



30
YEARS
well invested

Annual Report 2021

WOOD & Company Financial Services, a.s.

CONTENTS

REPORT OF THE BOARD OF DIRECTORS	3
COMPANY OVERVIEW	6
Key indicators for 2021:.....	6
Scope of business.....	6
STATUTORY BODY AND SUPERVISORY BOARD	7
ORGANIZATIONAL STRUCTURE OF THE COMPANY	9
COMPANY PROFILE	9
Research and development costs	9
Branches.....	10
Environmental protection and labor law relations	10
Acquisition of treasury shares	10
Risk management.....	10
Information on the contribution to the Guarantee Fund.....	13
Subsequent events.....	13
REPORT ON RELATIONS BETWEEN RELATED PARTIES PURSUANT TO SECTION 82 OF ACT NO. 90/2012 COLL., ON BUSINESS COMPANIES AND COOPERATIVES	14
INDEPENDENT AUDITOR’S REPORT – WOOD & COMPANY FINANCIAL SERVICES, A.S.	21
FINANCIAL STATEMENTS – WOOD & COMPANY FINANCIAL SERVICES, A.S.	25

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of WOOD & Company Financial Services, a.s. (hereinafter referred to as the "Company" or "WOOD & Company") submits the accompanying Report of the Board of Directors on business activities for 2021.

Company introduction

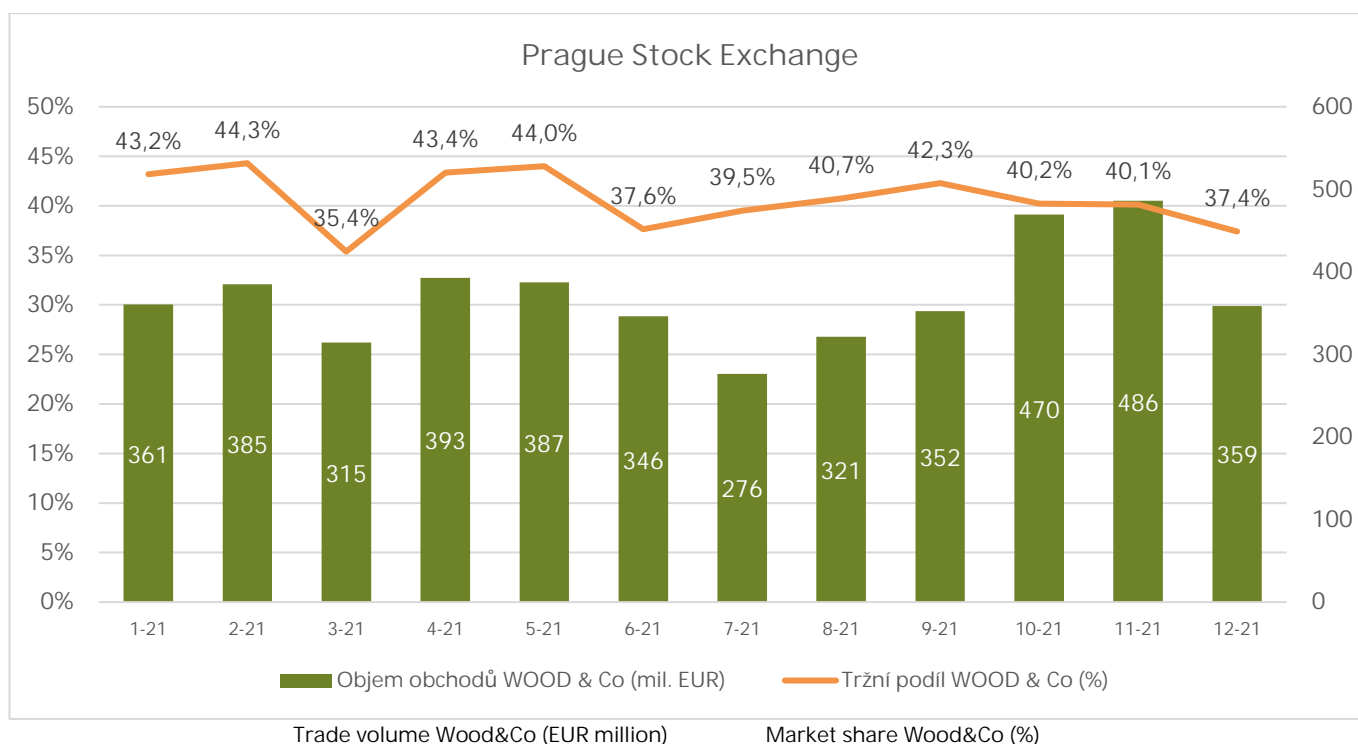
WOOD & Company is the leading independent investment bank in Central Europe. Founded in 1991, WOOD & Company has been one of the trading founders and pioneers in Eastern European markets. In 2014, WOOD & Company established a branch in Bucharest and, thanks to the acquisition of one of the largest brokerage houses in Italy, a successful "ready-to-deal" branch of WOOD & Company was established in Milan. In conjunction with other branches, the Company employed a professional team of more than 200 people in six regional offices and a marketing center in London in 2021.

Company performance in 2021

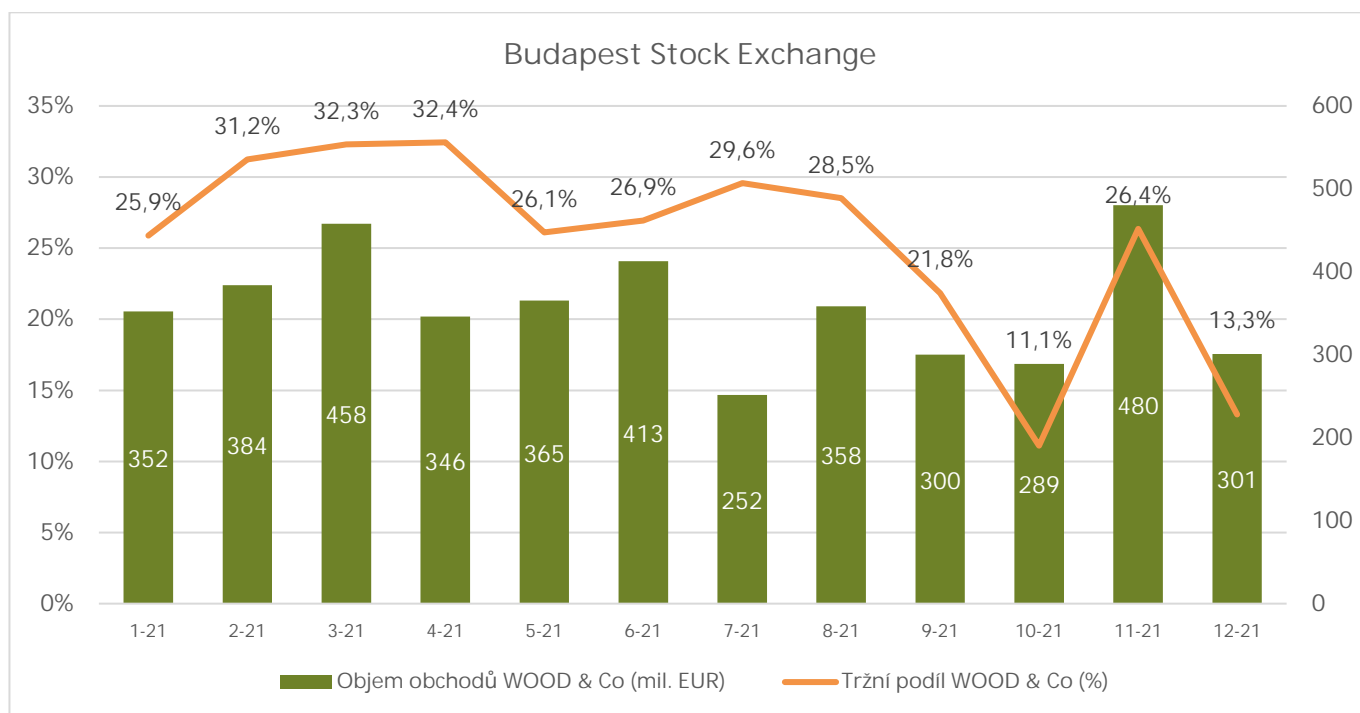
The year 2021 was the second year of the COVID-19 pandemic. Nevertheless, our Company, as well as the entire world, was much better prepared for the challenges associated with the disease, and neither the Company's operations nor its results were significantly affected.

The Company's trading on European stock exchange markets showed a stable development throughout the year.

