on undrawn credit limit

E.28. Net insurance income

In millions of EUR, for the year ended 31 December 2021

	Non-life	Life	Total
Gross earned premiums	21	54	75
Earned premiums ceded	-	(1)	(1)
Net insurance benefits and claims	(2)	(36)	(38)
Acquisition cost	(3)	(13)	(16)
Net insurance income	**16**	**4**	**20**

In millions of EUR, for the year ended 31 December 2020

	Non-life	Life	Total
Gross earned premiums	19	52	71
Earned premiums ceded	-	(1)	(1)
Net insurance benefits and claims	(1)	(33)	(34)
Acquisition cost	(3)	(12)	(15)
Net insurance income	**15**	**6**	**21**

E.29. Net rental and related income

In millions of EUR, for the year ended 31 December

	2021	2020
Gross rental income	139	127
Service income	12	14
Service charge income	32	29
Service charge expense	(16)	(14)
Net rental and related income	**167**	**156**

E.30. Net telecommunications income

E.30.1. Revenues from telecommunications business – major lines of business

Telecommunications income comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Mobile originated revenues	2,447	2,313
Fixed originated revenues	505	474
International transit revenues	207	233
Other wholesale revenues	162	122
Other sales	10	14
Revenues from telecommunications business	**3,331**	**3,156**
out of which:		
Services/products transferred over time	2,888	2,757
Services/products transferred at a point in time	443	399
Supplies	(619)	(632)
Cost of goods sold	(427)	(406)
Commissions	(37)	(38)
Costs related to telecommunications business	**(1,083)**	**(1,076)**
Net telecommunications income	**2,248**	**2,080**

E.30.2. Revenues from telecommunications business – geographical markets

The revenues from the telecommunications business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, for the year ended 31 December

	2021	2020
Services/products transferred over time	2,888	2,757
Czech Republic	1,271	1,211
Hungary	440	425
Serbia and Montenegro	358	321
Bulgaria	323	303
Slovakia	262	258
Germany	30	30
Other	204	209
Services/products transferred at a point in time	443	399
Czech Republic	110	99
Hungary	95	78
Serbia and Montenegro	93	91
Bulgaria	92	85
Slovakia	53	46
Total revenues from telecommunication business	**3,331**	**3,156**

For relevant information on contract assets and contract liabilities, refer to E.5.

E.31. Net media income

E.31.1. Revenues from media business – major lines of business

Net media income comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020*
TV advertising revenues	514	148
Carriage fees	119	23
Subscription fees	13	1
Other revenue	31	7
Revenues from media business	**677**	**179**
Programming assets amortisation	(272)	(58)
Salaries and staff related expenses	(18)	(4)
Royalties	(15)	(4)
External services and other operating costs	(19)	(4)
Costs related to media business	**(324)**	**(70)**
Net media income	**353**	**109**

**Revenues since the acquisition in October 2020 (refer to B.2.9.)*

E.31.2. Revenues from media business – geographical markets

The revenues from the media business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, for the year ended 31 December

	2021	2020*
Services/products transferred over time	677	179
Czech Republic	231	57
Romania	185	51
Slovakia	110	32
Bulgaria	76	20
Slovenia	75	19

**Revenues since the acquisition in October 2020 (refer to B.2.9.)*

In 2021 and 2020, the Group did not realise any revenues from the media business from services or products transferred at a point in time.

E.32. Net mechanical engineering income

E.32.1. Revenues from mechanical engineering business – major lines of business

Mechanical engineering income comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Sales of finished goods, services and goods for resale	614	419
Tramcars	99	59
Electric locomotives and suburb units	256	158
Trolleybuses	41	39
Metro	28	5
Electric equipment	6	9
Full service and repairs	107	94
Spare parts	16	31
Modernisation of rail vehicles	4	6
Other products and services	57	18
Revenues from mechanical engineering business	**614**	**419**
out of which:		
Services/products transferred over time	523	348
Services/products transferred at a point in time	91	71
Raw material	(287)	(192)
Purchased services related to projects	(48)	(26)
External workforce	(19)	(12)
Other	(22)	(23)
Costs related to mechanical engineering business	**(376)**	**(253)**
Net mechanical engineering income	**238**	**166**

E.32.2. Revenues from mechanical engineering business – geographical markets

The revenues from the mechanical engineering business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, for the year ended 31 December

	2021	2020
Services/products transferred over time	523	348
Czech Republic	292	130
Finland	77	71
Slovakia	37	94
Latvia	25	5
Germany	31	11
Poland	37	-
Other	24	35
Services/products transferred at a point in time	91	71
Czech Republic	73	60
Slovakia	4	2
Germany	3	2
Other	11	7

The amount of revenue recognised in 2021 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion of mechanical engineering business construction contracts was nil (2020: nil).

For relevant information on contract assets and contract liabilities, refer to E.5.

E.33. Net toll operations income

In millions of EUR, for the year ended 31 December

	2021	2020
Sales of goods	5	-
Sales of services	34	32
Cost of sales	(17)	(13)
Total net toll operations income	**22**	**19**

E.34. Net agriculture income

In millions of EUR, for the year ended 31 December

	2021	2020
Sales of goods	15	25
Cost of sales	(10)	(14)
Other revenue	-	1
Total net agriculture income	**5**	**12**

E.35. Other income

In millions of EUR, for the year ended 31 December

	2021	2020
Net foreign currency gains	84	-
Income from other services provided	16	21
Rental income	5	7
Gain on a bargain purchase	5	-
Other	80	62
Total other income	**190**	**90**

E.36. Personnel expenses and other operating expenses

In millions of EUR, for the year ended 31 December

	2021	2020
Employee compensation	1,111	1,217
Payroll related taxes (including pension contribution)	195	191
Total personnel expenses	**1,306**	**1,408**
Rental, maintenance and repair expense	118	104
Information technologies	119	134
Professional services	184	143
Advertising and marketing	116	82
Telecommunications and postage	62	79
Taxes other than income tax	52	66
Collection agency fee	96	66
Travel expenses	12	12
Net impairment losses on other intangible assets	197	124
Net impairment losses on goodwill recognised	16	14
Net impairment losses on property, plant and equipment	3	12
Net impairment losses on other assets (including contract assets)	9	13
Amortisation of cost to obtain or fulfil a contract	53	49
Net foreign currency losses	-	120
Other	191	208
Total other operating expenses	**1,228**	**1,226**

The average rounded number of employees during 2021 was 80,000 (2020: 111,000 employees); 13 employees were employed in the Netherlands (2020: 20 employees).

E.37. Depreciation and amortisation

In millions of EUR, for the year ended 31 December

	2021	2020
Depreciation of property, plant and equipment	388	351
Depreciation of property, plant and equipment – ROU (IFRS 16)	146	136
Amortisation of intangible assets	437	415
Total depreciation and amortisation	**971**	**902**

E.38. Repurchase agreements and reverse repurchase agreements

The Group raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate (repos). As at 31 December, assets sold under repos were as follows:

In millions of EUR, as at 31 December

	2021 Fair value of underlying assets	2021 Carrying amount of corresponding liabilities	2020 Fair value of underlying assets	2020 Carrying amount of corresponding liabilities
Financial assets at FVOCI	82	50	99	63
Financial assets provided under repos	3,634	3,605	1,090	1,111
Total assets	**3,716**	**3,655**	**1,189**	**1,174**

The Group also purchases financial instruments under agreements to resell them at future dates (reverse repos). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repos are entered into as a facility to provide funds to customers. As at 31 December, assets purchased subject to agreements to resell them were as follows:

In millions of EUR, as at 31 December

	2021 Fair value of assets received as collateral (total)	2021 of which: Fair value of assets repledged or sold	2021 Carrying amount of receivables	2020 Fair value of assets received as collateral (total)	2020 of which: Fair value of assets repledged or sold	2020 Carrying amount of receivables
Cash and cash equivalents (with central banks)	4,868	3,634	4,955	4,734	1,090	4,818
Loans and advances to banks	474	-	447	109	-	104
Financial assets at FVTPL	427	-	435	-	-	-
Total loans and advances	**5,769**	**3,634**	**5,837**	**4,843**	**1,090**	**4,922**

E.39. Income taxes

E.39.1. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December

	2021	2020
Current tax expense	(288)	(283)
Deferred tax benefit	126	296
Total income tax benefit/(expense)	**(162)**	**13**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2021	2020
Tax rate	25.0%	25.0%
Profit/(loss) from continuing operations (before taxation)	408	(352)
Computed taxation using applicable tax rate	(102)	88
Tax non-deductible expenses	(175)	(114)
Non-taxable income	181	27
Non-taxable share of profit/(loss) of equity-accounted investees	(20)	16
Tax rate differences on foreign results	80	44
Utilised tax loss for which no deferred tax was previously recognised	26	1
Current-year losses for which no deferred tax is recognised	(89)	(31)
Withholding tax on intra-group dividends	(6)	(14)
Other	(57)	(4)
Total income tax benefit/(expense)	**(162)**	**13**

The Company is subject to corporate income tax in the Netherlands at an income tax rate of 25%. The Company's subsidiaries as well as associates are also subject to corporate income tax laws in the respective jurisdictions where the Group operates, with corporate income tax rates ranging from 9% in Hungary to approx. 35% in India.

Pursuant to local tax legislation and relevant double tax treaties, a withholding tax in the range of 0% to 35% is levied on the dividends, interest, royalties and other relevant payments to foreign recipients.

The principle the Group follows in the recognition of deferred tax assets prescribes that if it is not considered likely that taxable profits will be available against which unused tax losses can be utilised, the deferred tax assets are not recognised.

The deferred tax benefit is mainly caused by increased deferred tax assets stemming from recognition of deferred tax assets in relation to tax losses in 2021, and the additional creation of ECLs in 2020.

E.39.2. Deferred tax

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December

	2021 Deferred tax liabilities	2021 Deferred tax assets	2020 Deferred tax liabilities	2020 Deferred tax assets
Investment securities	(1)	5	(6)	1
Loans	(2)	347	-	488
Trade and other receivables, contract assets	(94)	20	(84)	20
Inventories	-	83	-	86
Investment property	(194)	2	(186)	2
Property, plant and equipment	(327)	8	(324)	7
Programming assets	(1)	10	(1)	14
Intangible assets	(151)	38	(173)	46
Other assets	(26)	27	(17)	9
Debt securities issued	-	33	-	21
Financial liabilities at FVTPL	-	1	(2)	4
Lease liabilities	(16)	17	(2)	16
Trade and other payables	(4)	30	(5)	27
Provisions	(1)	26	-	23
Other temporary differences	(12)	36	(9)	33
Value of loss carry-forwards recognised	-	416	-	131
Value of tax credits	-	2	-	-
Deferred tax assets/(liabilities)	**(829)**	**1,101**	**(809)**	**928**
Net deferred tax assets/(liabilities)	**(600)**	**872**	**(583)**	**702**

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, for the year ended 31 December

	2021	2020
Net deferred tax assets/(liabilities) as at 1 January	119	(160)
Deferred tax benefit for the period	126	296
Deferred tax recognised directly in equity	1	1
Additions from business combinations	(10)	(16)
Disposals resulting from business combinations	1	(3)
Deferred tax assets transferred to assets held for sale	(6)	-
Deferred tax liabilities transferred to liabilities directly associated with assets held for sale	1	-
Effect of movements in exchange rates	40	1
Net deferred tax assets/(liabilities) as at 31 December	**272**	**119**

Deferred tax assets arising from intangible assets and other temporary differences consist mainly of uneven balance sheet eliminations from intra-group transactions.