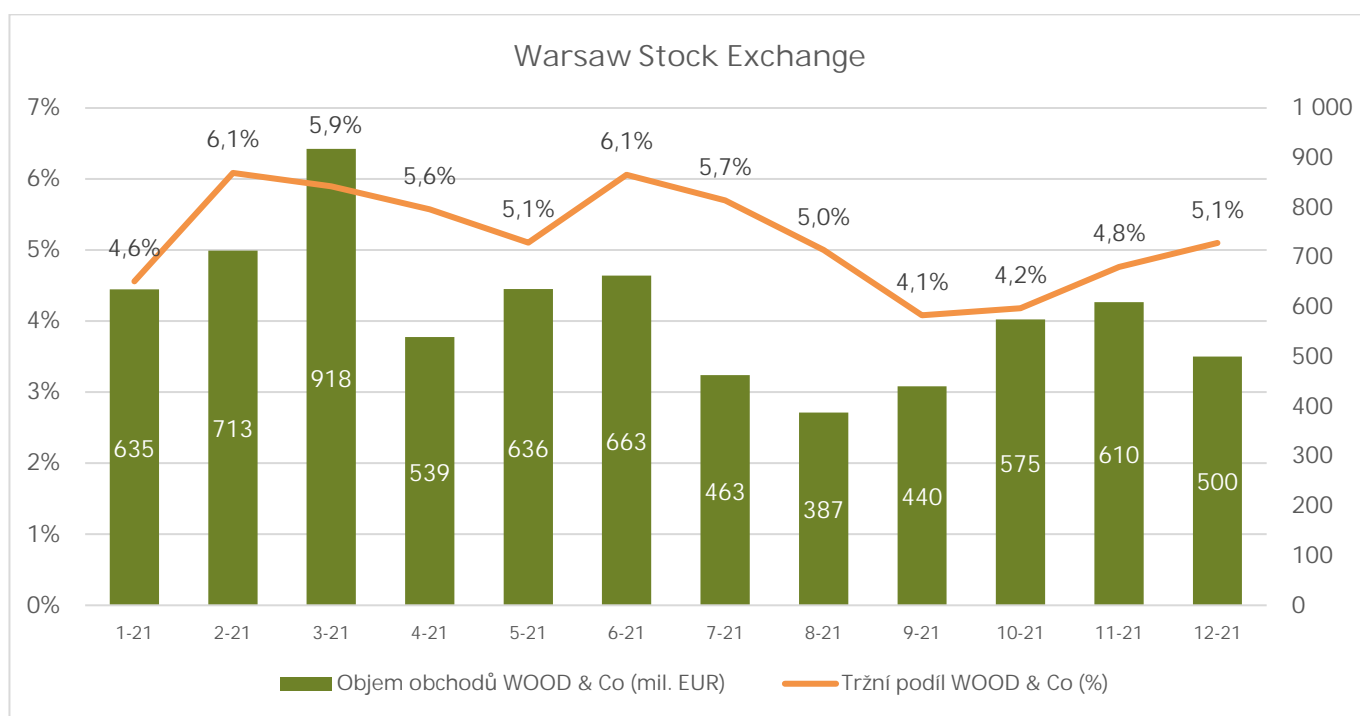
On the Prague Stock Exchange, we again maintained the traditional position of by far the largest player in terms of market share and trading volume. Our market share was comparable to the previous year and reached 40.62%.



The Company ranked first on the Budapest Stock Exchange with a market share of 23.61%.



The Company was traditionally active in other European markets, such as Warsaw and Bucharest.



Bucharest Stock Exchange



The Investment Banking division had an extremely successful year in 2021, on both domestic and international markets. After a certain decline caused by the coronavirus, markets recovered and previously deferred projects as well as new projects were implemented.

Our online investment platform for retail investors, PORTU, saw significant growth in the past year. While at the beginning of the year, thirteen employees managed 23,000 registered accounts with one and a half billion crowns invested, in December, the number of accounts grew five times (114,000) and was managed by nearly three times as many people with the invested portfolio amounting to seven and a half billion crowns.

Projected outlook

The world has not yet recovered from the coronavirus pandemic and already has to face a new challenge in the form of a military conflict in Ukraine. Further development of the situation is difficult to predict, but we can already say with certainty that the impact on human lives will be incalculable.

The Company has no direct ties to Ukraine or the aggressor states of Russia and Belarus, but the financial market turmoil and the stifling of economic growth will affect not only us, but the whole world. We cannot predict the ultimate impact now, but we enter these uncertain times with a strong capital position and ample liquidity.

As in the previous year, we intend to primarily focus on asset management in 2022 for both qualified and retail investors. The current situation driving high inflation rates only underlines the importance of investing the right way and offering a wide range of investment products.

We believe that, similarly to previous years, we will continue to maintain excellent relationships with our clients and business partners and will be able to support them throughout any potential economic fluctuations we may be forced to face in the forthcoming year.

In Prague, on 21 April 2022

Vladimír Jaroš

Chairman of the Board of Directors

COMPANY OVERVIEW

Company name:	WOOD & Company Financial Services, a.s. (the "Company")
Registered office:	Praha 1 – Nové Město, náměstí Republiky 1079/1a, zip code 110 00
Business reg. No. (IČ):	265 038 08
Legal form:	Joint Stock Company
Registered capital:	CZK 445,500,000; paid up: CZK 445,500,000
Owner:	WOOD & Company Group S.A.
Accounting period:	1 January 2021 – 31 December 2021
Auditor:	Ernst & Young Audit, s.r.o.

Key indicators for 2021:

- Net fees and commissions were CZK 591 million.
- Net profit from financial operations from trading and investment activities amounted to CZK 202 million.
- Operating income totaled CZK 831 million.
- Operating expenses were CZK 734 million.
- Total equity as at 31 December 2021 amounted to CZK 879 million.

Scope of business

Activities of a securities trader in the scope of main investment services:

- Pursuant to Section 4, par. 2 a) of the Act on Capital Market Business, accepting and handing over instructions concerning investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 b) of the Act on Capital Market Business, carrying out instructions concerning investment instruments for client account, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 c) of the Act on Capital Market Business, trading with investment instruments for own account, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 d) of the Act on Capital Market Business, management of client assets if they include an investment instrument, at the sole discretion under contractual arrangements, as defined in Section 3, par. 1 a), b), c), d), e), f), g), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 e) of the Act on Capital Market Business, investment advisory relating to investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 h) of the Act on Capital Market Business, subscription or placement of investment instruments with an obligation to subscribe, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 2 i) of the Act on Capital Market Business, subscription or placement of investment instruments without an obligation to subscribe, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act.

Activities of a securities trader in the scope of supplementary investment services:

- Pursuant to Section 4, par. 3 a) of the Act on Capital Market Business, custody and administration of investment instruments including related services, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 3 b) of the Act on Capital Market Business, provision of a loan or borrowing to a client to facilitate trade with an investment instrument in which the provider participates, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 3 c) of the Act on Capital Market Business, advisory services on capital structure, industrial strategy and related issues, as well as the provision of advisory and services relating to company transformations or business transfers, as defined in Section 3, par. 1 a) of the same Act;
- Pursuant to Section 4, par. 3 d) of the Act on Capital Market Business, provision of investment recommendations and analyzes of investment opportunities or similar general recommendations relating to trading in investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
- Pursuant to Section 4, par. 3 e) of the Act on Capital Market Business, conducting foreign exchange operations related to the provision of investment services, as defined in Section 3, par. 1 a) of the same Act;
- Pursuant to Section 4, par. 3 f) of the Act on Capital Market Business, services related to subscription or placement of investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act.

ADDITIONAL AUTHORIZATIONS

- i. Receiving funds or investment instruments from clients
- ii. Systematic internalisation
- iii. Authorization to organize public auctions of securities
- iv. Intermediary or other procurement activities for financial institutions domiciled in the European Union concerning the purchase of claims on documentary credits issued by banking entities in the Republic of Cuba
- v. Administration of property comparable to management in accordance with Article 15 of the Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended
- vi. Arrangement of deposits through the sale of deposit certificates and related advisory (Section 6 a), par. 2)

STATUTORY BODY AND SUPERVISORY BOARD

BOARD OF DIRECTORS FROM 1 JANUARY 2021 TO 31 DECEMBER 2021



Ing. Vladimír Jaroš
Chairman of the Board of Directors since 3 November 2021

Vladimír Jaroš has been with the group since 1994; in 1997 he took over the responsibility for managing WOOD & Co Financial Services. At the same time, he was directly involved in many significant transactions in the region, including the largest privatizations in telecommunications, energy and banking in the Czech Republic, Slovakia and Poland.



Robert Nossek
Member of the Board of Directors since 3 November 2021

Robert has been with WOOD & Company since 2018 as Head of Compliance. He is dedicated to the implementation of requirements imposed by legislation such as MiFID II, MiFIR, PRIIPS, MAD/MAR and AML/CFT. As Head of Compliance, he is responsible for ensuring that WOOD & Company's activities comply with national and EU regulations. In November 2021, he joined the Company's Board of Directors. As member of the Board of Directors, his main focus is on compliance, legal and AML/CFT.



Ing. Petr Musil
Vice-Chairman of the Board of Directors since 3 November 2021

Petr has been with WOOD & Company since 1995. Since 2001, he has managed a large Operations team, including sub-divisions, as Chief of Operations. He leads business negotiations with professional counterparties providing infrastructure solutions for securities trading (banks, stock exchanges, central depositories, custodians, suppliers, etc.), determines development priorities, sets up critical operational processes and puts project solutions into practice. In November 2021, he became Vice Chairman of the Board of Directors of WOOD & Company.



Ing. Petr Beneš
Member of the Board of Directors since 3 November 2021

Petr has been with WOOD & Company since 2015 as General Sales Manager. He is responsible for the company's business strategy (distribution, products, customer care), acquiring new customers and retaining existing customers, managing and cooperating with the WOOD & Company distribution network and working with the marketing department. In November 2021, he became a member of the Board of Directors of WOOD & Company, primarily involved in issues related to Sales.



Kristen Lara Andraško
Member of the Board of Directors since 3 November 2021

Kristen has been with WOOD & Co. since 2006, holding a position in Equity Sales. She became Head of Equity Sales in 2012 and Head of Equities in 2018. As Head of Equities, she leads major Equities platform, manages a team of over 40 professionals across 8 states and the largest EME Research team covering over 200 listed companies. In November 2021, she joined the Board of Directors of WOOD & Company. As a member of the Board, she focuses on Equities.



Ing. Ondřej Jedlička
Member of the Board of Directors since 3 November 2021

Ondřej has been with WOOD & Company since 2015 as Chief Financial Officer. At WOOD & Company, he is responsible for financial management, liquidity management and financing of the Group, tax management and compliance in individual jurisdictions, statutory audits and consolidated financial statements of WOOD & Company, regulatory financial reporting and internal management reporting. In November 2021, he joined the Board of Directors of WOOD & Company, where he focuses on business matters related to the finance function.

There were changes in the Board of Directors in the decisive period.

SUPERVISORY BOARD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

Ing. **Ľubomír Šoltýs**
Vice-Chairman of the Supervisory Board since 3 November 2021

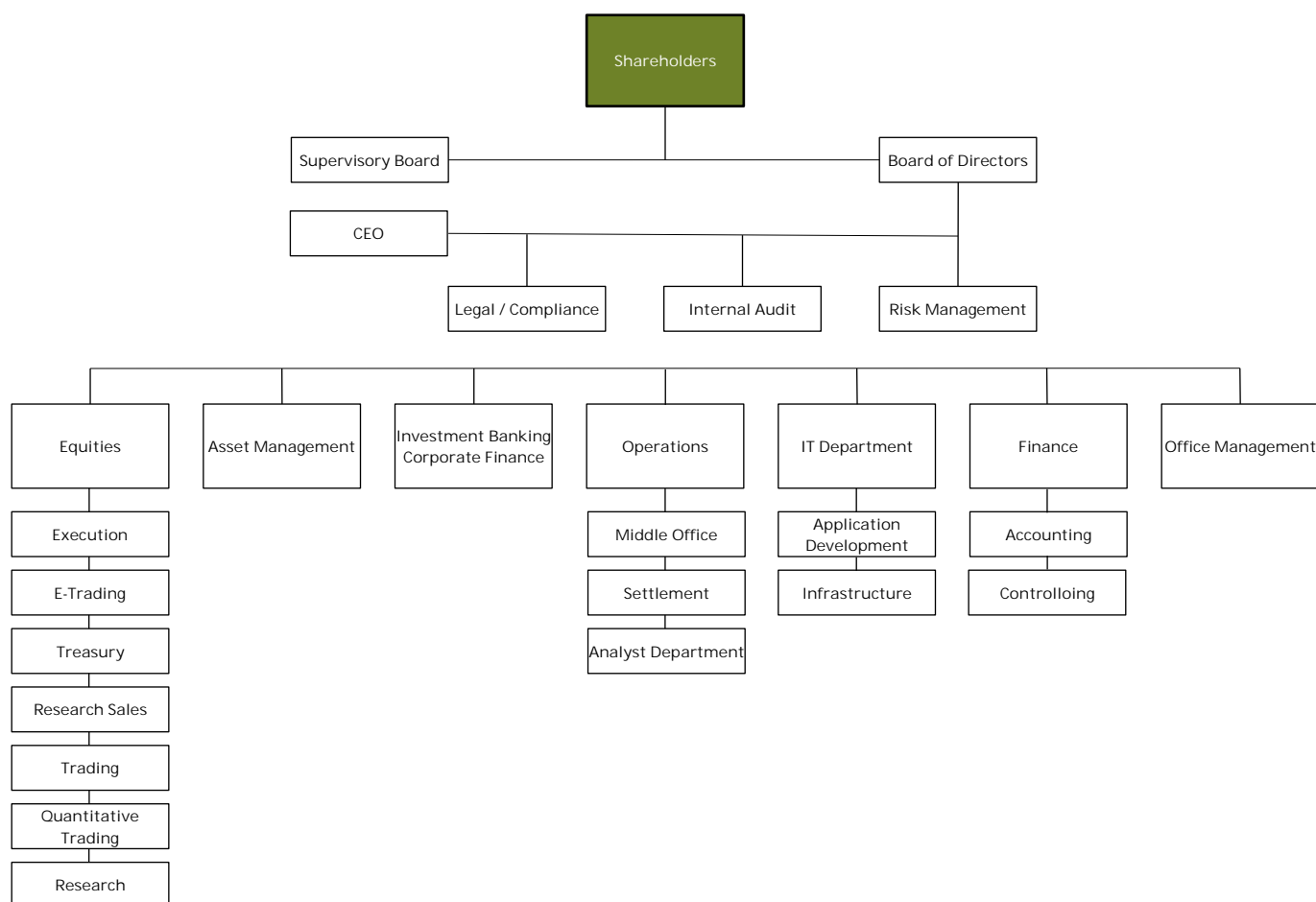
Ing. Jan Sýkora
Chairman of the Supervisory Board since 3 November 2021

Ing. Marek Herold
Member of the Supervisory Board since 3 November 2021

Mgr. Vojtěch Láška, LL.M.
Member of the Supervisory Board since 3 November 2021

There were changes in the Supervisory Board in the decisive period.

Organizational structure of the Company



Company profile

The accompanying Annual Report for 2021 has been submitted on behalf of WOOD & Company Financial Services, a.s., business registration number (IČ): 26503808, with its registered office at náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic (hereinafter referred to as the “Company”). The Annual Report for 2021 has been prepared with all the requisites stipulated by applicable legal regulations, in particular Act No. 563/1991 Coll., on Accounting, as amended (hereinafter referred to as the “Act on Accounting”), Act No. 90/2012 Coll., on Business Corporations, Act No. 256/2004 Coll., on Capital Market Business (hereinafter referred to as the “Capital Market Business”), Decree No. 501/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for the accounting entities that are banks and other financial institutions, Decree No. 163/2014 Coll., on the performance of the activities of banks, credit unions and investment firms and Decree No. 427/2013 Coll., on the submission of statements by investment firms. The Company is registered in the Commercial Register maintained with the Municipal Court in Prague, Section B, Insert 7484.

Research and development costs

In 2021, the Company invested CZK 8.9 million in information technology.

Branches

The Company has branches in the following countries:

- WOOD & Company Financial Services United Kingdom, with its registered office at 1 Ropemaker Street, EC2Y 9HT London
- WOOD & Company Financial Services Romania, with its registered office at Lamda Office Building, 7A Sos. Bucuresti-Ploiesti 013682 Bucharest 1
- WOOD & Company Financial Services Poland, with its registered office at Centrum Marszałkowska, 7th floor, ul. Marszałkowska 126/134, 00-008 Warsaw
- WOOD & Company Financial Services Slovakia, with its registered office at Gorkého 4, 811 01 Bratislava
- WOOD & Company Financial Services Italy, with its registered office at Via Luigi Settembrini 35, 20124 Milan
- WOOD & Company Financial Services Ireland with its registered office at Suite 207 3013, Lake Drive, City West Campus, Dublin 24 D24 PPT3, Citywest, Dublin

Environmental protection and labor law relations

Due to its scope of business, the Company is not considered to be a significant polluter of the environment. The Company complies with legal requirements for environmental protection, health protection and occupational safety and has implemented projects and procedures aimed at improving the environment as well as employee health care.

Acquisition of treasury shares

The company did not acquire any treasury shares.

Risk management

The risk management department governs the main policies, strategies and procedures (including policies for hedging all major types of planned transactions using hedging derivatives) that the Company applies in risk management, in particular the process of identifying risks arising from individual activities, work processes and systems, including operational risks, analysis of the risk level acceptable by the securities trader, definition of risk owners and persons responsible for monitoring and managing risk. The risk management department addresses, creates and proposes risk management methods, determines the duties of individual members of the statutory body, the Supervisory Board and employees pertaining to risk management in the Company. It evaluates the success rate, appropriateness and effectiveness of the risk management methods used and approves any changes. In addition, the department sets up control mechanisms to protect the risk management system against failure, especially with regard to individual investment instruments, markets and counterparties entering into business transactions with WOOD & Company Financial Services, a.s. It reviews the Company's positions as well as the overall open positions with customers, and monitors compliance with position limits and capital adequacy.

The risk management department selects procedures for identifying, measuring, monitoring and limiting risks, procedures for determining the fair values of instruments, the set of limits used in risk management, including procedures for exceeding limits. It determines the obligations of employees participating in the investment process with regard to compliance with the set limits.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is a permanent team of at least four members, consisting of the CEO, the Risk Manager, the Head of the Operations Department and the Head of the Finance Department. Heads of other departments may also be invited to attend Committee meetings, depending on the agenda to be addressed. The Chairman of the Risk Management Committee is the Chief Executive Officer; during his absence, the meetings are chaired by the Risk Manager. The members of the Committee are appointed and recalled by the CEO on the motion of the Board of Directors. The Risk Management Committee meets irregularly to resolve ad hoc situations; meetings may be convened by any member of the Committee or a member of the Board of Directors. Minutes are made of each meeting, including any conclusions the observance of which is supervised by the Risk Manager. The Risk Management Committee shall take its decisions by a simple majority of votes. In the event of a tie, the Chairman shall have the casting vote. The Chairman has the right to veto any item on the agenda as well as any decision. The CEO may, on the recommendation of the Risk Management Committee, order the immediate implementation of his decision to any organizational unit of the Company, with the exception of internal audit.

Risks monitored and managed in the Company are as follows:

- a) strategic risk;
- b) group operations;
- c) capital adequacy risk;
- d) operational risk;
- e) risk of human error;
- f) market (commercial) risk;
- g) credit risk;
- h) liquidity risk;
- i) interest rate risk;
- j) currency risk;
- k) financial risk;
- l) legal, regulatory and tax risk;
- m) concentration risk;
- n) outsourcing risk;
- o) excessive leverage risk.

MARKET RISK MANAGEMENT

From the perspective of a securities trader, this is the most significant risk. The market risk comprises any loss that may occur:

- due to the overall market situation, its sentiment or any market emergencies;
- from a position held (taken) in one of the investment instruments, in the event of an unfavorable movement in market prices;
- from the position taken with respect to a client transaction, if such a transaction is not properly substantiated, or is challenged by the client.

The market risks arise mainly from business transactions, which represent a liability, future liability, receivable or future receivable for the Company.

Based on the type of investment instrument and changing market price, the Company categorizes the market risks as follows:

- price risks, and
- counterparty risks.

Price risk

Price risk is managed through a structure of limits for individual departments, namely for individual markets or investment instruments. Any changes in the limits are proposed by the Risk Manager or the Board of Directors and approved by the Board of Directors or CEO. The limits are compiled with regard to the trading volumes executed in previous periods in individual segments, volatility and liquidity of markets and instruments.

Price risk is monitored using the Value at Risk (VAR) model on a daily basis. Any excess over the limits is reported to the Head of Trading and CEO.

Counterparty risk

The so-called account opening procedure has been used to determine counterparty parameters. The Company obtains and analyzes selected information about the counterparty, and the counterparty provides the Company with its financial statements, on the basis of which the counterparty's creditworthiness is assessed internally (the so-called counterparty self-assessment) and the internal limit is assigned. The Company may also use an external rating if it has been assigned by a reputable rating company (Moody's, Standard & Poor's, Fitch, Czech Rating Agency, etc.).