E.39.3. Tax losses

As at 31 December 2021, the Group incurred tax losses from recent years of EUR 3,535 million (2020: EUR 2,322 million) available to be carried forward and off-set against future taxable income. As a rule, if it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, deferred tax assets are not recognised. The unrecognised deferred tax assets amount to EUR 404 million (2020: EUR 406 million). The unutilised tax losses can be claimed in the period from 2022 to 2029 in the Netherlands (2022 to 2026 in the Czech Republic and Cyprus, and for an indefinite time in Hong Kong, China and in the Russian Federation) and expire as follows:

In millions of EUR

	31 December 2021	31 December 2020
2021	-	247
2022	399	418
2023	72	90
2024	71	116
2025	510	200
2026	1,396	147
2027	82	72
2028	15	6
2029	176	4
2030	1	3
2031	4	-
Tax losses that can be carried forward indefinitely	809	1,019
Total	**3,535**	**2,322**

E.40. *Discontinued operations and disposal subsidiaries held for sale*

CEE region (under Financial services segment – refer to D section) was classified as disposal group held for sale and as a discontinued operation, refer to B.2.2 for details. The results of the CEE region for the year are presented below:

In millions of EUR

	2021	2020
Interest income	207	201
Interest expense	(11)	(17)
Net interest income	**196**	**184**
Fee and commission income	44	35
Fee and commission expense	(37)	(38)
Net fee and commission income	**7**	**(3)**
Net gains/(losses) on financial assets/liabilities	(41)	4
Other income	1	3
TOTAL OPERATING INCOME	**163**	**188**
Net impairment losses on financial assets	(5)	(18)
Personnel expenses	(54)	(50)
Depreciation and amortisation	(23)	(21)
Other operating expenses	(35)	(37)
PROFIT BEFORE TAX	**46**	**62**
Income tax expense	(18)	(14)
NET PROFIT FROM DISCONTINUED OPERATIONS	**28**	**48**

The major classes of assets and liabilities of the CEE region classified as held for sale as at 31 December 2021 are as follows:

In millions of EUR

	31 December 2021
ASSETS	
Cash and cash equivalents	1,261
Investment securities and derivatives	1,553
Loans and receivables due from banks and other financial institutions	108
Loans due from customers	2,397
Other assets	216
TOTAL ASSETS HELD FOR SALE OF THE DISPOSAL GROUP	**5,535**
LIABILITIES	
Financial liabilities at fair value through profit or loss	20
Due to non-banks	5,203
Due to banks and other financial institutions	28
Subordinated liabilities	11
Other liabilities	87
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE	**5,349**
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**186**

The net cash flow incurred by discontinued CEE region is, as follows:

In millions of EUR, for the year ended 31 December

	2021	2020
Cash flows from/(used in) operating activities	(63)	593
Cash flows used in investing activities	(472)	(308)
Cash flows used in financing activities	(4)	(81)
Net cash flow from/(used in) discontinued operations	**(539)**	**204**

No impairment losses for write-downs of the disposal group of subsidiaries to the lower of its carrying amount and its fair value less costs to sell have been recognised, as the fair values less costs to sell were evaluated and being of higher amounts for the disposal assets and of lower amounts for the disposal liabilities, as determined for the purposes of the sale price determination.

For the year ended 31 December 2021, the cumulative income/(expense) included in OCI relating to the disposal group of subsidiaries is nil (2020: nil).

The following table summarise the credit quality of the disposal group's loans exposure:

In millions of EUR, as at 31 December 2021

Loan exposure	Loans due from customers	Loans and receivables due from banks and other financial institutions
Gross amount	2,569	108
Stage 1	2,106	108
Stage 2	294	-
Stage 3	169	-
Purchased or originated credit impaired	-	-
Loss allowance	(172)	-
Carrying amount	**2,397**	**108**

In millions of EUR, as at 31 December 2021

Fair value of collateral received	Loans due from customers	
	Stage 1-2	Stage 3
Secured by:		
Property	1,122	-
Equity securities	67	-
Other	179	16
Total collateral received	**1,368**	**16**

In millions of EUR

Fair value of collateral received for reverse repo operations	31 December 2021
For receivables from reverse repo operations classified as:	
Cash and cash equivalents	1,076
Total	**1,076**

Loans due from customers – retail, which are part of the disposal group held for sale, could be presented as follows:

In millions of EUR, as at 31 December 2021

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**1,473**	**28**	**342**	**669**	**2,512**
Stage 1	1,234	4	233	626	2,097
Stage 2	148	2	71	25	246
Stage 3	91	22	38	18	169
POCI	-	-	-	-	-
Loss allowance	**(90)**	**(21)**	**(37)**	**(21)**	**(169)**
Stage 1	(9)	-	(4)	(2)	(14)
Stage 2	(7)	-	(3)	(3)	(13)
Stage 3	(74)	(21)	(30)	(16)	(142)
POCI	-	-	-	-	-
Total carrying amount	**1,383**	**7**	**305**	**648**	**2,343**

*incl. car and mortgage loans

Additionally to the above mentioned CEE region classification, total assets held for sale presented in the consolidated statement of financial position comprise the following assets:

In millions of EUR, as at 31 December

	2021	2020
CEE region assets held for sale	5,535	-
Investment property (Klokovo)	43	-
Equity-accounted investee (Mall Group)	7	-
Equity-accounted investee (NBE Therapeutics)	-	18
Investment property (Spektr LLC)	-	4
Other	-	1
TOTAL ASSETS HELD FOR SALE	**5,585**	**23**

E.41. Off-balance sheet items

E.41.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in the provision of open credit facilities to allow customers quick access to funds to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from the guarantees provided is recognised under fee and commission income and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR

	31 December 2021	31 December 2020
Loan commitments	1,241	1,496
Revolving loan commitments	997	1,254
Consumer loan commitments	16	30
Cash loan commitments	61	30
Undrawn overdraft facilities	76	123
Term loan facilities	91	59
Capital expenditure commitments	199	116
Guarantees provided	64	58
Non-payment guarantees	22	20
Payment guarantees	31	38
Provided undrawn commitments to provide	11	-
Digital transmission obligations	13	17
Programming liabilities	135	40
Other	209	356
Total commitments and contingent liabilities	**1,861**	**2,083**

These commitments and contingent liabilities have an off-balance sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

In 2021 and 2020, the other category represents mostly current bank guarantees issued by local banks in Hungary for Telenor Hungary (since March 2022 Yettel Hungary), requested by the local telecommunication regulator from participants in the spectrum auction. As at 31 December 2021, a part of the guarantees expired and the total value of guarantees issued for the spectrum auction decreased to EUR 157 million (2020: EUR 264 million).

The following table shows secured liabilities:

In millions of EUR

	31 December 2021	31 December 2020
Secured bank loans	6,325	8,380
Loans received under repos	3,655	1,174
Debt securities issued	11	2,786
Total secured liabilities	**9,991**	**12,340**

The assets pledged as security were as follows:

In millions of EUR

	31 December 2021	31 December 2020
Cash and cash equivalents (for pledge details refer to E.1)	126	694
Financial assets at FVOCI (repos)	82	99
Loans and receivables due from customers	2,394	5,865
Trade and other receivables/other assets	3	3
Investment property (incl. assets held for sale)	2,341	1,655
Investment in equity-accounted investees	472	-
Property, plant and equipment	317	234
Financial assets in off-balance sheet (repo operations)	3,634	1,090
Other assets	219	105
Total assets pledged as security	**9,588**	**9,745**

In addition, the Group has pledged certain assets as collateral for its funding liabilities related to the acquisition of Telenor assets. As at 31 December 2020, the pledged assets, in particular, included receivables from bank accounts, hedging agreements and all shares of PPF Telecom Group B.V., PPF TMT Bidco 1 B.V., PPF Telco B.V., CETIN Group N.V., the Telenor operating entities in Bulgaria and Serbia, and TMT Hungary B.V. with TMT Hungary Infra B.V. (the Group's effective share). In 2021, all pledges were released due to refinancing of bank loans described in E.14 and, as at 31 December 2021, the Group does not pledge any of its assets for funding liabilities related to Telenor assets.

As at 31 December 2020, the Group pledged a 10.59% stake in O2 CZ and a 10.27% stake in CETIN CZ, which were used as collateral for several funding facilities. As at 31 December 2021, these pledges were released and the Group does not pledge any shares of O2 CZ or CETIN CZ.

As at 31 December 2021 and 2020, the Group has pledged certain assets as collateral for funding facilities related to CME acquisition. The pledged assets include, in particular, receivables from bank accounts, intercompany loans and all shares of TV Bidco B.V., CME Media Enterprises B.V., CME Investments B.V., Pro TV S.R.L., Markiza-Slovakia, spol. s r.o., CME Slovak Holdings B.V. and the 94% of shares of CME Bulgaria B.V. held by CME Media Enterprises B.V.

As at 31 December 2021 and 2020, shares of PPF TMT Holdco 1 B.V. and PPF Finco B.V and some of their receivables were pledged as security for their financial indebtedness.

E.41.2. Other contingencies

E.41.2.1. Litigation

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in litigation (formally consisting of five disputes merged procedurally into one) in which the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. adopted in July 2005 approving a squeeze-out of minority shareholders, is being challenged in court. On 13 June 2016, the Municipal Court in Prague fully dismissed the action of the ex-minority shareholders, however, some of them have appealed against the dismissal to the High Court in Prague where the hearing has been scheduled for 15 October 2021 and resulted in no significant development in the case. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiffs.

Furthermore, the Group (through its subsidiary PPF A4 B.V.) is involved in litigations connected to a squeeze-out of minority shareholders in CETIN a.s., approved by general meeting of this company on 3 December 2015. Several former minority shareholders filed their actions with the relevant court and asked the court to decide on adequate consideration (i.e., higher than that originally paid by PPF A4 B.V.) for their shares in CETIN. The first hearings took place in March and May 2018. On 3 April 2019, the court appointed its own expert to assess whether the consideration paid by PPF A4 B.V. was adequate or not with no conclusion by the date of the issue of these consolidated financial statements. On 19 April 2021 the court decided to appoint another expert to review and revise previous expert reports. The expert has been appointed on 21 July 2021 with aim to finish his expert opinion within 9 months following his appointment.

Based on the analyses carried out by external advisors, management believes that it is unlikely that both cases above will be concluded in favour of the plaintiffs.

The following legal cases related to O2 CZ are significant from the Group's perspective:

On 28 March 2011, VOLNÝ, a.s. ("VOLNÝ") filed a legal action with the Municipal Court in Prague against O2 CZ for an amount exceeding EUR 154 million for an alleged abuse of a dominant position on the market of Internet broadband connection provided to households via ADSL. VOLNÝ filed the legal action to coincide directly with the opening of ÚOHS proceedings, which were closed by a decision in favour of O2 on 23 January 2019. The amount is meant to represent the lost profit for the years 2004 to 2010. VOLNÝ claims to have had 30% share on the dial-up Internet market in 2003 and, in its legal action, it implies that it should have automatically had the same result on the broadband market, which it did not. Allegedly, it was due to the margin squeeze applied by O2 CZ on the fix broadband market. O2 CZ replied to the petition in July 2011, noting that both the claim and the calculations submitted by the plaintiff were unsubstantiated and pointing out discrepancies in the petition claims. The court started the proceedings in the matter and hearings took place during the year 2013, including the hearings of witnesses and experts.

At the hearing held on 30 March 2016, the court considered the possibility of a revision expert opinion that would review the opinions filed by VOLNÝ and O2 CZ. VOLNÝ proposed an expert who turned out to be biased, and thus O2 CZ filed a protest. Subsequently, the court appointed another expert and defined a set of questions. The revision expert opinion confirmed O2 CZ's statement. The expert opinion stated that no anti-competition practice had been proved against O2 CZ. It also pointed out that O2 CZ was not in a dominant position on the market of internet broadband connections. After hearing the appointed independent expert, the Municipal Court in Prague dismissed the legal action by VOLNÝ in full. The court concluded that O2 CZ had not breached any competition rules and thus could not have caused any damage to VOLNÝ. The decision was delivered in June 2018. The plaintiff filed an appeal and applied for court fee relief. The Municipal Court in Prague and the High Court in Prague granted the plaintiff a 50% court fee relief. The ÚOHS's decision of 23 January 2019 was submitted to the court and confirmed O2 CZ's consistent position in the civil dispute and the correctness of the first instance dismissal of the legal action.

In September 2020, the High Court in Prague delivered a confirmatory judgment, which came into legal force on 26 November 2020. The High Court awarded O2 CZ the full reimbursement of the costs of the proceedings. The dispute is therefore successfully closed but the Company initiated execution against VOLNÝ. In May 2021, the Supreme Court issued an order suspending the enforceability of rulings on costs. However, the court has not yet decided on the matter of extraordinary appeal filed by VOLNÝ.

Dispute with Mr Kocner and Mr Rusko related to CME Group represents a significant legal case from the Group's perspective.

In the fourth quarter of 2016, the Slovak subsidiary MARKIZA-SLOVAKIA, spol. s.r.o. ("Markiza") was notified of claims that were filed in June 2016 in a court of first instance in Bratislava, the Slovak Republic to collect amounts allegedly owing under four promissory notes that have a collective face value of approximately EUR 69.0 million. These four promissory notes were purportedly issued in June 2000 by Pavol Rusko in his personal capacity and were purportedly guaranteed by Markiza under the signature of Mr. Rusko, who was an executive director of Markiza at that time as well as one of its shareholders.Two of the notes purport to be issued in favor of Marian Kocner, a controversial Slovak businessman, and the other two to a long-time associate of Mr. Kocner. Markiza has never believed the notes were signed in June 2000 or that any of the notes were authentic and has vigorously defended the claims in civil proceedings and filed a criminal compliant with special prosecutor in Slovakia in May 2018. Special prosecutor has charged both Mr. Kocner and Mr. Rusko in June 2018 with counterfeiting, falsification and illegal production of securities and obstruction of justice. As a result of the criminal proceedings, in February 2020, both Mr. Kocner and Mr. Rusko were convicted and sentenced to 19 years in prison each. The civil proceedings (which were previously suspended until a final decision in the criminal proceedings was issued) regarding two of the promissory notes were already dismissed and Markiza expects to achieve dismissal of the remaining two cases of the other two promissory notes as well.