Based on this assessment as well as later experience with the counterparty, the client is assigned a limit on the total open position. The allotted limit is determined particularly by the type of the counterparty, its rating, equity, the estimated trade volumes, reliability in settlement of trades as well as the Company's ability to finance outstanding trades with the counterparty in the event of non-compliance by the counterparty.

In general, a loss from a certain market position in a specified period can be quantified as:

$$\text{Potential loss} = \text{Unsettled position} * \text{Adverse change in market price}$$

The main risk is that the market situation, conditions or price will develop in an unfavorable direction deviating from expectations.

This type of risk is covered by the Company's capital.

CREDIT RISK MANAGEMENT

The Company provides loans within the WOOD Group as well as to other entities. At the end of 2021, the loan principal amount amounted to CZK 151 million (loans within the group amounted to CZK 6 million, loans to other entities amounted to CZK 145 million). The collateral valuation and the assessment of the risk level for these loans are monitored by the corporate finance department, which also monitors the repayment and the situation of individual debtors. Repayment is monitored by the Board of Directors as well. The decision to grant the loans can only be made by the Board of Directors.

In addition, the Company provides loans to clients in the form of a reverse repo operation, where a loan is provided to a client only if it is secured (covered) by the client investment instruments, the value of which exceeds the loan amount at any time. The repo/buy sell operations totaled CZK 5,184 million as at 31 December 2021. The Company has set limits for loans in the form of repo operations. Activities related to the provision of a client loan are carried out by a broker. On a daily basis, the risk management staff checks the amounts against the set limits or the aggregate limit of the Trading department for the provision of loans. Repayment of loans is monitored by the risk management department. Additionally, inspections are carried out by the Internal Audit Department, which submits its findings to CEO.

The characteristics of the Company's financial performance along with the projected development form a part of the Board of Directors Report.

Quantitative indicators:

Indicator	2021	2020
Return on assets – ROAA (<i>Ebit / Total assets excluding client assets – avg.</i>)	3%	4%
Return on equity – ROAE (<i>Profit after tax / Equity – avg.</i>)	9%	6%
Indebtedness I (<i>Total debt excluding client assets / Total assets excluding client assets</i>)	88%	69%
Indebtedness II (<i>Total debt excluding client assets / Equity</i>)	748%	220%
Return on sales (<i>Profit after tax / Income from fees and commissions</i>)	8%	6%
Administrative costs per employee (<i>in CZK thousands</i>)	3,311	3,304
Return on assets (<i>Net profit/ total assets</i>)	1%	1%

This Annual Report is available at the Company's registered office, where a copy can be obtained as well, and has been also published in a manner that allows remote access, i.e. at www.wood.cz.

Information on the contribution to the Guarantee Fund

Calculation of the contribution to the Guarantee Fund of Securities Traders

Description	CZK thousands
Income from fees and commissions for 2021	913,730
Rate	* 2 %
Total contribution	18,275

Subsequent events

The outbreak of war in Ukraine on 24 February 2022 shook the world's financial markets. In reaction to the event, stock and bond prices dropped while commodity prices rose. The unstable situation is further exacerbated by the imposition of economic sanctions on Russia by Western countries in retaliation and their progressive tightening to economically curb Russian aggression against Ukraine.

The current developments have not had any significant implications for WOOD & Company that would threaten its business. The company has minimum exposures to parties directly affected by the war conflict. In contrast, higher volatility in stock markets presents additional opportunities for the company that may offset any future reduction of investment banking transactions.

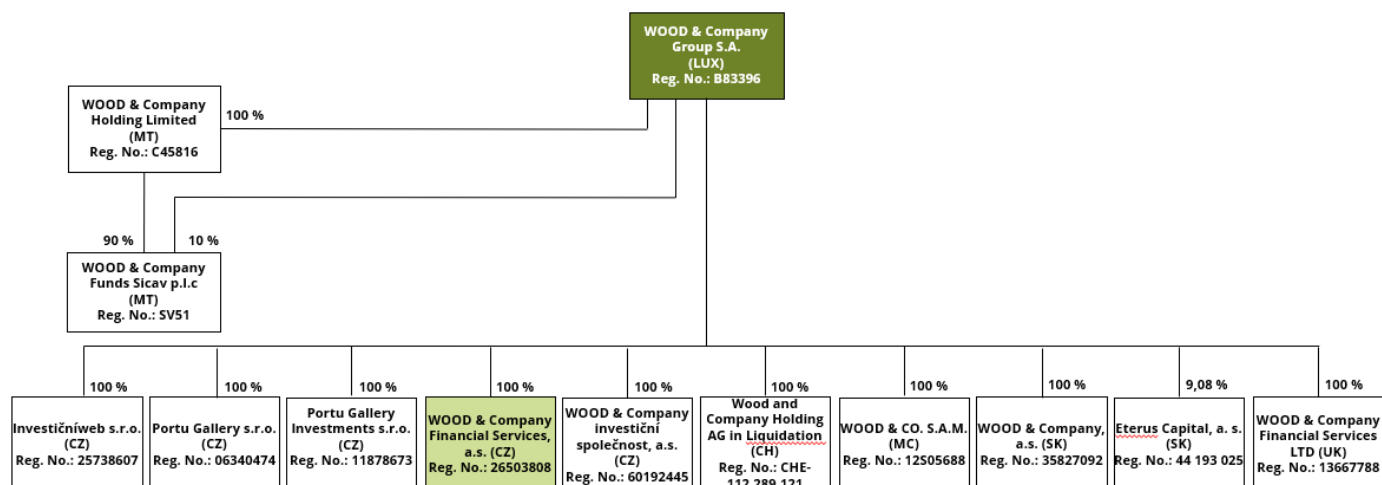
There were no other significant events after the balance sheet date that would have a material impact on the financial statements for the year ended 31 December 2021.

Report on Relations between Related Parties pursuant to Section 82 of Act No. 90/2012 Coll., on Business Companies and Cooperatives

WOOD & Company Financial Services, a.s., with its registered office at náměstí Republiky 1079/1a, Prague 1, business registration number (IČ) 265 03 808, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert no. 7484 (hereinafter referred to as the "Submitter") is part of a business group in which the following relations exist between the Submitter and the controlling entity (hereinafter referred to as the „Controlling Entity“) as well as between the Submitter and the entities controlled by the same Controlling Entity (hereinafter referred to as the "Related Parties").

This Report on Relations between the entities listed below has been prepared in compliance with the provisions of Section 82 of Act No. 90/2012 Coll., on Business Companies and Cooperatives, as amended (hereinafter the "ABC"), for the accounting period from 1 January 2021 to 31 December 2020 (hereinafter referred to as the "Reporting Period"). The Submitter and the entities listed below entered into the following contracts and agreements and received or made the following legal acts and other distinct measures in the Reporting Period.

1. CHART



2. CONTROLLING ENTITY

2.1 WOOD & Company Group S.A.

- Registered office: Munsbach, 6C, rue Gabriel Lippmann, L-5365, Luxembourg
- Registration number: B83396

3. RELATED PARTIES

3.1 WOOD & Company investiční společnost, a.s.

- Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic
- Business registration number (IČO): 601 92 445\

3.2 Portu Gallery s.r.o.

- Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic
- Business registration number (IČO): 063 40 474

3.3 Portu Gallery Investments s.r.o.

- Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic
- Business registration number (IČO): 118 78 673

3.4 Investičníweb s.r.o.

- Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic
- Business registration number (IČO): 257 38 607

3.5 Wood & Company, a.s.

- Registered office: Gorkého 4 Bratislava - Staré mesto 811 01, Slovak Republic
- Business registration number (IČO): 358 27 092

3.6 Eterus Capital, a.s.

- Registered office: Gorkého 4 Bratislava - Staré Mesto 811 01, Slovak Republic
- Business registration number (IČO): 44 193 025

3.7 WOOD & COMPANY FINANCIAL SERVICES LTD

- Registered office: 16 Berkeley Street, London, United Kingdom
- Registration number: 136 67 788

- 3.8 WOOD & CO S.A.M.
- Registered office: 74 boulevard d'Italie, 980 00 Monaco, Monaco
 - Registration number: 12S05688
- 3.9 WOOD & Company Holding Limited
- Registered office: The Bastions Office No. 2, Emvin Cremona Street, FLORIANA FRN 1281, Malta
 - Registration number: C45816
- 3.10 WOOD & Company Funds SICAV p.l.c.
- Registered office: TG Complex, Suite 2, Level 3, Brewery Street, Birkirkara BKR 3000, Malta
 - Registration number: SV51
- 3.11 Wood and Company Holding AG (in Liquidation)
- Registered office: Freier Platz 10, 8200 Schaffhausen, Switzerland
 - Registration number: CHE-112.289.121

4. STRUCTURE OF RELATIONS BETWEEN RELATED PARTIES, ROLE OF THE CONTROLLED ENTITY, METHOD AND MEANS OF CONTROL

In the course of the above period, the Submitter was controlled by WOOD & Company Group S.A., with its registered office at Munsbach, 6C, rue Gabriel Lippmann, L-5365, Luxembourg. The structure of relations is shown in Article 1 of this Report.

WOOD & Company Group S.A. exercises the control as the sole shareholder of the Submitter, holding 100% of the voting rights by which it exercises the powers of the General Meeting of the Submitter. The General Meeting is the supreme body of the Submitter. The competence of the General Meeting includes, inter alia, the election of members of the Supervisory Board and members of the Board of Directors. The Submitter's Board of Directors performs its functions with due care and is responsible for the performance of its activities to the extent stipulated by the legal regulations of the Czech Republic.

Although the ownership interests of the Controlling Entity are in turn owned by its shareholders, none of the Controlling Entity's shareholders is an entity exercising indirect control pursuant to the ABC. This means that the Submitter is directly controlled by the Controlling Entity - WOOD & Company Group S.A. None of the Controlling Entity's shareholders is a majority shareholder pursuant to Section 74(3) of the ABC, or a person authorized to appoint or remove majority of the persons who are members of the Controlling Entity's statutory body or a person in a similar position pursuant to Section 75(1) of the ABC; none of them controls a share in the voting rights representing at least 40% of all votes in the Controlling Entity pursuant to Section 75(2) of the ABC, nor do they, jointly with another person, control a share in the voting rights representing at least 40% of all votes in the Controlling Entity pursuant to Section 75(3) and Section 78 of the ABC; and, at the last 3 consecutive meetings of the Controlling Entity's supreme body, none of the Controlling Entity's shareholders held a share in the voting rights representing more than one half of the voting rights of the attending participants pursuant to Section 75(4) of the ABC.