The Group believes that all litigation risks have been faithfully reflected in the consolidated financial statements.

E.41.2.2. Regulatory investigation

In 2016, the European Commission initiated own-initiative proceedings concerning suspected infringement of Article 101 of the Treaty on the Functioning of the European Union (agreements disrupting competition in the internal market). The reason given is the network sharing agreement concluded between T-Mobile and O2 CZ in 2013 (as part of the 2015 spin-off, the contract was transferred to CETIN). In the notification, the Commission initially stated that the commencement of the proceedings alone does not mean that it is convinced of any offense. The Group has submitted its opinions and supporting documents to the Commission and cooperates with an international expert institute.

On 7 August 2019, the Commission issued a statement of objections, expressing its intention to issue a decision that the network sharing agreements constitute a breach of Article 101 of the Treaty. If such a decision were taken, there would be a risk for O2 CZ and CETIN of imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and possibly of imposition of further measures to put an end to the alleged infringement. However, the Commission has in no way indicated the amount of the potential fine, not even approximately. On 8 August 2019, European Commission informed PPF Group N.V. that intends to extend the above-described investigation also to PPF Group N.V. On 14 February 2020 the Commission has delivered to PPF Group N.V. (the Group's ultimate shareholder) statement of objection; PPF Group N.V. has replied to it on 20 April 2020. A formal oral hearing took place in this case from 15 to 17 September 2020. All investigated participants summarised their defence against the concerns of the Commission, including all factual, legal, economic and technical arguments supporting the position of the participants. Follow-up communication is ongoing and the Commission may now (i) amend its comments (in the form of an additional statement of objection or in another similar way), (ii) issue a decision on the breach of competition law, (iii) enter into negotiations on commitments with the Group entities and the other participants and, if agreement can be reached, issue a decision terminating the proceedings without the breach of competition law being confirmed, or (iv) stop the proceedings without a decision.

In August 2021, the Commission adopted a preliminary assessment under which it reduced its concerns and enabled formally the investigated parties to offer commitments. The parties did respond to the preliminary assessment and rejected the concerns while, after the deep discussion with the Commission, offered such commitments. On 1 October, the Commission started the market test to receive feedback from the market participants on their contents. The discussions with the Commission about the content of the commitments are still ongoing. Should the commitments be accepted, the proceedings shall be terminated without the fine or other additional remedy being issued by the Commission.

Should the commitments not be accepted, the Group will continue on the defence of their rights under to proceedings in order to convince the Commission that the cooperation between the sharing partners is in compliance with the relevant laws.

In January 2018, the Hungarian Competition Authority carried out an unannounced inspection at the headquarters of Telenor Hungary (since March 2022 Yettel Hungary) in relation to two cases: (i) the investigation of the 800 MHz frequency tender auction, in which Telenor Hungary and Magyar Telekom allegedly committed anti-competitive behaviour during the tender in form of bid rigging and information exchange; and (ii) the 800 MHz network sharing cooperation, under investigation since 2015. As of the date of these financial statements, the proceedings were ongoing, and Telenor Hungary was cooperating with the Hungarian Competition Authority to show no breach had occurred.

In January 2017, the competition agency in Slovenia launched an investigation into whether the Slovenian subsidiary Pro Plus d.o.o. is dominant and abused its dominant position when concluding carriage fee agreements with platform operators in connection with its decision to cease broadcasting on DTT. To date, there has been no development in the investigation and no determination that a breach of competition law has occurred, despite the fact that the instructional deadline for issuance of a decision has passed. No Statement of Objections, which is a legally required procedural step before any decision can be passed, was issued by the CPA. The Group believes that the possibility of financial loss as a result of this case is remote. No provision has been created with respect to the legal dispute discussed above.

E.41.2.3. Taxation

The taxation systems in the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations are relatively new and characterised by frequent changes in legislation which is subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

In the respective countries, the facts mentioned above may create tax risks that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian, Indian, Kazakh, Vietnamese, Philippine, Chinese and other countries' tax legislation, official pronouncements, and court decisions.

HC Consumer Finance Philippines, Inc., Home Credit Consumer Finance Co. Ltd. and Home Credit India Finance Private Limited is currently undergoing a tax inspection. The final results are not yet known.

E.41.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR

	31 December 2021	31 December 2020
Guarantees received	141	147
Loan commitments received	1,281	237
Value of assets received as collateral (including repos)	6,464	6,416
Programming assets	184	54
Total contingent assets	**8,070**	**6,854**

E.42. Related parties

E.42.1. Identity of related parties

The Group has a related party relationship with its associates, joint ventures (together as "equity-accounted investees") and non-consolidated subsidiaries.

Furthermore, the key management personnel of the Group and their close family members; other parties which are controlled, jointly-controlled or significantly influenced by such individuals, and the entities in which such individuals hold significant voting power are also considered related parties.

The key management personnel of the Group include members of the board of directors and the key management personnel of the Parent and its significant subsidiaries.

In 2021, the Group narrowed the definition of key management personnel of Home Credit, telecommunication and engineering businesses that newly comprises only the core personnel which are the board and the core functions (executive, finance, commercial and technical) at individual business level. The comparative remuneration figure was restated accordingly in the below paragraph (E.42.2).

E.42.2. Transactions with governing bodies and executive officers

For the year ended 31 December 2021 and 2020, key management personnel was provided with benefits as follows:

In millions of EUR, for the year ended 31 December

	2021	2020*
Board of directors of the Parent Company	0.3	0.3
Supervisory board of the Parent Company	0.06	0.06
Key executive officers	46	39

*restated

These benefits consist of fixed and variable salaries, incentive bonuses, contributions to pension and insurance plans granted by PPF Group.

E.42.3. Transactions with equity-accounted investees

During the year, the Group had the following significant arm's length transactions with the equity-accounted investees:

In millions of EUR, for the year ended 31 December

	2021	2020
Interest income	6	7
Telecommunications income	8	6
Mechanical engineering income	2	3
Media income	1	-
Net gain/(loss) on financial assets	-	3
Fee and commission income	-	1
Other income	-	1
Total revenue	**17**	**21**
Interest expense	(1)	-
Telecommunication expenses	(8)	(7)
Mechanical engineering expenses	(4)	-
Net gain/(loss) on financial assets	(11)	-
Total expenses	**(24)**	**(7)**

At the reporting date, the Group had the following balances with equity-accounted investees:

In millions of EUR

	31 December 2021	31 December 2020
Cash and cash equivalents	1	-
Investment securities and derivatives	14	11
Loans and receivables due from banks and other financial institutions	13	-
Loans due from customers (gross amounts)	113	95
Loans due from customers (loss allowances)	*(6)*	-
Trade and other receivables	1	2
Other assets	2	-
Total assets	**138**	**108**
Financial liabilities at FVTPL	(15)	-
Due to non-banks	(4)	(4)
Due to banks and other financial institutions	(18)	-
Trade and other payables	(6)	-
Contract liabilities	(1)	-
Total liabilities	**(44)**	**(4)**

E.42.4. Other related parties including key management personnel

During the year, the Group had the following significant transactions at arm’s length with other related parties:

In millions of EUR, for the year ended 31 December

	2021	2020
Interest income	13	12
Net gain/(loss) on financial assets	3	6
Other income	1	2
Total revenue	**17**	**20**
Interest expense	-	(1)
Mechanical engineering expenses	-	(2)
Other operating expenses	(5)	(12)
Net impairment losses on financial assets	(4)	-
Total expenses	**(9)**	**(15)**

At the reporting date, the Group had the following balances with other related parties:

In millions of EUR

	31 December 2021	31 December 2020
Loans due from customers (gross amounts)	226	218
Loans due from customers (loss allowances)	*(9)*	*(7)*
Trade and other receivables	2	2
Intangible assets	1	1
Total assets	**220**	**214**
Due to non-banks	(53)	(60)
Trade and other payables	(1)	-
Total liabilities	**(54)**	**(60)**

F. Significant accounting policies

F.1 Significant accounting policies

The accounting policies set out below have been applied consistently by all Group entities to all periods presented in these consolidated financial statements.

F.1.1. Foreign currency

F.1.1.1. Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction and announced by the bank authority (the "BA") for the respective country in which the entity operates. At the reporting date:

- monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date (announced by the BA);
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates (announced by the BA) prevailing at the date that the fair value was determined;
- non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate (announced by the BA) at the date of the original transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of equity investments which are recognised in other comprehensive income.

F.1.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at the exchange rates prevailing at the reporting date and announced by European Central Bank.

The income and expenses of foreign operations are translated to euro at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of with loss of control, significant influence or joint control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

F.1.2. Financial assets and liabilities

Financial assets include financial assets at FVTPL, financial assets at FVOCI and financial assets at AC.

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used the settlement date accounting. Financial instruments, with the exception of financial instruments at FVTPL, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

F.1.2.1. Business model assessment

The Group assesses the objective of the business model in which a financial asset is held either at the portfolio level, as this best reflects the way the business is managed and information is provided to management, or individually in specific cases. Apart from the portfolio's cash-flow characteristics, the information that is considered for portfolio assets includes the portfolio objectives, management strategies and operations, compensation of the managers, risks affecting the business model and evaluation of the portfolio performance. The same information is considered in the specific individual cases.

The Group differentiates between the following basic business models:

- held-to-collect business model;
- both held-to-collect and for-sale business model;
- other business models (incl. trading, managing assets on a fair value basis, maximising cash-flows through sale and other models).

F.1.2.2. Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets – e.g., non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g., periodic reset of interest rates.

All Group’s retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents any unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

F.1.2.3. Financial assets at FVTPL

Financial assets that are at initial recognition mandatorily at FVTPL are financial assets held for trading, those that are managed and whose performance is evaluated on a fair value basis, equity securities for which the irrevocable option to measure them at FVOCI was not applied, and debt securities that did not meet the SPPI criterion. Non-trading financial assets are financial assets at initial recognition designated at FVTPL.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer’s margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at FVTPL.

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value based on the market prices quoted on an active market, except for derivative instruments that are not exchange-traded and financial assets that are not quoted on an active market, which are measured based on generally accepted valuation techniques depending on the product. Gains and losses arising from changes in the fair values of financial assets at FVTPL are recognised in the income statement.

F.1.2.4. Financial assets at AC

Financial assets at AC comprise cash and cash equivalents, loans and receivables due from banks and other financial institutions, loans due from customers, trade receivables and accrued income, and certain investment debt securities.

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVTPL (held-to-collect business model):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, the Group measures these financial assets at AC less any relevant impairment. Interest revenue, determined using the effective interest method, expected credit losses and reversals, and foreign exchange gains and losses related to financial assets at AC are recognised in the income statement.

When the financial assets at AC are derecognised, the gains or losses are recognised in the income statement.

F.1.2.5. Financial assets at FVOCI

Financial assets at FVOCI comprise equity and debt securities. Both equity and debt securities, are initially measured at fair value plus eligible transaction costs.

For equity securities that are not held for trading the Group on initial recognition may irrevocably elect to present subsequent any changes in fair value in OCI. This election is made on an investment-by-investment basis.

After initial recognition, the Group measures equity securities at fair value, where any revaluation gain or loss is recognised in other comprehensive income. No expected credit losses (impairment) are recognised for equity securities. Dividends from equity securities at FVOCI are recognised in the income statement.

When equity securities at FVOCI are derecognised, under no circumstances is the cumulative gain or loss previously recognised in equity reclassified to the income statement. Instead, it is directly reclassified to retained earnings. The transaction costs incurred on disposal of equity securities at FVOCI are recognised in the income statement.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the Group measures the above debt securities at fair value. Interest revenue determined using the effective interest rate method, expected credit losses (impairment), and foreign exchange gain or loss are recognised in the income statement, whereas any other revaluation gain or loss is recognised in other comprehensive income.

When the debt securities at FVOCI are derecognised, the cumulative gain or loss previously recognised in equity is reclassified to the income statement.

For debt securities that are not held for trading, the Group on initial recognition may irrevocably elect to present a subsequent change in fair value in FVTPL if, and only if, such designation eliminates or significantly reduces a measurement or recognition inconsistency. This election is made on an investment-by-investment basis.

F.1.2.6. Trade receivables

Trade receivables, an unconditional right of the Group to receive cash or other financial asset, are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at FVTPL or at FVOCI.

Trade receivables (unless those without a significant financing component that are initially measured at the transaction price) are initially measured at fair value plus eligible transaction costs. The Group subsequently measures the trade receivables at AC less any relevant impairment.

Amounts receivable from and payable to other domestic and foreign operators related to transit are netted and settled net on a regular basis.

F.1.2.7. Cash and cash equivalents

Cash equivalents are short-term (with original maturities of three month or less from the date of acquisition), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC less any relevant impairment.

Mandatory minimum reserves as the part of balances with central banks are classified under loans and receivables due to banks.

F.1.2.8. Lease transactions

Loans and receivables include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and interest income. Recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

F.1.3. Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised separately as asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire or when its terms are modified, and the cash flows of the modified liability are substantially different. In that case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

F.1.4. Derivatives and hedge accounting

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

The Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39. Hedging derivatives are derivatives that the Group uses to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e., if, and only if, all of the following conditions are met:

- there is compliance with the Group's risk management objective and strategy in undertaking the hedge;
- at inception of the hedge there is formal designation and documentation of the hedging relationship which includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective at inception and throughout the period;
- the effectiveness of the hedge can be reliably measured; and
- changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80% to 125%.

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

- a hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or
- a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge).

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge and that proves to be highly effective in relation to hedged risk are recognised in OCI and they are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement.

On this basis, the Group hedges the interest rate risk and foreign currency risk associated with selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of the hedge is regularly tested through prospective and retrospective tests on a quarterly basis. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, the entity revokes the designation and the hedge accounting is discontinued prospectively.

Financial derivatives representing economic hedges under the Group’s risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

F.1.5. Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price (repos). Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repos continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy relevant for the appropriate business model. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is treated as interest.

F.1.6. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

F.1.7. Impairment

F.1.7.1. Non-derivative financial assets

The Group's entities recognise the loss allowance for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and receivables due from banks and other financial institutions;
- loans due from customers;
- trade receivables and accrued income;
- cash and cash equivalents;
- debt instruments at FVOCI;
- lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

No impairment loss is recognised on equity investments.

The Group measures loss allowances on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognises loss allowances at an amount equal to lifetime ECLs for a financial instrument, if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group has elected to measure loss allowances for trade and lease receivables and accrued income at an amount equal to lifetime ECLs.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets are credit-impaired (referred to as Stage 3 financial assets). The Group classifies financial asset as credit-impaired when it exceeds 90 days past due.

The Group also considers other events that can have a detrimental effect on the estimated future cash flows of the financial asset resulting in credit-impaired classification. Examples of these events are:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default; or
- probability that the borrower will enter bankruptcy or other financial reorganisation.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls - i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Inputs into measurement of ECLs

In general, the key inputs into the measurement of ECLs are probability of default (PD), loss given default (LGD) and exposure at default (EAD). Alone or together, these parameters are derived from internally developed statistical models based on own historical data or derived from available market data.

Retail

For the retail portfolio, PD and EAD are usually estimated together using statistical models (a stochastic Markov chain-based model) based on internally compiled data. Where available, market data is also used to determine the PD for large corporate counterparties where there is not enough internally available data for statistical modelling.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD and models will consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset.

For retail overdraft and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period when the Group’s ability to demand repayment and cancel the undrawn commitment does not limit the Group’s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This period is estimated considering the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and the cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

The grouping is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

As the COVID-19 pandemic was followed by the implementation of a series of measures such as national quarantines, adjustments of risk management practices (e.g. extending debt reliefs to borrowers or by specific guidance issued by governments or regulators, etc.) in countries where Home Credit subgroup (consumer lending business) operates, the Group's existing modelling techniques were not fully applicable for the calculation of ECL on some portfolios since, under the circumstances, purely statistical models can give inaccurate results, or it is not possible to calculate the results without undue cost or effort. The main reasons were lock-downs in the countries or states of emergency not allowing customers to service their obligations. Usually, a portfolio-wide delay in payments would result in a significant worsening of historical model statistics which was not realistic in this case. To ensure the overall methodology remains appropriate given the impact of COVID-19, the consumer loan portfolio was split into three parts – "COVID", "PayHol" and "non-COVID" portfolios. "COVID portfolio" was identified where a significant deterioration from the current (i.e. not overdue) delinquency bucket is observable during the first months of the crisis and additional significant pandemic waves. "PayHol portfolio" was part of portfolio where payment holidays were provided during the COVID-19 period (based on moratoria set in individual countries). The remaining portfolio fell within "non-COVID portfolio".

During 2021, after the situation caused by the COVID-19 outbreak settled down, ECL models used in the pre-COVID-19 period could be fully utilized again for almost all portfolios with few limitations only in countries where high portion of customers were provided with payment holidays under the government moratoria. In such cases ECL estimation for this part of the portfolio could be based on internal analysis of performance during and after the actual payment holidays period as the risk on this portfolio is expected to be higher compared to the estimation based on standard ECL models. Further information about approach used during the main COVID-19 period (mainly split into segments where payment holidays were provided or direct deterioration after the COVID-19 wave hit was observed) is kept for reporting purposes only.

Non-retail – individual level

For individually significant financial assets, the parameters (PD, LGD and EAD) are – separately from those used for the collective basis – derived from statistical models created on the basis of available market data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures. Models created on the basis of available market data are periodically back-tested on internal historical data.

The migration of a counterparty or exposure between credit ratings results in a change in the estimate of the associated PD.

LGD is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Group uses external comparative information to assess LGDs as it has insufficient observations and data to derive its own statistically significant LGDs based on an analysis of the Group's portfolio. For this reason, the Group bases its determination of LGD on the regulatory loss given default.

For stage 3 exposures, the Group uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flow applying scenario probability weights to measure expected credit losses.

Forward-looking information

The Group incorporates forward-looking information (FLI) based on both external and internal sources into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and – where possible – as part of the measurement of ECLs. External information used includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), commercial sources (such as Bloomberg or Thomas Reuters), and selected private sector and academic forecasters. Internal information then consists of both portfolio and vintage risk parameters and calibrated client scoring models and functions.

Retail

Depending on the availability of data and the credibility of its sources, the Group analyses historical data over the past 4 to 14 years to estimate the relationships between macro-economic variables and credit risk and credit losses. Key external drivers may include variables such as interest rates, unemployment rates, inflation rates, GDP growth rates, FX rates and other macroeconomic variables and their forecasts.

Each estimation of impact of macroeconomic forecast on provisioning (based on the latest data available from external sources) is also subject to an internal materiality threshold evaluation to avoid short-term fluctuation in provisioning volumes in cases where the impact of expected macroeconomic situation is considered not material. The materiality threshold is set up to be 2% of total provision for each respective Group Company and respective Reporting date.

Results are reviewed by the management and models are adjusted if, based on the management's opinion, the results do not fully capture the extent of recent credit or economic events.

The results are based on the latest macroeconomic forecast per country they operate in. The Group uses three scenarios with set weights for evaluation of the impact:

- base scenario – The development according to available macroeconomics forecasts.
- downside scenario – either based on worsening of the Base scenario, or based on percentile from historical development (depending on reliability of model results).
- upside scenario – either based on improving of the Base scenario, or based on percentile from historical development (depending on reliability of model results).

Scenario weights are set for each country in which the Group operates, and are set according to the latest expectations (the weight assigned to the base scenario is mostly 80%, the rest is being distributed among downside and upside scenarios) for each country based on the applicable facts and circumstances.

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under two scenarios (upside and downside) - described below for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in the measurement of the resulting ECL.

The Group simulated the impact of defaults for all retail loans in the various stages that might occur in the future under different economic scenarios. The retail loans' sensitivity analysis stated below is inclusive of management judgmental adjustments. The ECL resulting from the calculation of the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting since the scenarios are meant to be significantly less likely to occur.

As at 31 December 2021, there is no significant level of ECL sensitivity outlier as the impact of the Downside and Upside scenarios are relatively even. The scenario weighting reflects that tail scenarios are considered unlikely on the same (standardized) probability level therefore the Group's preferred solution was to use weighted scenario with standard weights 80/10/10.

As the COVID-19 impact is not fully gone and some volatility and persistent uncertainty of the future development is expected, FLI models alone may not be able to accurately predict ECL within the Group. Therefore, management uses not only the latest available forecasts for individual markets to compute FLI impacts but applies also additional overlays to the extent of the latest ECL estimates on, e.g., portfolios where payment holidays were widely provided, which are usually the main potential internal source of volatility in resulting ECL estimate. Resulting management adjustments both on Group and local level are being applied to appropriately reflect the overall ECL.

Overall impact of COVID-19 related FLI and other additional adjustments as at 31 December 2021 is EUR 124 million (31 December 2020: EUR 197 million) on retail loans.

Non-retail – individual level

For the non-retail loans the Group defines also three economic scenarios:

- the baseline economic scenario, which is the Group's main scenario and is assigned the highest weight. This scenario is defined internally according to publicly available estimates of trends in key macroeconomic variables by relevant institutions, such as Oxford Economics, the Czech National Group, the IMF, the OECD, and consensus analyst estimates published by Bloomberg and Reuters;
- optimistic economic scenario;
- pessimistic economic scenario.

The last two scenarios are less likely. The Group monitors the up-to-datedness of macroeconomic scenarios at least on a quarterly basis. The scenarios and their weights applicable as at 31 December 2021 are shown in the table below:

	Weight	2022	2023	2024
Czech Republic – GDP growth				
Baseline scenario	50%	4.2%	3.5%	2.5%
Optimistic scenario	10%	4.4%	4.6%	2.5%
Pessimistic scenario	40%	0.1%	(1.1%)	(2.1%)
World – GDP growth				
Baseline scenario	50%	4.4%	3.5%	2.8%
Optimistic scenario	10%	4.4%	3.5%	2.8%
Pessimistic scenario	40%	1.0%	0.0%	2.0%

The resulting estimated credit losses then reflect expected development of gross domestic product in the three scenarios above.

On the strength of data availability and resource credibility, the Group uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

The Group considers the change in the GDP of the Czech Republic and the change in world GDP as key variables explaining the changes in the historical probability of default. For exposures of clients who account in accordance with Czech accounting standards and whose business risk lies in the Czech Republic, the Group uses change in GDP of the Czech Republic for PD estimates. For other client's exposures, the Group uses the change in the world GDP as an explanatory variable.

In 2021, the level of expected credit losses was still affected by the COVID-19 pandemic. The amount of expected credit losses resulting from the effect of forward-looking information (i.e., from expected development of GDP) as at 31 December 2021 totalled EUR 4 million (2020: EUR 19 million) for the corporate loans, bonds, accounts and balances with banks and central banks and loans and advances to banks.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses these grades to identify significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade upon initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades and client's score are primary inputs into the determination of the probability of default (PD) development for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Group employs statistical models to analyse the collected data and generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

Group's internal credit risk grades

The Group uses internal credit risk grades for provided debt instruments and loans. The table below indicates how the Group's internal credit risk grades relate to the external long-term ratings used by Moody's rating agency:

Internal rating	External rating
Very low risk	Aaa-Aa
Low risk	A-Baa
Medium risk	Ba-B
High risk	Caa-Ca
Default	C and lower

Determining whether credit risk has significantly increased

The Group considers historical experience, expert credit assessment, forward-looking information, and other relevant reasonable and supportable information.

Retail

The criteria may vary by portfolio and include a backstop based on delinquency. As a backstop, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment – subject to materiality threshold – has not been received.

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition if since initial recognition the remaining lifetime PD is determined to have increased more than is defined for the respective exposure class.

The qualitative criteria utilized for assessment of SICR may include e.g. external data on clients ability to repay (insolvency/bankruptcy registers and similar locally available data sources), distressed restructuring/forbearance measures evidence, etc.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of the initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date of their first use could have been a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate this and if those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines and settings.

In response to the COVID-19 pandemic the Group implemented additional procedures related to SICR, where collective assessment utilizing internal or external data available on the particular market (qualitative assessments, impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.) could be used instead or together with the standard case-by-case basis described above. This holds in particular for the PayHol portfolio (for detailed information on the portfolio split refer to Notes section Inputs into measurement of ECLs above), where the actual risk behaviour is not observable and standard PD estimation cannot be utilized. The PayHol portfolio is continuously and closely monitored in the collection processes. If a client suffered short-term problems which are mitigated after the end of the payment holidays, the performance gets back to standard. If the crisis triggers long-term problems, a client usually falls into the 30DPD category and staging is applied accordingly. The COVID portfolio (significantly impacted by the crisis) is subject to SICR and lifetime ECL is utilized.

Non-retail – individual level

For individually significant financial assets, the Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the credit risk as at the reporting date; with
- the credit rist that was estimated on initial recognition of the exposure.