The role of the Submitter is to carry out its business as part of the group described above, i.e. the activities of a securities trader in the scope of main and supplementary investment services.

5. OVERVIEW OF ACTIONS TAKEN IN THE REPORTING PERIOD AT THE INITIATIVE OR IN THE INTEREST OF THE CONTROLLING ENTITY OR THE RELATED PARTIES CONCERNING ASSETS EXCEEDING 10% OF THE SUBMITTER'S EQUITY

Pursuant to Section 82(2)(d) of the ABC, the Submitter is obliged to include in the Report on Relations a summary of actions taken in the Reporting Period that were taken at the initiative or in the interest of the Controlling Entity or the Related Parties, where such actions concerned assets exceeding 10% of the Submitter's equity as determined from the financial statements for the accounting period immediately preceding the Reporting Period (i.e. exceeding 10% of the Submitter's equity as determined from the financial statements for 2020).

The Submitter's equity according to the financial statements for 2020 amounted to approximately CZK 804,190,000. The limit of 10% of the Submitter's equity according to the financial statements for 2020 thus amounted to approximately CZK 80,419,000 (hereinafter the "Limit").

In 2021, no actions were taken at the initiative or in the interest of the Controlling Entity or the Related Parties concerning assets exceeding the aforementioned Limit.

6. OVERVIEW OF AGREEMENTS BETWEEN THE SUBMITTER AND THE CONTROLLING ENTITY AND/OR THE RELATED PARTIES

6.1 Between the Submitter and the Controlling Entity

Contract title	Subject matter	Contract date
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and the Controlling Entity in EUR	16/08/2013
Amendment no. 1 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2014
Amendment no. 2 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 3 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 4 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2017
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and the Controlling Entity in CZK	09/09/2013
Amendment no. 1 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2014
Amendment no. 2 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 3 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 4 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2017
Amendment no. 5 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2018
Facility Agreement	Framework loan agreement between the Controlling Entity (lending entity) and the Submitter in EUR	20/09/2014
Amendment no. 1 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 2 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 3 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2017
Amendment no. 4 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2018
Agreement on off-set of mutual receivables	Offsetting of mutual receivables and payables	30/06/2015
Agreement on transfer of ownership interest in Investičníweb s.r.o.	Controlling Entity as the transferee and the Submitter as the transferor	31/12/2019

6.2 Between the Submitter and the Related Parties

Contract title	Subject matter	Contract date
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood and Company Financial Services AG in EUR	09/12/2014
Amendment no. 1 to the Facility Agreement from 20/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 2 to the Facility Agreement from 9/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 3 to the Facility Agreement from 9/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2017
Consignment agreement on the procurement and brokerage of purchase and sale of securities	Agreement on the procurement and brokerage of purchase and sale of securities between the Submitter and Wood & Company, a.s.	01/02/2002
Agreement on management of securities	Management of securities for Wood & Company, a.s.	06/03/2002
Framework Loan Agreement	Framework loan agreement with WOOD & Company investiční společnost, a.s. (creditor)	11/05/2010
Prime Brokerage Agreement	Agreement on Custody, Settlement and Execution of securities between the Submitter and WOOD & Company Funds SICAV p.l.c.	31/08/2006
Consignment agreement on the procurement and brokerage of purchase and sale of securities	Agreement on the procurement and brokerage of purchase and sale of securities between the Submitter and Wood and Company Financial Services AG.	06/09/2004
Commission Brokerage Agreement on Settlement	Agreement on the provision of Settlement services between the Submitter and Wood and Company Financial Services AG.	06/09/2004
Agreement on Financial Transactions	Provision of securities trading services between the Submitter and Wood and Company Financial Services AG.	09/03/2009
Agreement on issuance/redemption of share certificates	Issuance and redemption of a share certificate of the Bond Fund – open-end mutual fund ISIN CZ0008472826 with WOOD & Company investiční společnost, a.s.	26/06/2012
Agreement on sublease of non-residential premises	WOOD & Company Financial Services, a.s., sublets a defined part of office space with WOOD & Company investiční společnost, a.s.	15/11/2009
Framework agreement on financial collateral (transfer of financial collateral)	Agreement between the Submitter, WOOD & Company Financial Services AG and the bank on transfer of financial collateral	25/06/2010
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood & Company Funds SICAV p.l.c. in CZK	26/09/2013
Agreement on issuance/redemption of share certificates	Issuance and redemption of share certificates of the WOOD & Company fund – Agricultural Commodities Fund – open-end mutual fund with WOOD & Company investiční společnost, a.s.	24/10/2012
Framework agreement on trading on the financial market	Agreement on trading on the financial market with regard to repo transactions, concluded with WOOD & Company investiční společnost, a.s.	30/12/2013

Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood & Company Holding Limited in CZK	09/10/2014
Custody Agreement	In accordance with the agreement on asset management, custody and management of investment instruments owned by clients of WOOD & Company investiční společnost, a.s., is provided by WOOD & Company Financial Services, a.s.	30/04/2016
Agreement on the provision of brokerage services between the Controlled entity and WOOD & Company Financial Services, a.s. (for the purposes of this agreement hereinafter referred to as the "Intermediary")	The Intermediary undertakes to provide intermediary services, which means actively contacting the owners of ownership interests in the Target Company, submitting an offer to the owners of ownership interests in the Target Company and communicating with these owners; the Controlled entity undertakes to pay the agreed fee for these services under this agreement.	13/06/2016
Agreement on the issuance and redemption of the Fund's investment shares between the Controlled entity and WOOD & Company Financial Services, a.s.	Modification of the conditions for the issuance and redemption of the investment shares of Real Estate Sub-fund I.	21/06/2016
Amendment no. 1 to the Agreement on the issuance and redemption of the Fund's investment shares between the Controlled entity and WOOD & Company Financial Services, a.s.	Modification of the conditions for the issuance and redemption of the investment shares of Real Estate Sub-fund Šestka.	06/10/2016
Framework agreement on the provision of financial services	Framework agreement on the provision of financial services between the Submitter, as a securities trader, and WOOD & Company, investiční fond s proměnným základním kapitálem, a.s.	25/08/2017
Intercompany Agreement	Agreement on the provision of the services by the Submitter as a securities trader and WOOD & Company CO S.A.M. (formerly McLaren Securities S.A.M. Monaco).	01/10/2017
Sublicense Agreement	WOOD & Company, investiční společnost, a.s., provides the Submitter with a sublicense for the WEBPORTFOLIO application.	18/04/2018
Agreement on sublease of non-residential premises between the Submitter and WOOD & Company investiční fond s proměnným základním kapitálem, a.s.	The Submitter sublets WOOD & Company, investiční fond s proměnným základním kapitálem, a.s., part of office space at the address nám. Republiky 1079/1a, 110 00 Prague 1	01/01/2019
Contract for the provision and administration of information and communication technology	The Submitter ensures the provision and management of ICT for WOOD & Company investiční fond s proměnným základním kapitálem, a.s.	02/04/2019
Loan agreement	Loan between the Submitter and Investičníweb s.r.o.	22/01/2020
Loan agreement	Loan between the Submitter and Investičníweb s.r.o.	4/06/2020

In 2021, the Submitter did not enter into any agreements or contracts with the Controlling Entity and/or the Related Parties.

7. ASSESSMENT OF WHETHER OR NOT THE CONTROLLED ENTITY SUFFERED ANY DETRIMENT AND ASSESSMENT OF ITS SETTLEMENT PURSUANT TO SECTIONS 71 AND 72 OF THE ABC

Based on our review of the legal relations between the Submitter, the Controlling Entity and the Related Parties, the Submitter did not suffer any detriment as a result of concluded contracts, other legal acts or other measures taken or adopted by the Submitter in the interest of or at the initiative of individual Related Parties, or the Controlling Entity, in the reporting period from 1 January 2021 to 31 December 2021.

8. BENEFITS AND DRAWBACKS ARISING FROM RELATIONS BETWEEN ENTITIES

The Submitter's benefits arising from being a member of the above group of entities include the use of the WOOD & Company brand and the reputational benefit arising from synergies within the group, or the benefit of joint action in negotiations with suppliers and associated economies of scale.

A possible drawback is the more demanding administrative and organizational structure of an international group, and the reputational risk spillover from one entity to another.

Following the overall assessment of the impact of the Submitter's inclusion in the WOOD & Company Group, the benefits appear to prevail. The above-mentioned potential risks and drawbacks are addressed at the level of control elements of individual group entities.

This Report was discussed and approved by the Board of Directors of WOOD & Company Financial Services, a.s. on 31 March 2022.



Vladimír Jaroš

Chairman of the Board of Directors
WOOD & Company Financial Services, a.s.

INDEPENDENT AUDITOR'S REPORT – WOOD & COMPANY
FINANCIAL SERVICES, A.S.

FINANCIAL STATEMENTS – WOOD & COMPANY FINANCIAL SERVICES, A.S.