As for the corporate loan portfolio, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for the internal credit ratings see above)
- the receivable or part thereof is more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- the exposure has been designated as a exposure with forbearance;
- the exposure in the regime of increased monitoring (so called „pre-workout“);
- and individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

As for the debt securities and other assets, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for the internal credit ratings see above)
- the receivable or part thereof is more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

Definition of default

The Group considers a financial asset to be in default when there is available information that:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on the respective significant credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer.

The Group renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’) to maximise collection opportunities and minimise the risk of default. Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset’s credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

When a financial asset is modified, the Group assess whether this modification results in derecognition. In accordance with the Group’s policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers both qualitative (such as SPPI criterion, change in currency, change in counterparty, maturity, covenants) and quantitative (such as comparison of present values of the remaining contractual cash flows under the original terms with the contractual cash flows under the modified terms) factors.

Forbearance

Generally, forbearance is a qualitative indicator of default and credit impairment. Expectations of forbearance are relevant in assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased for the loss allowance to revert to being measured at an amount equal to 12-month ECLs.

Due to the Covid-19 pandemic, the Group introduced forbearance measures such as payment holidays for affected clients or/and other measures imposed by local governments such as different types of moratoria (both opt-in and opt-out). The Group adhered to guidance from several European/supra-national authorities (such as EBA, IASB, etc.) that forbearance measures related to Covid-19 do not automatically lead to SICR. For detailed information of SICR assessment refer to the above section Determining whether credit risk has increased significantly.

Write-offs

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (in neither its entirety nor a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may also apply enforcement activities to financial assets being written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowances for ECL in the financial statements

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at AC: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

F.1.7.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, deferred acquisition costs, the present value of future profits on acquired insurance portfolios and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets generating cash inflows from continuing use largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses are reversed only to the extent that the assets' carrying amounts do not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

F.1.8. Leases

At the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset
    - the Group has designed the asset predetermining how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, i.e., on the same line item on which it presents underlying owned assets of the same nature.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease terms and significantly affects the amount of lease liabilities and the recognised right-of-use assets.

The Group presents lease liabilities in “Trade and other payables” in the consolidated statement of financial position. For details refer to E.17.

The Group applies the exemption relating to the short-term leases for all its businesses (except for telecommunications, for which application of this exemption was assessed as not appropriate), and does not capitalise leases with lease term of 12 month or shorter (for telecommunications these short-term leases are capitalised). Regarding the leases with a low-value underlying asset the Group applies this practical expedient as well. Low-value tangible assets like copy machines (below EUR 5 thousand) are not required to capitalise. The Group has also outscoped the leased intangible assets from capitalisation, as allowed by IFRS 16. For all its businesses, the Group does not separate non-lease components and capitalises them as lease payments (except for the finance business for which the non-lease components (like cleaning and maintenance) are separated and not capitalised as lease payments).

F.1.9. Inventories

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using weighted average cost.

Trading property is a special kind of inventory comprising land and buildings constructed or acquired by the Group for future sale. Trading property is measured at the lower of cost and net realisable value.

F.1.10. Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised as profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is determined based on market prices of similar biological assets in local areas.

Agricultural produce is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

F.1.11. Assets held for sale

Assets (or disposal groups comprising assets and liabilities) expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets; these continue to be measured in accordance with the Group’s accounting policies. Impairment losses on initial classification as held for sale and any subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

F.1.12. Deferred acquisition costs of insurance contracts

Direct costs arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers’ shares of deferred acquisition costs are amortised in the same manner as the underlying asset amortisation is recorded.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income.

Deferred acquisition costs are derecognised when the related insurance contracts are either settled or disposed of.

F.1.13. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. The fair value is determined annually based on appraisals by an independent external expert or based on internal valuations in the case of projects with immaterial value.

The external valuations are always obtained from leading market experts such as Colliers International, Cushman & Wakefield or CBRE. All the valuation reports are based on a generally worldwide accepted RICS (Royal Institute of Chartered Surveyors) valuation methodology, which is one of the best methods used to obtain the fair market valuation of the given property, especially in the absence of any actual transactions. All the valuation reports produced by external experts are then subject to several rounds of discussions and challenges before the final figures are obtained and agreed.

When the Group applies internal valuations the fair value of investment property is determined using the discounted cash flow or comparable method. Such valuations require the use of judgment and assumptions about future market conditions.

Property that is being built or developed for future use as investment property is classified as investment property and recognised at fair value. In case the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets; otherwise, they are recognised as an expense.

F.1.14. Property, plant and equipment

Property, plant and equipment is stated at the purchase price or production cost, less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Property, plant and equipment include all costs directly attributable to bringing an asset to the working condition for its intended use. With respect to the construction of a network, this comprises every expenditure up to the customer premises, including the cost of contractors, material, direct labour costs and interest cost incurred during the course of construction.

The gain or loss on the disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other operating expenses in profit or loss.

Depreciation is provided on a straight-line basis using the following useful lives:

Buildings and constructions	up to 90 years
Ducts and cables	up to 45 years
Telecommunication technology and equipment	up to 35 years
Other tangible assets and equipment	up to 35 years

Component parts of an asset that have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives, and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

F.1.15. Intangible assets and goodwill

F.1.15.1. Goodwill and gain on bargain purchase

The Group accounts for all business combinations, except those determined to be reorganisations involving group companies under common control (refer to A.5) as acquisitions.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired. Gain on bargain purchase (formerly negative goodwill) arising on the acquisition is recognised immediately in the income statement.

In respect of equity-accounted investees, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

F.1.15.2. Trademarks

Trademarks that were acquired separately are initially measured at cost, while trademarks acquired through a business combination are measured at fair value. Trademarks with finite useful life are amortised on a straight-line basis over their useful life. Trademarks with infinite useful life are not amortised but they are tested for impairment annually or whenever there is an indication that the trademark may be impaired.

F.1.15.3. Present value of future profits from acquired portfolio

On the acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly or through the acquisition of an enterprise, the net present value of the shareholders' interest in the expected cash flows of the portfolio acquired is capitalised as an asset. This asset, referred to as the present value of future profits (PVFP), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and returns on investments. PVFP is recognised separately for insurance segments and for the respective companies.

The PVFP is amortised over the average effective life of the contracts acquired, using an amortisation pattern reflecting expected future profit recognition. The assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement, however the values of the assumptions are modified if it is required by the current circumstances.

F.1.15.4. In-process research and development assets

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends, and has sufficient resources, to complete development and use or sell the asset. In-process research and development (IPRD) assets consist of biotech licence deals acquired in a business combination. These assets are measured at fair value on initial recognition.

Subsequent IPRD expenditures are capitalised on the basis of technical feasibility as indefinite-lived intangible assets and remain in the balance sheet, subject to impairment, until completion. Amortisation over their useful life commences when research and development is complete. Alternatively, if the project in question is abandoned, the carrying value of the associated IPRD assets is expensed.

F.1.15.5. Other intangible assets

Other intangible assets, including software, licences and customer relationships, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Such categories of assets with finite useful lives are amortised on a straight-line basis. The estimated useful lives are as follows:

Software	up to 25 years
Trademark	indefinite/22 years
Licences	up to 20 years
Customer relationships	10-14 years
PVFP	5 years (non-life portfolio)
Other	up to 57 years

The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

As for the life and non-life portfolio, the recoverable amount of the value of the in-force business acquired is determined by conducting a liability adequacy test (LAT) on the insurance provisions, taking into account the deferred acquisition costs, if any, recognised in the statement of financial position. Any impairment losses are recognised in the income statement.

Where there is any indication that an impairment loss recognised for PVFP in prior years no longer exists, the carrying amount of PVFP is increased to its estimated recoverable amount. The increased carrying amount of PVFP due to reversal of impairment loss may not exceed the carrying amount that would be determined if no impairment loss had been recognised for PVFP in prior years, net of any amortisation accounted for in the meantime.

F.1.16. Programming assets

Programming assets consist of programming (film and television licences) rights acquired from third parties and own-produced programming rights, which together form the majority of the Group's broadcast schedules. Programming rights related to contracted rights that are not yet available for immediate broadcast are presented as off-balance sheet programming assets.

F.1.16.1. Acquired programming rights

Acquired programming rights are recognised at their acquisition cost when the Group obtains control over the right, including when it reasonably expects that the right will generate future economic benefits, which is usually when the license period begins, and the programmes are available for broadcast.

The cost incurred to acquire programming rights is allocated to individual programmes on the basis of their relative value, which is often specified in the license agreement. Acquired programming rights are recognised as current assets, while the related liability is classified as current or non-current according to the payment terms of the license agreement.

F.1.16.2. Own produced programming rights

Own-produced programming rights consist of deferred film and television costs including direct costs, production overhead and development costs. The costs are stated at the lower of cost or net realisable value. Own-produced programming rights are recognised as current assets. The own-produced programming rights are intended primarily for exploitation on the Group’s own channels and platforms.

F.1.16.3. Consumption of programming rights

The Group determines the expected number of runs and allocates the total cost of a programming right to each run based on the proportion of revenues expected to be earned for the specific run to the total expected revenues to be earned for the whole programme. The process for evaluating these revenues is tailored to the potential the Group believes a title has for generating multiple revenues. The programmes are expensed in a manner that reflects the pattern in which the benefits of the consumption of programming rights are received. Accordingly, the estimates of future advertising and other revenues, and the future broadcasting schedules have a significant impact on the value of consumption of programming rights.

When the initial airing of a programme is expected to provide more value than any subsequent airings, the Group applies an accelerated method of amortisation. These accelerated methods of amortisation are based on historical data for similar programming. For content that is expected to be aired only once, the entire cost is expensed once the content is broadcast. For programming rights which are not advertising-supported, the programme's cost is expensed on a straight-line basis over the license period.

F.1.16.4. Impairment of programming rights

Programming rights are evaluated to determine if expected revenues to be earned broadcasting a programme, less additional costs to be incurred (including exploitation costs), are not lower than the book value of the programme. If the expected revenues are lower than the carrying value of the programme, the programming rights are written down to their net realisable value by recording an impairment charge. The net realisable value is assessed on a segment portfolio basis unless specific indicators of impairment are identified for individual titles. The impairment charges are presented as a component of consumption of programming rights in net media income (refer to F.1.30).

F.1.17. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

F.1.17.1. Current tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group does not offset current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts or intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

F.1.17.2. Deferred tax

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

F.1.17.3. Tax exposure

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

F.1.18. Deposits, loans, debt securities issued and subordinated liabilities

Liabilities due to non-banks and due to banks, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits, loans, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

F.1.19. Other liabilities and provisions

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at AC, which is normally equal to their nominal or repayment value.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

F.1.20. Insurance provisions

F.1.20.1. Provisions for unearned premiums

Provisions for unearned premiums comprise the part of gross premium revenue attributable to subsequent periods, calculated separately for each insurance contract.

F.1.20.2. Life insurance provisions

Life insurance provisions comprise the actuarially estimated value of the liabilities under life insurance contracts. The provisions remain unchanged unless a liability inadequacy arises. A liability adequacy test (LAT) is performed at each reporting date by the Group's actuaries using current estimates of the future cash flows under the insurance contracts.

F.1.20.3. Provisions for outstanding claims

Provisions for outstanding claims represent the total estimated cost of settling all claims arising from events that occurred up to the reporting date, whether reported or not, less amounts already paid in respect of such claims. These provisions include claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR). Provisions for outstanding claims are not discounted for the time value of money.

F.1.20.4. Other insurance provisions

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as provisions for unexpired risks (also referred to as the premium deficiency) in non-life insurance, ageing provisions in health insurance, provisions for contractual non-discretionary bonuses in non-life business and other similar provisions.

F.1.21. Equity

F.1.21.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the paid consideration, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

F.1.21.2. Dividends

Dividends on share capital are recognised as a liability provided in the case they are declared before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

F.1.21.3. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the subsidiary's recognised net assets at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Net profit allocated to non-controlling interests is the part of the net results of the Group attributable to interests not owned, either directly or indirectly through subsidiaries, by the equity holders of the Parent Company.

Losses applicable to non-controlling interests, including negative other comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

F.1.22. Interest income and interest expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability in question, or the applicable floating rate. Interest income and interest expenses include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

F.1.23. Net fee and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or a financial liability are included in the measurement of the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, the Group first applies IFRS 9 to separate the relevant part and measure that part of the contract that is in the scope of IFRS 9 in line with IFRS 9, and then applies IFRS 15 to the residual.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers (protection service). Commission income from this insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower. The borrowers have an option to purchase the insurance service, but not obligation, while the interest rates for the borrowers are the same, no matter whether they used the option or not. The Group is not exposed to the insurance risk, which is entirely borne by the partner.

Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

Commission income from insurance is recognised in profit of loss when the performance obligation is satisfied.

The Group recognises income over the time by measuring the progress towards the complete satisfaction of performance obligation, if one of the following criteria is met:

- the Group simultaneously receive and consumes the benefits provided by group performance as the Group performs;
- the customer controls the service provided by the Group in the course of performance or;
- the Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligation completed to date;
- in other cases, the Group recognises revenue at a point in time at which a customer obtains control on the provided services.

Penalty fee income is recognised on an accrual basis or on a cash basis. It depends on the collectability of the penalty. In the case the collectability of the penalty fee is approximately same as for other loan components (e.g., its principal), the Group books penalty on an accrual basis and recognises impairment loss allowance in the same way as for other components of the loan receivable. In the case the collectability of the penalty fee is worse than for other loan components (e.g., principal), the Group books the penalty fee income on a cash basis, i.e., when it is received on the Group's accounts eventually.

F.1.24. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at FVTPL that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of trading assets and trading liabilities at fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as of the date of the consolidated financial statements.

Net gains on financial assets at FVTPL that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on the de-recognition of financial assets other than financial assets at FVTPL. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss directly recognised in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders' general meeting of the respective company.

F.1.25. Net insurance premium revenue

Net insurance premium revenue includes gross premium revenue from the direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

F.1.26. Net insurance benefits and claims

Insurance technical charges include claims (benefit) expenses, a change in technical provisions and rebates, and profit sharing. Claims expenses consist of benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

F.1.27. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, as well as indirect costs, such as advertising costs and administrative expenses. After initial recognition, the acquisition costs for non-life contracts are amortised over the expected life of the contracts.

F.1.28. Net real estate income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rent increases calculated with reference to an underlying index are recognised in income as they are determined. Rental income from investment properties is included in the net rental income, while rental income from other operating leases is included in other income.

Property operating expenses include expenses directly attributable to rental income and other expenses related to investment property.

F.1.29. Net telecommunications income

Revenue and expenses are recognised on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is being made.

The Group generates revenues through the sale of mobile and fixed telecommunication services such as voice and data services, internet services, SMS services, ICT services as well as the sale of mobile and fixed access devices. Products and services may be sold separately or in bundles. The standard length of contracts with customers that includes a bundle is 24 months.

In the case of contracts containing bundles, the Group accounts separately for specific products or services if these products or services can be separated and have added value for the customer in that stand-alone form. The total price invoiced to customers is allocated to respective products and services based on their stand-alone selling prices.

Commissions paid to agents for activation, marketing, and other activities are included in the cost of sales for the period, unless it is the cost that meets the definition of incremental costs to obtain contracts. Capitalised incremental costs to obtain contracts are amortised over the expected average period that the customer uses the service of the Company.

F.1.29.1. Mobile origination - internet and data, voice services, MMS and SMS

Revenues from mobile services include revenues from both contract and prepaid cards for the provision of telecommunication services (internet and data, voice, MMS and SMS services).

Contract service comprises a flat rate and a variable part invoiced according to the actual usage. Revenues are recognised, invoiced, and paid by customers on a monthly basis according to the actual utilisation of services with the exception of contracts containing multiple services and products where the total transaction price is allocated based on the standalone selling prices of respective performance obligations. A typical contract is for 24 months.

Revenues from prepaid cards are recognised when voice or data traffic is made, other services are provided or the card expires and the associated prepaid credit expires. Prepaid cards are paid by customers purchasing a coupon or recharging an already purchased SIM card.

Interconnection revenues arise from calls and SMSs initiated in the networks of other domestic or foreign operators but terminating in or transiting through the Group's network. These revenues are recognised in profit or loss at the time when the call or SMS is received in the Group's network. Interconnection revenues are invoiced and paid on a monthly basis. The Group pays a part of the proceeds from its customers to domestic and foreign operators whose network is used for calls initiated in the Group's network and which use the networks of other domestic or foreign operators. Receivables and payables in respect of other domestic and foreign operators are regularly offset and settled.

Other mobile revenues include, in particular, revenues from virtual operators (MVNOs) for the use of the Group's mobile network services, roaming revenues and insurance revenues. Revenues from virtual operators for usage of the Group’s mobile network and related services are recognised on a monthly basis; the price is usually set at a flat monthly rate with a variable component charged according to the actual usage of individual MVNOs. The services are invoiced to and paid by MVNOs on a monthly basis. Roaming revenues are revenues from foreign partner operators for their customers’ usage of the Group's mobile network. The services are invoiced and paid on a monthly basis according to the actual usage. As a rule, agreed volume discounts are calculated annually, for which estimates are created by the Group on a monthly basis. Revenues are recognised on a monthly basis. Revenues from insurance include revenues from insurance of mobile devices and travel insurance sold to the Group's customers. The service is invoiced and paid by customers on a monthly basis, which is in line with the recognition of relevant revenues. Customers have the option to terminate this service at any time without penalty.

F.1.29.2. Fixed services – voice, internet, data and television

Revenues from fixed telecommunication services include revenues from internet connectivity, data, TV, and fixed voice services. The services are offered at a flat monthly rate with the option to purchase additional services, or with variable invoicing according to the actual usage.

Revenues are recognised, invoiced, and paid by customers monthly. Currently, a typical contract duration is either 12 or 24 months.

Information and communication technology (ICT) services include complex customer solutions and managed services, mainly system integration, outsourcing services, project solutions and software development. Revenue recognition of such services reflects the substance of the service provided. Generally, it relates to services which are invoiced and paid by customers on a monthly basis, for a period of at least of 24 months. Revenue from fixed price construction contracts (long-term contracts) is recognised using the percentage of completion method, measured by reference to the percentage of the actual costs incurred to date to the estimated total costs of the contract. A loss expected from the construction contract is immediately recognised as an expense, when it is probable that total contract costs will exceed total contract revenue.

F.1.29.3. Equipment sales and sale of other goods

Revenues from the sale of equipment and other goods are recognised at the time of the sale, i.e. at the time the goods were handed over to the distributor or the final customer, which usually occurs when the contract is signed. Where equipment is subsidised and sold together with the services as a bundle, revenue from the subsidised equipment is recognised at the point of sale at a value determined using the stand-alone selling prices of services and products within the bundle.

Mobile devices and fixed access equipment can be paid for in full by the customer when sold or they can be sold on an instalment basis, with the contracts being signed for period from 12 to 48 months. Sale of equipment on instalment basis can contain significant financing component, which is presented as telecommunications income and recognised as revenues transferred over time.

F.1.29.4. Gross and net revenue recognition

Revenues within the network sharing project are recognised at net value, because mutually provided services within the project are of similar nature and value. Net revenues are generated from provision of premium SMS, audiotex or other services.

F.1.29.5. International transit

Revenue from transit represents the service of routing and termination of mostly international voice traffic of international operators utilising points of presence outside of the Czech Republic. The revenue is calculated by valuation of the incoming and outgoing minutes based on the measurement of monthly traffic.

F.1.29.6. Other wholesale revenues

Other wholesale revenues include but are not limited to revenues from the granting of the right to use the optical fibre (dark fibre); revenues are accrued at the time of signing of the contract and recognised as revenue on straight-line basis over the contract term. Revenue from housing represents data centre services; the revenue occurs continuously in accordance with the invoicing.

F.1.30. Net media income

Media revenues include television advertising revenues, carriage fees and subscription and other revenues.

F.1.30.1. Television advertising revenues

Television advertising revenues primarily result from the sale of advertising time. Television advertising revenues are earned as the commercials are aired. In some of the Group's operating territories, the Group has committed to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded based on a charge per gross rating point (GRP) ordered during the month, net of estimated shortfalls. Discounts and agency commissions on television advertising revenue are recognised on a monthly basis and are reflected as a reduction of gross revenue.

F.1.30.2. Carriage fees

Carriage fees include revenues from cable operators and direct-to-home broadcasters. Revenues from cable operators and direct-to-home broadcasters are recognised as revenue over the period for which the channels are provided and to which the fees relate. This fee revenue is generally based on the number of subscribers to offerings from these operators and broadcasters that include the Group’s channels. The impacts of future changes in subscriber levels are recognised when they occur, as estimates of future subscribers are constrained.

F.1.30.3. Subscription revenues

Subscription revenues include fees from subscribers for access to Voyo, the Group’s platform. Revenues from subscriptions to the streaming services are recognised over the period of the subscription.

Other media revenues primarily include revenues from internet display advertising, as well as revenues from the licensing of the Group’s media content.

Media revenue streams involve significant judgment with respect to the discounts and agency commissions provided to certain customers based on the amount of advertising purchased. Such discounts are based on estimates of the total amount expected to be earned and reduce revenue based on the systematic and rational allocation of the cost of honouring the discounts earned and claimed on each of the underlying revenue transactions that result in a customer’s progress towards earning a discount.

Costs related to the media business include programming costs (consumption of programming rights, refer to F.1.16.), salaries and staff related expenses, royalties, external services and other operating costs.

F.1.31. Net mechanical engineering income

Revenues from mechanical engineering business, shown net of value added tax, comprise revenues from goods for resale, services rendered and revenues from mechanical engineering construction contracts (finished goods).

Revenues from goods for resale representing notably new rail vehicles and spare parts are recognised at a point in time, when the customer obtains control of the goods and to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The customer obtains control when the goods are delivered and accepted by the customer. Any relevant costs are recognised at the same time as the revenues.

For sales with multiple components in one contract, the Group determines whether the contract contains more than one transactions, performance obligations. Once certain criteria are met, for example the good brings benefit to the customer on its own, the Group applies recognition criteria for the distinct identifiable components in order to reflect the substance of the transaction. For the revenue recognition, two or more transactions can be analysed together, if it is not possible to understand their commercial substance without consideration of series of transactions as a whole, i.e. the unique transaction is not distinct within the context of the contract.

Revenues from services rendered and related costs are recognised at the moment the services are provided. For the long-term service contracts, the revenues and the associated costs are recognised over time based on the percentage of completion method.

F.1.31.1. *Revenues from mechanical engineering construction contracts*

Finished goods in mechanical engineering business represent specialised assets built to a customer’s specifications. If a contract for these goods is terminated by the customer, the Group is, under usual contract terms, entitled to reimbursement of the costs incurred to date, including reasonable margin. Therefore, revenues from these contracts and the associated costs are recognised over time, i.e. before the goods are delivered to the customer’s premises.

For the consolidation purposes (intercompany sales and purchases eliminations), the contract revenues and the associated costs are aggregated to the project level by the Group. The percentage of completion and related revenues and losses recognition is re-evaluated at the Group level.

F.1.32. Net toll operations income

Net toll operations income comprises sales of goods, representing the delivery of the toll collection system and on-board-units, sales of services comprising revenues from operating the toll collection and maintenance of the system, and related cost of sales.

Revenues from services are recognised over time according to time elapsed. Revenues from the sale of assets are recognised at a point in time.

Cost of sales include primarily the cost of the delivered toll collection system and on-board-units, expenses related to operating of the system and collection, and other services.

F.1.33. Net leisure income

Net leisure income consists mainly of yacht chartering services and sale of boats.

Revenue from yacht chartering services includes charter income and agency fees. Revenue from charters is recognised at return date, whereas agency fees are recognised at departure date when the services are realised. These revenues are recognised on an over time basis, in the accounting year in which the services are rendered (by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided).

Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed price.

Sale of boats revenue is recognised at a point in time when control of the goods has been transferred to the customer. This is generally when the goods are delivered to the customer.

Costs related to leisure business comprise direct costs relating to charter services, rental of boats, commissions to brokers and costs attributable to yacht sales.

F.1.34. Net agriculture income

Net agriculture income comprises sales of agricultural produce, related cost of sales, other revenue from services provided in agriculture, and any change in the fair value of biological assets.

Sales of goods are presented net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Cost of goods includes:

- the value of agricultural inventories expensed in the period when the revenue from sales is recognised; these inventories are accounted for on a first-in, first-out basis;
- personnel expenses;
- depreciation of property, plant and equipment used in the agricultural production and amortisation of land lease rights; and
- other expenses such as repairs, utilities, agricultural services and other services.

F.1.35. Personnel and other operating expenses

Personnel and other operating expenses generally include expenses relating to the running of the Group. These include personnel expenses, office rental expenses and other operating expenses. Staff costs include employees’ salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, other operating expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

F.1.36. Pensions and similar employee benefits

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group’s employees. A regular contribution linked to employees’ salaries is made by the Group to the governments to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

The Group also has obligations from defined benefit plans representing post-employment benefit plans that are other than defined contribution plans. The Group’s net obligation in respect of the defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees earned in the current and prior periods. The resulting amount is discounted to determine its present value. The Group recognises all actuarial gains and losses under the defined benefit plans in other comprehensive income.