(Translation of a report originally issued in Czech - see Note 3 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of WOOD & Company Financial Services, a.s.:

Opinion

We have audited the accompanying financial statements of WOOD & Company Financial Services, a.s. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 2 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of WOOD & Company Financial Services, a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

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

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

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

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

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

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

21 April 2022
Prague, Czech Republic

WOOD & COMPANY FINANCIAL SERVICES, A.S.
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

in accordance with International Financial Reporting Standards, as adopted by the European Union under
European Community law

CONTENT	PAGE
FINANCIAL STATEMENTS	
STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	8 – 45

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2021

	Note	31 December 2021 In CZK thousands	31 December 2020 In CZK thousands
Interest income calculated using the effective interest method		73,814	73,508
Interest expense calculated using the effective interest method		(58,020)	(61,642)
Net interest income	6	15,794	11,866
Other financial income		61,559	39,571
Other financial costs		(39,072)	(25,612)
Net other financial income	7	22,488	13,959
Fee and commission income		913,730	772,973
Fee and commission expense		(322,280)	(288,781)
Net fee and commission income	8	591,450	484,192
Net profit from financial operations	9	202,168	171,365
Other operating income / expenses, net	10	(1,118)	3,591
Total operating revenues		830,781	684,973
Administrative costs	11	(688,625)	(588,053)
Depreciation and amortization	11, 20	(45,129)	(36,722)
Total operating expenses		(733,755)	(624,775)
Profit / (loss) before tax		97,027	60,198
Income tax expense	12	(20,231)	(14,276)
Deferred tax	12	(345)	2,939
Net profit / (loss) for the period		76,451	48,861
Other comprehensive income			
<i>Items that can be reclassified to income (or expenses) in the future:</i>			
Conversion of foreign operations into the reporting currency		(1,169)	(296)
Total comprehensive income		75,282	48,565

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2021

	Note	31 December 2021 In CZK thousands	31 December 2020 In CZK thousands
ASSETS			
Current assets			
Cash and bank balances	13	274,135	190,075
Financial assets held for trading	14	410,069	218,438
Other financial assets at fair value through profit or loss	18	421,857	133,479
Trade and other receivables	15	6,188,046	3,675,137
Income tax receivables	12	0	862
Deferred charges and income and other assets	17	21,722	15,605
Total current assets		7,315,828	4,233,596
Long-term assets			
Long-term receivables	19	5,064	5,189
Financial assets measured at amortized cost	16	0	0
Deferred tax asset	12	3,591	3,935
Intangible assets, net	20	72,040	56,319
Property, plant and equipment, net	20	58,578	63,914
Total long-term assets		139,273	129,357
Total assets		7,455,101	4,362,953
EQUITY AND LIABILITIES			
Capital and funds			
Issued capital	21	445,500	445,500
Reserve fund from profit		15,293	15,293
Retained earnings / (accumulated loss)	22	342,556	293,695
Profit / (loss) for the current period		76,451	48,861
Fund from revaluation of foreign operations		(328)	841
Total capital and funds		879,472	804,190
Issued debt securities	28	2,110	2,110
Liabilities from lease agreements	25	19,279	25,045
Provision	27	5,403	5,479
Equity and long-term liabilities		906,264	836,824
Current liabilities			
Amounts owed to banks	24	18,217	77,888
Liabilities held for trading	14	160,455	132,681
Trade and other payables	23	6,348,337	3,291,625
Lease liabilities	25	19,054	16,309
Accruals and other liabilities	26	438	717
Income tax payable		2,337	6,909
Total current liabilities		6,548,838	3,526,129
Total equity and liabilities		7,455,101	4,362,953

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Note	Issued capital In CZK thousands	Reserve fund from profit In CZK thousands	Share/ option scheme capital fund In CZK thousands	Retained earnings In CZK thousands	Revaluation fund In CZK thousands	Total equity In CZK thousands
As at 1 January 2020	445,500	15,293	0	293,694	1,137	755,625
Profit / loss from revaluation of foreign operations	0	0	0	0	(296)	(296)
Profit for 2020	0	0	0	48,861	0	48,861
As at 31 December 2020	445,500	15,293	0	342,556	841	804,190
As at 1 January 2021	445,500	15,293	0	342,556	841	804,190
Profit / loss from revaluation of foreign operations	0	0	0	0	(1,169)	(1,169)
Profit for 2021	0	0	0	76,451	0	76,451
As at 31 December 2021	445,500	15,293	0	419,006	(328)	879,472

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 In CZK thousands	31 December 2020 In CZK thousands
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	2222	97,027	60,198
Depreciation and amortization	20	45,129	36,722
Change in impairment and provisions		1,779	(692)
Other non-monetary changes		(11,478)	(4,768)
<i>Operating profit before changes in operating assets</i>		132,457	91,460
Trade and other receivables and financial assets measured at amortised costs	15	(2,513,902)	(104,278)
Financial assets held for trading	14	(163,857)	77,954
Other assets		(6,116)	2,321
Trade and other payables	23	3,073,004	(128,949)
Other liabilities		(278)	(12,875)
Income taxes paid	12	(21,960)	(7,367)
NET CASH FLOW FROM OPERATING ACTIVITIES		499 348	(81,734)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for other financial assets at fair value through profit or loss		(6,359,859)	(1,174,572)
Proceeds from the sale and maturity of financial assets at fair value through profit or loss		6,071,480	1,414,487
Payments for financial assets at amortized cost		0	0
Proceeds from the sale of financial assets at amortized cost		0	0
Payments for property, plant and equipment and intangible assets	20	(58,687)	(26,804)
Long-term receivables		125	356
NET CASH FLOW USED IN INVESTING ACTIVITIES		(346,941)	213,467
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(59,672)	(174,461)
Proceeds from the sale of own bonds	28	0	0
Payments for buy-back of own bonds		0	(10,820)
Lease principal payments	25	(18,985)	(19,986)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(78,656)	(205,267)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALETS		73,750	(73,534)
Exchange differences in cash		10,310	4,473
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13	190,075	259,136
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	274,135	190,075

Additional information to operating Cashflow

Interest received	85,301	63,331
Interest paid	(64,514)	(59,168)
Held for trading dividends	8,964	1,188

The Notes are an integral part of these unconsolidated financial statements.

1. USE OF CZK AS REPORTING CURRENCY

WOOD & Company Financial Services, a.s. (the "Company") publishes audited statutory financial statements including a statement of financial position as at 31 December 2021, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the year ended and the notes to those financial statements with a description of the significant accounting policies used and other explanatory information.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) and adopted by the European Union.

The financial statements have been prepared in CZK (CZK). The method of translating assets, liabilities, income, expenses and other items of the comprehensive income and equity of the Company's foreign operations is set out in Note 3.

Unless otherwise stated, all amounts are expressed in thousands of CZK.

The financial statements were approved for publication by the Company's Board of Directors on 21 April 2022. The financial statements are also subject of approval by the Company's shareholders.

2. INTRODUCTION

WOOD & Company Financial Services, a.s. (hereinafter referred to as "WOOD & Co." or the "Company"), with its registered office at Náměstí Republiky 1079 / 1a, 110 00 Prague 1, is a joint-stock company which was officially registered in the Commercial Register kept by the Registry Court in 2002. The subject of activity is mainly trading, the provision of investment services and trading in financial instruments on own account. The Company also includes the following branches

- WOOD & Company Financial Services United Kingdom with its registered office at 1 Ropemaker Street, EC2Y 9HT London
- WOOD & Company Financial Services Romania with its registered office at Lamda Office Building, 7A Sos. Bucuresti-Ploiesti 013682 Bucharest 1
- WOOD & Company Financial Services Poland with its registered office at Centrum Marszałkowska, 7th floor, ul. Marszałkowska 126/134, 00-008 Warsaw
- WOOD & Company Financial Services Slovakia with its registered office at Gorkého 4, 811 01 Bratislava
- WOOD & Company Financial Services Italy with its registered office at Via Luigi Settembrini 35, 20124 Milan
- WOOD & Company Financial Services Ireland with its registered office at Suite 207 3013, Lake Drive, City West Campus, Dublin 24 D24 PPT3, Citywest, Dublin

Capital structure and financial resources of the Company

As at 31 December 2021, the Company's equity amounted to CZK 879,472 thousand (2020: CZK 804,190 thousand).

In addition to its internal funding, the Company secured other renewable overdrafts from various commercial banks. In most cases, the use of these frameworks is limited to the financing of the daily settlement of trades.

Shareholder structure

The ultimate majority shareholders of the Company as at 31 December 2021 were Jan Sýkora, Vladimír Jaroš and Ľubomír Šoltýs (owners). These persons are considered members of key management.

The sole shareholder of the Company at the issuance of this report is WOOD & Company Group S.A., with its registered office at 6C, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.

Board of Directors as at 31 December 2021:

The principal rule agreed among the main shareholders and members of the Board of Directors of the Company is that the shareholders / members of the Board of Directors of the Company will be represented on the Board of Directors as follows:

Chairman – Vladimír Jaroš

Vice-chairman – Petr Musil

Member – Robert Nossek

Member – Petr Beneš

Member – Kristen Lara Andraško

Member – Ondřej Jedlička

Supervisory Board as at 31 December 2021:

Chairman – Jan Sýkora

Vice-chairman – Ľubomír Šoltýs

Member – Vojtěch Láška

Member – Marek Herold

In 2021, there were changes in the Board of Directors and the Supervisory Board of the Company.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The unconsolidated financial statements have been prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate on the going concern assumption.

The Company's Board of Directors has considered the potential impact of CoVID-19 on its activities and business and has come to the conclusion that they do not have a material effect on the entity's going concern assumption. With regards to this, the financial statements as at 31 December 2021 were prepared in such a way that the Company would be able to continue its activities.

The financial statements consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The unconsolidated financial statements are prepared under the historical cost accounting convention, as modified by the fair value measurement of financial assets not carried at amortized cost and financial liabilities held for trading, and all derivative contracts at the statement of financial position date. Significant accounting policies are described in Note 5.

The comparative figures on the face of the statement of financial position represent balances as at 31 December 2020, for the statement of comprehensive income and statement of cash flows amounts for the year ended 31 December 2020.

The unconsolidated financial statements are presented in CZK (hereinafter referred to as "CZK"), which is the Company's reporting currency.

The Company's functional currency, i.e. the currency of the economic environment in which the Company primarily conducts its activities, is the Czech crown. As stated in Note 2, the Company has six branches abroad, which are considered foreign entities from an accounting perspective. The functional currency of foreign operations is the Polish zloty in Poland, the British pound in Great Britain, the Romanian new lei in Romania and the euro in Italy, Ireland and Slovakia.

The presentation of financial statements in accordance with IFRS as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses for the period. These estimates are based on information available at the balance sheet date and actual future values may differ from these estimates. The key source of estimation uncertainty at the end of the accounting period is the valuation of financial assets (see Note 5).