The Group recognises employee bonuses related to the given accounting period in accordance with the expectations of achievement of the targets of the Group, which take into consideration key performance indicators such as turnover or free cash flow after adjustments. The Group recognises a provision where the Group is contractually obliged to grant bonuses or where there is a past practice that has created a constructive obligation.

Employees whose employment was terminated due to statutory reasons are entitled to redundancy and severance payment. The Group recognises a provision for redundancy and severance payments when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without an opt-out possibility. Severance payments falling due more than 12 months after the balance sheet date are discounted to their present value. The Group presently has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

F.1.37. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of the operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
- or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is restated as if the operation had been discontinued from the start of the comparative period.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2021

F.2.1. Changes in accounting policies

Change in the definition of cash and cash equivalents

The Group, to better reflect the nature of these items and to improve their presentation in the consolidated statement of financial position, consolidated statement of cash-flows and the relevant disclosures, changed its definition of cash and cash equivalents with an effective date for the accounting periods beginning on and after 1 January 2021. The change in the definition only represents prolonging of the investments' original maturity from one month or less to three months or less. Thus, the currently applicable definition of cash and cash equivalents (with the reference to F.1.2.7 in these consolidated financial statements) is as follows:

Cash equivalents are short-term (with original maturities of three months or less from the date of acquisition), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC less any relevant impairment.

Mandatory minimum reserves as the part of balances with central banks are classified under loans and receivables due to banks.

Had this new definition applied before 1 January 2021, the above change would have retrospectively increased the balance of cash and cash equivalents as at 31 December 2020 by EUR 12 million (current accounts) at the expense of the balance of loans and receivables due from banks and other financial institutions. The management concluded that the impact on these consolidated financial statements is immaterial and, therefore, the relevant comparative figures were not restated.

F.2.2. New effective requirements

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

Change in basis for determining cash flows
The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting
The amendments provide exceptions to the hedge accounting requirements in the following areas.

- The designation of a hedging relationship may be amended to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

These amendments were endorsed by the EU and had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

F.3. Standards, interpretations and amendments to published standards that are not yet effective but relevant for the Group's consolidated financial statements

A number of new standards, amendments to standards, and interpretations were not yet effective as of 31 December 2021 and have not been applied in the preparation of the consolidated financial statements. Of these pronouncements, the following will have a potential impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective from 1 April 2021)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 Leases defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)".

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendment has been adopted by the EU and is effective for annual reporting periods beginning on or after 1 April 2021.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 (effective from 1 January 2022)

These amendments and annual improvements, in general, bring some clarifications in the standards on various guidance and update some references.

These amendments have been adopted by the EU and is effective for annual reporting periods beginning on or after 1 January 2022.

The Group does not expect these amendments to have a significant impact on its consolidated financial statements.

IFRS 17 Insurance Contracts (effective from 1 January 2023)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with issued discretionary participation features. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for the users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 has been adopted by the EU and is effective for annual reporting periods beginning on or after 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective from 1 January 2023)

Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

These amendments have been already endorsed by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective from 1 January 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

These amendments have been already endorsed by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current (effective from 1 January 2023)

These amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of the recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

The amendments further clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer the settlement of a liability; and make clear that the settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

These amendments have not been adopted by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from 1 January 2023)

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The typical areas impacted are deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

These amendments have not been adopted by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IFRS 17: Initial application of IFRS 17 and IFRS 9 – Comparative information (effective from 1 January 2023)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

These amendments have not yet been adopted by the EU and the Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

G. Subsequent events

G.1. Conflict in Ukraine

At the end of February 2022, the CIS region (a range of entities wider than Home Credit’s CIS cluster in Section D.1.1) became subject to the ongoing conflict in Ukraine with both local and global implications. The US, UK, EU, and other countries and regions imposed concurrent sanctions against Russia, and certain Russian entities and individuals, disrupting financial markets and leading to uncertainties for the global economy. At the same time, Russia has undertaken numerous counter sanctions and measures which could impact the Group’s business. The full financial impact of the sanctions and counter sanctions and their economic effects are currently difficult to fully quantify. The Group is committed to fully comply with the applicable sanction regulations.

The Group has significant business exposure in the CIS region comprising Russian and Kazakh entities. The following table summarises the net assets value of individual business segments as at 31 December 2021:

In billions of EUR, as at 31 December 2021

	Assets	Liabilities	Equity
Home Credit and Finance Bank	3.6	2.7	0.9
Bank Home Credit*	0.9	0.7	0.2
Russian real estate projects	1.5	1.0	0.5
PPF Life Insurance	0.2	0.2	0.0
Polymetal (15.8 million shares, 3.3% FVOCI stake)	0.2	n/a	0.2
RAV Agro	0.03	0.02	0.01

*subsidiary of Home Credit and Finance Bank

All the Russian businesses are self-funded and fully independent from the Group except for four Russian real estate projects with intragroup financing amounting to EUR 94 million as at 31 December 2021. By the date of these consolidated financial statements, the Group had entered into agreements for the sale of RAV Agro Group, Home Credit and Finance Bank and several Russian real estate projects. For the existing businesses and projects, the financial impact on the Group will depend on how financial markets and the foreign exchange market settle, as well as the macroeconomic impact on the local economies where the Group operates. Finally, the impact on the Russian business does not trigger re-assessment of the Group's going concern assumption

G.2. Purchase of RTL Hrvatska

On 14 February 2022, CME Media Enterprises B.V. agreed with RTL Group Central & Eastern Europe GmbH to acquire 100% of RTL Hrvatska d.o.o. for EUR 50 million. As part of the transaction, CME Media Enterprises B.V. has secured the long-term rights to retain the use of the RTL brand in Croatia. The transaction was subject to the customary closing conditions and was executed in June 2022. Hence, the purchase price allocation process has not started.

G.3. *Sale of real estate projects in Russia*

In March 2022, the Group sold several projects located in Russia, comprising mainly land plots. As at 31 December 2021, these projects owned by the Group's Russian entities represented investment properties totalling EUR 127 million. The expected loss from these transactions amounts to approx. EUR 31 million. The proceeds will be received within 5 years.

G.4. Consolidation of toll service in Czech Republic and Slovakia

In March 2022, the Group announced its intention to consolidate its four technology companies from the Czech Republic and Slovakia under one group. The newly established ITIS Holding will become the 100% owner of the operators of CzechToll and SkyToll electronic toll systems, the technology company TollNet, and the supplier of payment solutions for carriers, PaySystem. The transaction is subject to an assessment by the antimonopoly offices in the Czech Republic and Slovakia. The Group is currently the sole shareholder of Czech Toll, the operator of a satellite toll system in the Czech Republic since 1 December 2019. The new holding will be classified as a joint venture of two shareholders.

G.5. Sale of Russian agriculture business

In April 2022, the Group sold its 100 % share in Russian entities representing RAV Agro group, an agriculture business located in the Voronezh region. The total consideration amounted to approx. EUR 50 million.

G.6. Sale of Home Credit and Finance Bank

On 17 May 2022, the Group announced an agreement to sell 100% of its Russian assets to a group of Russian private individual investors. The Russian assets are all part of the CIS operating segment and include (i) Home Credit and Finance Bank LLC ("HCFB") (a parent company of Kazakh Subsidiary Bank Joint-Stock Company "Home Credit and Finance Bank" ("HC KZ")); (ii) Home Credit Insurance LLC, (iii) MCC Kupi ne kopi LLC; (iv) Forward Leasing LLC; and (v) Vsegda Da LLC.

The divestment of Russian assets will be executed in two phases:

- Phase 1 - Sale of (a) 50.5% in HCFB, Home Credit Insurance LLC, MCC Kopi ne kopi LLC, and (b) 100% in Vsegda Da LLC and Forward Leasing LLC for the total purchase price of approximately RUB 26.4 billion. Upon the completion of this phase, Home Credit N.V. will cease to control these Russian operations.

- Phase 2 - Forward sale of the remaining shares in the respective Russian companies to be completed by November 2023 at the latest for a purchase price amounting to RUB 16.4 billion. Both the seller and the purchaser have the right under some condition to accelerate the purchase price payment in exchange for a reduction of the purchase price to RUB 11.1 billion.

At the date of these financial statements, it is impossible to derive the exact financial effect of the above transaction due to the significant fluctuation of the rouble FX rate against the euro and the uncertain timing and amount of Phase 2 of the transaction. When using rouble/euro FX rate as at 31 May 2022 (derived from publicly available information issued by the Czech National Bank) the expected sale price for both phases amounts to EUR 0.6 billion. The expected negative financial impact from the sale of the Russian business will then range between EUR 0.5 - 0.6 billion.

In parallel with the above divestment of Russian assets, HCFB sold its 75% shareholding in HC KZ to private individuals identified as related parties of PPF Group. PPF Financial Holdings, a.s. provided these individuals with financing for the acquisition of HC KZ shares and granted a put option for sale of their shares in HC KZ. As the outcome of this transaction PPF Group still controls HC KZ.

In addition, HCFB granted a call option on the remaining 25% shareholding in HC KZ to parties related to PPF. The call option may be executed at any time before May 2025.

Some of the above stated transactions are subject to regulatory approvals.

G.7. Termination of the transaction with MONETA

On 31 May 2022, the Group announced that it signed an agreement with MONETA to terminate the process of combining the assets of the Air Bank Group with MONETA. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger as laid out in the framework agreement signed by the two parties in 2021.

At that moment, the Air Bank Group ceased to meet the definition of a disposal group held for sale and a discontinued operation. This event is classified as non-adjusting event on the current reporting period. Refer to section B.2.2.3 for more details on the termination and accounting impact.

With a 29.94% stake, the Group remains MONETA’s largest shareholder.

The Group has evaluated subsequent events after the balance sheet date and determined that there have been no other events that have occurred that would require additional disclosures to these consolidated financial statements except for those described in sections B.3.3-5. The Group also concluded that the impact of the conflict on the Russian business ultimately does not affect the application of the Group’s going concern assumption.

PPF GROUP N.V.

Company financial statements for the year ended
31 December 2021

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Company statement of financial position

Presented before appropriation of profit:

In millions of EUR

	Note	31 December 2021	31 December 2020
FIXED ASSETS			
Financial fixed assets	A1	7,193	6,460
Total fixed assets		**7,193**	**6,460**
CURRENT ASSETS			
Trade receivables and other assets	A2	957	983
Cash and cash equivalents	A3	496	629
Total current assets		**1,453**	**1,612**
TOTAL ASSETS		**8,646**	**8,072**
SHAREHOLDER´S EQUITY			
Issued share capital		1	1
Share premium		677	677
Legal and statutory reserves		(44)	(553)
Revaluation reserve		577	562
Other reserves		7,082	7,477
Unappropriated results		239	(249)
Total equity	A4	**8,532**	**7,915**
NON-CURRENT LIABILITIES		**6**	**21**
CURRENT LIABILITIES	A5	**108**	**136**
TOTAL EQUITY AND LIABILITIES		**8,646**	**8,072**

The notes on pages 204 to 212 are an integral part of these company financial statements.

Company statement of income

Presented in condensed version applying art. 2:402 BW of the Dutch Civil Code, before appropriation of profit:

For the year ended 31 December

In millions of EUR

	2021	2020
Result of group companies after taxation	257	(226)
Other results after taxation	(18)	(23)
NET PROFIT/(LOSS) FOR THE PERIOD	**239**	**(249)**

The notes on pages 204 to 212 are an integral part of these company financial statements.

GENERAL INFORMATION

These company financial statements of PPF Group N.V. (the "Company") should be read in conjunction with the consolidated financial statements.

Identification

PPF Group N.V. was incorporated on 29 December 1994. The objectives of the Company are to manage, finance and participate in other companies.

Basis for preparation

These company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of results for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code (DCC). This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated IFRS-EU financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In the case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, these company financial statements should be read in conjunction with the consolidated financial statements.

Participating interests in group companies

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the separate financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. This relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

Results from participating interests

The result from participating interest consists of the share of the Company on the result of the participating interests. Unrealised results from transactions with transfer of assets and liabilities between the Company and its participating interests and among participating interests are not recorded.

The Company's board of directors authorised these company financial statements for issue on 13 June 2022.

Currency

All amounts are stated in euros (EUR) and rounded to the nearest million, unless stated otherwise.

Going concern

These company financial statements have been prepared on the basis of the going concern assumption as described in section A.3 of the notes to the consolidated financial statements for the year ended 31 December 2021.