Explanation Added for Translation into English

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

4. ADOPTION OF NEW AND REVISED STANDARDS

4.1. Newly applied standards and interpretations, the application of which did not have a significant effect on the financial statements

In addition, amendments to the following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, effective for annual periods beginning on or after 1 January 2021, have become effective in the current period:

- Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The 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). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no the impact on the financial statements of the Company.

- IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The amendments had no the impact on the financial statements of the Company.

- IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment had no the impact on the financial statements of the Company.

4.2. Published standards and interpretations that have not yet taken effect

- a) At the date of these financial statements, the following amendments to existing standards adopted by the EU have been issued and have not yet become effective:

- IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for 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: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The application of IFRS 17 and Amendments will have no impact on the Company's financial statements.

- IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
- The Amendments will have no impact on the Company's financial statements.

- IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The Amendments will have no impact on the Company's financial statements.

- b) The following standards and amendments to existing standards have not yet been approved for use in the EU:

- IFRS 17: Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments)

The amendment is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted respectively with IFRS 17. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a “classification overlay”, relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. 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 endorsed by the EU. The application of IFRS 17 and Amendments will have no impact on the Company's financial statements.

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

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply

with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. The Amendments will have no impact on the Company's financial statements.

- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. The Amendments will have no impact on the Company's financial statements.

- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. The Amendments will have no impact on the Company's financial statements.

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Amendments will have no impact on the Company's financial statements.

The Company has decided not to apply these new standards, amendments to existing standards and interpretations before their effective date. As noted above, the Company does not expect the application of the above standards and interpretations to have a material impact on the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

5.1. Significant accounting judgments and estimates

When applying accounting policies to prepare unconsolidated financial statements in accordance with IFRS, management requires professional judgment, estimates and assumptions that affect the amounts of assets and liabilities recognized at the balance sheet date, as well as income and expenses recognized for given period. These estimates and accounting judgments are based on information available at the balance sheet date and relate in particular to:

- Determining the fair values of unlisted financial instruments that are classified as financial assets or financial liabilities at fair value through profit or loss or financial assets measured against other comprehensive income; The calculation of fair value is based on market data (exchange rates, interest rates) and other information existing at the balance sheet date.
- The assessment of compliance with the contractual conditions in the provision of investment banking services is based on information available to the Company's management as at the date of preparation of the financial statements.
- The valuation of tangible and intangible assets, including rights of use, is based on the expected use of these assets, the expected period of their economic useful life or the expected duration of leases.
- The valuation of goodwill is based on an estimate of future cash flows and the required rate of return on own and debt financing;
- The amount of provisions, which is based on the expected amount of payments,
- The amount of impairment of financial assets measured at amortized cost or fair value through profit or loss based on expected losses and the value of those assets at the date of default.

5.2. Recognition of interest income and expenses

Interest income and expense are recognized in the statement of comprehensive income on an accrual basis in the line item "Interest income calculated using effective interest rate" and "Interest expense using effective interest rate". The Company accounts for interest income and expense using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments (net of credit losses) over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

5.3. Reporting income and expenses from fees and commissions

Fee and commission income is recognized when the Company fulfills its contractual obligation to the client. In the event that the contract contains several partial contractual obligations, the total contract price is divided between individual contractual obligations and the Company recognizes revenue upon fulfillment of each partial contractual obligation. Payments received before the contractual obligation are recognized as a liability. Costs incurred prior to the fulfillment of a contractual obligation are then recognized as an asset in IFRSs if they are costs directly related to the performance of the contract, the costs are directed to the fulfillment of the contractual obligation and the Company expects that these costs will be reimbursed.

The main categories of revenue from contracts with customers are, as described in Note 7, capital market transaction fees, analytical service income, asset management fees and investment service income. For capital market transactions, the contractual obligation is usually settled at the time the transaction is made and revenue is recognized at that time.

Analytical services are usually provided on an ongoing basis and the price is set for a specific period. The fulfillment of contractual obligations takes place gradually during the duration of the contract. Revenues from these services are always recognized at the end of the period (month or calendar year).

In the case of management services, the contractual obligation is also fulfilled continuously throughout the accounting period. A fixed part of the remuneration is charged to income on a regular basis during the accounting period. If the remuneration includes a component dependent on the performance of the managed portfolio, such income is recognized at the end of the accounting period if the conditions for the variable remuneration component have been met.

For investment banking analytical services, the moment of fulfillment of the contractual obligation is the moment agreed in the contract. Depending on the contractual arrangements, the contractual obligation may be performed gradually over the life of the contract or it may be fulfilled at the time specified in the contract (eg at the time of the transaction relating to the services provided). If a variable component of remuneration is agreed (eg upon successful implementation of the project and acquisitions), this part is accounted for as income only after successful completion of the project.

Fee and commission income is reported on the line "Fee and commission income".

Fee and commission expenses are reported in the period to which they are materially and temporally related (see above) on the line "Fee and commission expenses".

5.4. Other financial costs / income

Other financial income / costs are recorded by the Company if they arise from an asset / liability that does not meet the definition set out in the Conceptual Framework of International Accounting Standards and the receivable (assets) gives the Company an expense and vice versa a liability (liabilities) for the Company.

In the current period and the comparative period, these were loans of securities entered into the client in the form of a repo transaction with a negative interest rate.

5.5. Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument (trade date).

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial asset or deducted from the fair value of the liability at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

Classification and valuation of financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "financial assets at fair value through profit or loss", "financial assets at amortized cost".

Financial assets measured at amortized cost:

Financial assets can be measured at amortized cost if they are held under a model designed to hold financial assets for the purpose of collecting contractual cash flows and the cash flows are only repayments of principal and interest on the principal.

Analysis of contractual cash flow characteristics

As part of the analysis of the characteristics of contractual cash flows, the Company evaluates whether the contractual cash flows from loans and debt securities represent only payments of principal and interest on the amount of principal due. The fair value of a financial asset at the time of its recognition

is considered to be the principal. The interest includes the time value of money, a surcharge for credit risk arising from the principal currently due, a surcharge on other costs and risks arising from lending and the required profit margin.

In assessing whether cash flows consist solely of repayments of principal and interest, the Company evaluates the contractual terms of the financial instrument. This includes evaluating whether a financial asset includes contractual arrangements that may change the timing and amount of the contractual cash flows. As part of the evaluation, the Company assesses:

- contingent events that may change the timing and amount of contractual cash flows;
- leverage effect;
- early repayment and extension of maturity;
- conditions that restrict the entity from collecting cash flows from specific assets;
- conditions that modify the payment for the time value of money.

Business model

The definition of the Company's business models reflects the manner in which groups of financial assets are managed together to achieve a defined business objective. In assessing the objective of the business model, the Company takes into account in particular the following information:

- established methods and objectives for the portfolio
- the method of evaluating the performance of the business model and how the given performance is reported to the key management of the Company;
- risks that affect the performance of the business model and the financial assets held under that business model and the method
- managing these risks;
- the method of remuneration of managers and traders.

In the statement of financial position, financial assets at amortized cost are reported under "Cash and deposits with banks", "Trade and other receivables", "Long-term receivables" and "Securities measured at amortized cost". and include loans and receivables from banks and clients of debt securities that are not held for trading. The accrued value is the acquisition price reduced by principal repayments, increased by accrued interest and reduced by expected impairment losses through a provision. The Company uses the effective interest rate method to calculate the accrued value. Fees and related transaction costs are an integral part of the effective interest rate. Interest income on financial assets carried at amortized cost is recognized in the statement of comprehensive income under 'Interest income'. Impairment losses are recognized in the statement of comprehensive income under 'Other operating expenses'.

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

Debt instruments can be measured at fair value through other comprehensive income if they are held in a business model whose objectives are achieved through the collection of contractual cash flows and sales, and at the same time the cash flows are exclusively repayments of principal and interest on principal. Unrealized gains and losses on debt securities are recognized in other comprehensive income. At the time of sale, the accumulated gains and losses on other profit or loss are reclassified to profit or loss. In the accounting period 2021 and 2020, the Company did not value any debt instrument at fair value recognized in other comprehensive income.

For equity securities that are not held for trading, the Group may, at the time of their initial recognition, decide that subsequent changes in fair value will be recognized against equity. This classification is irreversible. The Company did not use this option in 2021 or 2020.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets may be measured at fair value through profit or loss if the cash flows do not meet the test conditions for contractual cash flows or are part of a business model designed to hold financial assets to realize their value through sale. In addition, on initial recognition, it is possible to irrevocably classify a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as measured at fair value through profit or loss, if this eliminates or significantly reduces a measurement or accounting mismatch that would otherwise occur.

Financial assets at fair value through profit or loss are recognized in the statement of financial position under 'Financial assets held for trading' and 'Other securities at fair value through profit or loss'.

Equity instruments for which the Company determines that they are held for trading or for which it does not exercise the option to recognize movements in fair value in other comprehensive income are measured at fair value through profit or loss.

Changes in the net fair value of financial assets at fair value through profit or loss are recognized in the statement of comprehensive income under 'Net profit from financial operations'.

Impairment loss on financial assets

For financial assets measured at amortized cost and debt financial assets at fair value through profit or loss, the Company determines an impairment loss in the amount of expected losses. The amount of expected losses is based on historical experience and takes into account expected market developments.

IFRS 9 requires the use of a three-tier model to calculate allowances, which evaluates the change in credit risk at the balance sheet date.

Level 1 – financial assets for which there has been no significant increase in credit risk since initial recognition or which have a low credit risk at the balance sheet date. For all assets in this category, a 12-month expected credit loss is recognized and interest income is calculated from the gross carrying amount of the financial asset.

Level 2 – financial assets for which there has been a significant increase in credit risk since initial recognition but which have not yet been impaired. For these assets, the expected credit loss is recognized for the entire life of the asset and interest income is calculated from the gross carrying amount of the financial asset.