Corporate income tax

The Company is the head of the fiscal unity. The Company recognises the portion of corporate income tax that it would owe as an independent tax payer, taking into account the allocation of the advantages of the fiscal unity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A.1 Financial fixed assets

In millions of EUR

	31 December 2021	31 December 2020
Participating interests in group companies	7,051	6,371
Other securities	142	89
Total financial fixed assets	**7,193**	**6,460**

Movements in financial fixed assets were as follows:

In millions of EUR, for the year ended 31 December 2021

2021	Participating interests in group companies	Other securities	**Total**
Balance as at 1 January 2021:			
Cost of acquisition	5,766	89	5,855
Accumulated revaluations	605	-	605
Carrying amount	**6,371**	**89**	**6,460**
Changes during the financial year:			
Investments into participating interests	1,708	157	1,865
Divestments of participating interests	(1,246)	(104)	(1,350)
Share in result of participating interests	257	-	257
Dividends received from participating interests	(418)	-	(418)
Other movements in shareholder's equity	379	-	379
Total changes	**680**	**53**	**733**
Balance as at 31 December 2021			
Cost of acquisition	6,228	142	6,370
Accumulated revaluations	823	-	823
Carrying amount	**7,051**	**142**	**7,193**

A.2 Trade receivables and other assets

The trade receivables and other assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Loans due from group companies	557	742
Loans due from 3rd parties	251	235
Trade receivables	-	3
Other assets	149	3
Total trade receivables and other assets	**957**	**983**

Loans provided (representing both from group companies and 3rd parties in this section) presented in the above table are in Stage 1 except for one loan to a 3rd party with its gross amount (incl. accrued interest) of EUR 118 million (2020: EUR 108 million) being in Stage 3, as the counterparty has been in default with this loan. The Company made a thorough assessment on the recoverability of the loan considering all currently known information, the quality of the personal guarantee collateralising the loan, steps the Company has already made towards the counterparty, considered various scenarios, their probabilities and related financial outcomes weighted by the probabilities. As a result of this thorough assessment, expected credit loss allowance totalling EUR 59 million was recognised in 2021 (2020: nil), as it reflects the gradual development of the probability-weighted scenarios for the actions taken by the Company against the counterparty. The Company continues to closely monitor this loan. The loan is presented under loans due from 3rd parties.

As at 31 December 2021, loans provided of EUR 808 million include a non-current part of EUR 342 million. As at 31 December 2020, loans provided of EUR 977 million included a non-current part of EUR 374 million.

As at 31 December 2021, other assets comprised an uncollected funds distribution receivable of EUR 146 million from one of the Company's subsidiaries (2020: nil). This receivable was collected in full in April 2022.

A.3 Cash and cash equivalents

As at 31 December 2021, cash and cash equivalents represented by balances on bank accounts and short-term deposits totalled EUR 496 million (2020: EUR 629 million). The availability of cash and cash equivalents bears no restrictions.

A.4 Shareholder´s equity (Capital and reserves)

Reconciliation of movements in capital and reserves

The following tables show the roll-forward of shareholders' equity:

In millions of EUR

	Issued share capital	Share premium	Legal and statutory reserves	Revaluation reserve	Other reserves	Unappropriated results	Total
Balance as at 1 January 2021	**1**	**677**	**(553)**	**562**	**7,477**	**(249)**	**7,915**
Changes in financial year 2021:							
Net result	-	-	-	-	-	239	239
Currency translation differences	-	-	402	-	-	-	402
FVOCI revaluation gains/(losses) taken to equity	-	-	(110)	-	-	-	(110)
FVOCI revaluation (gains)/losses transferred to statement of income	-	-	(2)	-	-	-	(2)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	(22)	-	22	-	-
Effect of hedge accounting	-	-	37	-	-	-	37
Net change in fair value of CF hedges transferred to statement of income	-	-	(2)	-	-	-	(2)
Effect of movement in equity of equity-accounted investees	-	-	268	-	-	-	268
Disposal and deconsolidation of subsidiaries	-	-	2	-	-	-	2
Tax on items taken directly to or transferred from equity	-	-	1	-	-	-	1
Transfer from Unappropriated result	-	-	-	-	(249)	249	-
Net allocation to/(from) legal and statutory reserves	-	-	(54)	-	54	-	-
Allocation of revaluation of Investment property	-	-	-	31	(31)	-	-
Investment property sold	-	-	-	(16)	16	-	-
Acquisition and sale of share (from)/to NCI	-	-	-	-	(184)	-	(184)
Other	-	-	(11)	-	(23)	-	(34)
Balance as at 31 December 2021	**1**	**677**	**(44)**	**577**	**7,082**	**239**	**8,532**

In millions of EUR

	Issued share capital	Share premium	Legal and statutory reserves	Revaluation reserve	Other reserves	Unappropriated results	Total
Balance as at 1 January 2020	**1**	**677**	**115**	**486**	**6,583**	**935**	**8,797**
Changes in financial year 2020:							
Net result	-	-	-	-	-	(249)	(249)
Currency translation differences	-	-	(572)	-	-	-	(572)
FVOCI revaluation gains/(losses) taken to equity	-	-	70	-	-	-	70
FVOCI revaluation (gains)/losses transferred to statement of income	-	-	(11)	-	-	-	(11)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	(102)	-	102	-	-
Effect of hedge accounting	-	-	1	-	-	-	1
Net change in fair value of CF hedges transferred to statement of income	-	-	(3)	-	-	-	(3)
Effect of movement in equity of equity-accounted investees	-	-	(68)	-	-	-	(68)
Disposal and deconsolidation of subsidiaries	-	-	10	-	-	-	10
Tax on items taken directly to or transferred from equity	-	-	1	-	-	-	1
Transfer from Unappropriated result	-	-	-	-	935	(935)	-
Net allocation to legal statutory reserves	-	-	6	-	(6)	-	-
Allocation of revaluation of investment property	-	-	-	76	(76)	-	-
Dividends and other distributions	-	-	-	-	(30)	-	(30)
Other	-	-	-	-	(31)	-	(31)
Balance as at 31 December 2020	**1**	**677**	**(553)**	**562**	**7,477**	**(249)**	**7,915**

Dividends

In 2021, PPF Group N.V. did not make any distributions to its shareholders (2020: EUR 30 million).

Issued capital and share premium

The issued capital represents capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by a shareholder resolution. The following table provides details of authorised and issued shares:

	31 December 2021	31 December 2020
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	62,401	62,401
Par value per share	EUR 10	EUR 10

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Share premium representing the excess received by the Company over the par value of its shares. As at 31 December 2021, share premium amounted to EUR 677 million (2020: EUR 677 million).

Company equity and related reserves

The total amount of equity in the company financial statements equals equity "attributable to the owners of the Parent" in the consolidated financial statements. Certain components within equity are different, as a result of the following presentation differences between the Company accounts and consolidated accounts:

Legal and statutory reserves

Legal and statutory reserves comprise non-distributable retained earnings reserves of group companies, foreign currency translation on consolidated group companies presented as translation reserve in the consolidated accounts, revaluation of debt and equity securities measured at fair value through other comprehensive income presented as revaluation reserve in the consolidated accounts, and hedging reserve from consolidated group companies presented as hedging reserve in the consolidated accounts.

Revaluation reserve

Revaluations on investment property recognised in income and consequently presented in retained earnings in the consolidated accounts, is presented in the other reserves in the Company accounts.

Other reserves

Other reserves represent retained earnings, including a part related to PPF Financial Holdings a.s. (before its redomiciliation PPF Financial Holdings B.V.), which is subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council. Hence, this part is distributable only to the extent that this regulated subgroup fulfils the regulatory minimum capital requirements.

There was appropriation of profit of 2020. Appropriation of profit of 2021 is still a subject to proposal by shareholders by the day of issue of these company financial statements.

Reconciliation of shareholders’ equity and net result per the consolidated financial statements with shareholders’ equity and net result per the company financial statements:

In millions of EUR

	31 December 2021	31 December 2020
Individual balance of equity	8,532	7,915
Non-controlling interests:		
BLUE SEA HOLDING Srl	19	-
Home Credit Group B.V.	144	155
Home Credit Indonesia PT.	10	8
O2 Czech Republic a.s.	56	100
PPF banka a.s.	48	43
PPF Biotech B.V. _(formerly PPF Capital Partners Fund B.V.)_	2	7
Škoda B.V. _(formerly PPF IndustryCo B.V.)_	60	33
Sotio N.V.	-	2
TV Bidco B.V.	(5)	(5)
TMT Hungary B.V.	132	145
TMT Hungary Infra B.V.	72	71
Velthemia Ltd.	54	42
Other (mainly real estate projects)	4	1
Total consolidated equity	**9,128**	**8,517**

In millions of EUR, for the period ended 31 December

	2021	2020
Group’s net profit/(loss) attributable to owners of the Parent	239	(249)
Net profit/(loss) attributable to non-controlling interests:		
Home Credit Indonesia PT	1	(3)
Home Credit Group B.V.	(27)	(49)
Home Credit US, LLC	-	(29)
O2 Czech Republic a.s.	25	28
PPF banka, a.s.	5	3
Škoda B.V. _(formerly PPF IndustryCo B.V.)_	4	(6)
Sotio N.V.	-	(8)
Velthemia Ltd.	9	2
TMT Hungary B.V.	10	14
TMT Hungary Infra B.V.	14	6
Other (mainly real estate projects)	(6)	-
Group’s net profit/(loss)	**274**	**(291)**

A.5 Current liabilities

The category comprises the following:

In millions of EUR

	31 December 2021	31 December 2020
Loans from group companies	103	133
Other	5	3
Total current liabilities	**108**	**136**

A.6 Audit and related services

PPF Group N.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

In thousands of EUR, for the year ended 31 December

	2021 KPMG Netherlands	2020 KPMG Netherlands	2021 Other KPMG	2020 Other KPMG
Audit of financial statements	2,644	1,773	3,719	3,267
Other audit engagements	919	736	594	689
Tax advisory	-	5	437	313
Other non-audit services	526	337	516	298
Total expenses	**4,089**	**2,851**	**5,266**	**4,567**

The fees for audit and the related services are recognised in the period in which the services are performed.

A.7 Financial instruments

The Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk

Information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital, is included in notes to the consolidated financial statements.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital also apply to the company financial statements of the Company.

Fair value

Fair values of most of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents, and current liabilities, are close to their carrying amounts. Non-current liabilities are measured at their fair value- through profit or loss. For details on fair value principles, refer to Note C.7 of the consolidated financial statements.

A.8 Share in results from participating interests

For the year ended 31 December 2021, a profit of EUR 325 million represents a profit of group companies excluding a loss of EUR 68 million incurred by associates and joint-ventures within PPF Group N.V. group. For the year ended 31 December 2020, a loss of EUR 296 million represents a loss of group companies excluding a profit of EUR 70 million generated by associates and joint-ventures within PPF Group N.V. group.

A.9 Related parties

For details of the related party transactions of the Company, refer to Note E.42 of the consolidated financial statements.

A.10 Transactions with key management personnel

For details of transactions with key management personnel, refer to Note E.42.4 of the consolidated financial statements.

A.11 Subsequent events

For subsequent events, refer to Section G of the consolidated financial statements of PPF Group N.V. for the year ended 31 December 2021.

13 June 2022

Board of directors:	Supervisory board:
Aleš Minx _Chairman of the board of directors_	Kamil Ziegler _Chairman of the supervisory board_
Rudolf Bosveld _Member of the board of directors_	Zuzana Prokopcová _Member of the supervisory board_
Jan Cornelis Jansen _Member of the board of directors_	Lubomír Král _Member of the supervisory board_

OTHER INFORMATION

Contents:

Provisions in the Articles of Association governing the profit appropriation

Profits and distribution are specified in Article 21 of the Company's articles of associations.

The allocation of profits accrued in a financial year shall be determined by the general meeting. The distribution of profits shall be made after the adoption of the annual accounts if permissible under the law, given the contents of the annual accounts. The general meeting may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company. Distributions may be made only up to an amount not exceeding distributable equity. If concerning an interim distribution, compliance with the requirement must be evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 Subsection 4, of the Dutch Civil Code.

Offices

The main statutory offices of the Company are in the Netherlands, the Czech Republic, Cyprus, Russia and other Eastern European countries. For details in this respect, please refer to Section B.1 of the consolidated statements.

Independent auditor's report

To: the General Meeting and the Supervisory Board of PPF Group N.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of PPF Group N.V., based in Amsterdam.

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2021 and of its result and its cash flows for the year 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and

— the accompanying separate financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2021 and of its result for the year 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2021;

2 the following consolidated statements for the year 2021: the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

1 the company statement of financial position as at 31 December 2021;

2 the company income statement for the year 2021; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of PPF Group N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company’s financial reporting process.

KPMG

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

— concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 13 June 2022

KPMG Accountants N.V.

M.L.M. Kesselaer RA