According to the Company's methodology, there is a significant increase in credit risk if one or more criteria are met. The quantitative criterion is based on changes in the values of the probability of default, qualitative criteria on changes in external market indicators, changes in the terms of the contract and changes in the internal risk assessment

Level 3 – financial assets for which there is objective evidence of impairment. They are recorded for these assets expected credit losses over the life of the asset and interest income is calculated based on the net book value of the assets. According to the Company's methodology, a receivable is impaired especially if the debtor is more than 180 days in arrears, the debtor has died, or the debtor is insolvent.

The Company uses a simplified model for trade receivables and receivables from outstanding securities transactions with an original maturity of less than one year; Impairment losses are determined in the amount of expected losses over the entire life of the receivable.

In calculating the present value of expected credit losses, the Company uses the values of Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and discount value factor ("D"). For receivables from outstanding securities transactions and trade receivables, an impairment loss is determined as a percentage of the value of receivables broken down by overdue period. For receivables from reverse repo loans and loans to non-banking entities, the Company then determines the expected loss based on an individual assessment of the debtor's credit risk after taking into account collateral.

Classification and valuation of financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are classified as at fair value through profit or loss if the financial liability is held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are carried at fair value, with any revaluation gain or loss recognized in the statement of comprehensive income under 'Net profit or loss from financial operations'. Other financial liabilities (including loans) are subsequently measured at amortized cost using the effective interest rate method.

Accounting for financial assets and financial liabilities

All current purchases and sales of financial assets (spot transactions) are reported or derecognized on the trade date. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the market. Purchases and sales of financial assets with a settlement time longer than usual for spot transactions are considered financial derivatives (see Note 'Financial derivative instruments').

5.6. Repurchase agreements

Securities sold under repurchase agreements (repurchase agreements) are not derecognized and continue to be reported as assets on the line "Financial assets held for trading" in the statement of financial position. Securities provided as collateral are recorded on the off-balance sheet. The value of securities from the "Financial assets held for trading" category, which are provided as collateral, is quantified in the notes to the financial statements. At the same time, the Company recognizes a liability in the amount of the received performance, which is included in the relevant line "Payables to banks" or "Trade payables and other payables".

The difference between the purchase and sale price in repurchase agreements is treated as interest expense, which is reported as part of Interest expense and is determined using the effective interest rate method.

Securities purchased under agreements to resell (reverse repurchase agreements) are not recognized in the statement of financial position and are recorded in off-balance sheet records. The corresponding receivable arising from the loan is reported in the statement of financial position as an asset on the relevant line "Cash and deposits with banks" or "Trade and other receivables".

The difference between the sale and purchase price for resale contracts is treated as interest income, which is reported as part of the item Interest income and is determined using the effective interest rate method.

In the case of the sale of securities acquired as collateral in a reverse repo operation, the Company recognizes in the statement of financial position the amount payable from the short sale remeasured to fair value in the relevant line "Trade payables".

5.7. Financial derivative instruments

The Company enters into a number of derivative financial instruments to manage its exposure to currency risks. All financial derivatives are classified as trading financial instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the statement of comprehensive income as 'Net profit from financial operations'.

5.8. Conversion of data in foreign currencies into Czech currency

All transactions denominated in foreign currencies are accounted for and converted into Czech crowns at the official exchange rate announced by the CNB valid at the time of the transaction.

At the end of the accounting period, assets and liabilities representing monetary items denominated in foreign currencies are translated into Czech crowns at the exchange rate announced by the CNB valid on that date. Assets and liabilities representing the right to receive (or an obligation to pay) a fixed or determinable number of foreign currency units are treated as foreign currency monetary units. Realized and unrealized gains and losses on the translation of foreign currency assets and liabilities into Czech crowns are recognized in the statement of comprehensive income as financial operations.

Assets and liabilities that do not represent monetary units and equity items are translated at the historical exchange rate.

Assets, liabilities, income, expenses and equity transactions of foreign branches representing a foreign operation are translated into the reporting currency as follows:

- assets and liabilities, including data for the comparative period at the exchange rate at the balance sheet date
- income and expenses, including data for a comparative period at the exchange rate on the date of the transaction
- transactions with equity at the exchange rate on the date of the transaction.

Differences arising on the translation of foreign operations from the functional currency to the reporting currency of the Company are reported as part of other comprehensive income on the line Translation of foreign operations into the reporting currency.

5.9. Income tax

Current tax payable is tax calculated on the basis of taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payables for the previous period.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences only to the extent of the probable future taxable income.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be offset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and receivables reflects the tax consequences that would follow from the manner in which

the Company expects, at the end of the reporting period, to cover or settle the carrying amount of its assets and liabilities.

Tax for the period and deferred tax is recognized in the statement of comprehensive income unless it relates to items that are recognized in other comprehensive income or directly in equity; in this case, the tax for the period and deferred tax is recognized in other comprehensive income or directly in equity.

5.10. Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation/amortization and accumulated impairment losses. The acquisition price includes fees for experts and other costs directly related to the acquisition of the asset. Fixed assets are depreciated using the indirect method using accumulated copies. Depreciation and amortization is calculated on a straight-line basis to depreciate the cost of property, plant and equipment and intangible assets over their estimated useful lives.

Goodwill represents the difference between the consideration transferred and the value of all non-controlling interests in the acquiree and any interests held so far in the acquiree and the fair values of any interests held so far in the acquiree and the amount of identifiable assets acquired and liabilities assumed measured at the acquisition date.

During the accounting period, the Company used the following estimated useful lives of the assets expressed in years:

Type of property	Depreciation/ amortization period (in years)
Technical improvement	10 – 30
Inventory	3 – 10
Cars	4
Hardware equipment	3
Software	3-7
Right-of-use asset	2-5

At the end of each reporting period, the Company assesses the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. If it is not possible to determine the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. Enterprise-wide assets are allocated to a separate cash-generating unit if a reasonable and consistent basis for allocation can be determined. Otherwise, enterprise-wide assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis for allocation can be determined.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimate of future cash flows is 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 that have not been adjusted for future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized directly in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to an adjusted estimate of its recoverable amount, but so that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined had not been recognized in prior years. no impairment loss on the asset (or cash-generating unit). The reversal of an impairment loss is directly reflected in profit or loss.

For intangible assets with indefinite useful lives, intangible assets that are not yet in use, and for goodwill, an impairment assessment is performed annually, regardless of whether there is any indication of impairment.

5.11. Lease contracts

The Company as a lessor

The Company acts as a lessor only to related companies in the sublease of office space. The main lease and the sublease are considered as two separate contracts and accounted for separately. None of these contracts meets the criteria for a finance lease. Revenue from sublease is charged on a straight-line basis over the term of the contract.

The Company as a lessee

For short-term leases and leases relating to low-value assets, costs are charged to the Company's expenses on a straight-line basis over the term of the lease. The Company considers as short-term leases concluded for a period shorter than 12 months, and as assets with a low value those with an acquisition price lower than CZK 100 thousand.

In determining the lease term, the Company is based on the non-cancellable lease term agreed in the contract. If the lease includes the Company's right to renew the contract or the right to terminate the contract, the Company also takes these factors into account when determining the expected lease term, depending on whether it anticipates their use.

For other leases, the Company accounts for the right-of-use asset and lease liabilities as at the commencement date of the lease.

Lease payables are measured at the present value of the expected contractual lease payments at the inception of the lease. In the case of the Company, these payments include fixed or variable lease payments that depend on an index or a rate. The variable component of the rent depending on the development of the price index is determined at the commencement of the lease according to the value of the index on the date of commencement of the lease. To determine the present value, the Company uses the Company's current borrowing rate as the discount rate, unless the implicit interest rate of the lease is known. For 2021, the Company's borrowing rate was determined on the basis of external financing rates. The subject of lease agreements, for which the right-of-use asset is accounted for, is exclusively the lease of office space, therefore in 2021 the Company used a uniform discount rate of 2% p.a. (2020: 2% p.a.).

The lease liability is subsequently increased by accrued interest and reduced by the rent paid.

The short-term and long-term part of the lease liability are reported in separate lines of the statement of financial position.

If, after the commencement of the lease, the expected payments included in the valuation of the lease liability change, the Company adjusts the value of the liability and at the same time adjusts the valuation of the right-of-use asset.

The right-of-use asset is valued at the date of commencement of the lease in the amount corresponding to the initial value of the lease liability adjusted for rent payments made before the commencement of the lease, incentives and costs incurred in concluding the lease agreement. Subsequently, the value of the right-of-use asset is reduced by depreciation and any loss from impairment. The right-of-use asset is depreciated on a straight-line basis over the expected life of the lease (or the shorter of the useful life of the asset); the duration also takes into account the contractual right to unilaterally extend or terminate the lease.

Changes in expected payments included in the measurement of a lease liability, the Company will adjust the value of the lease liability to reflect newly expected payments, and at the same time adjust the value of the right-of-use asset.

5.12. Provisions

The Company creates a provision if:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate of the amount of the obligation can be made.

The provision is recognized at the amount that represents the best estimate of the amount required to settle the present obligation.

5.13. Post-employment benefits

For employees in the Italian branch, the Company creates a mandatory T.F.R post-employment benefit fund. Severance pay, according to the terminology of Italian labor law, is paid on the basis of the funds raised. The procedures for the correct calculation of severance pay are set out in Article 1 of Law No 297/1982 and Article 2,120 of the Italian Civil Code, which may be summarized as follows:

1. The monthly statement shall include all remuneration, including benefits in kind, paid to the worker depending on the employment relationship, unless it is an occasional employment relationship and unless otherwise stated in the collective agreements.
2. The sum of the relevant salaries paid monthly shall be divided by a coefficient of 13.5 at the end of each year or at the end of the employment relationship.
3. The amount not collected in the previous year shall always be valorized on the basis of the valorization coefficient fixed by the National Statistical Office of Italy (ISTAT).
4. Each year, a deduction of 0.50 is paid, paid monthly by the employer for the employee in the form of an advance to the Italian State Social Security Administration (INPS), together with contributions;
5. By adding the amount referred to in point 2) to the amount obtained in point 3) and deducting the amount referred to in point 4), we obtain the amount to be set as expense for the Company and as a liability recognized as a provision for post-employment benefits.
6. The new legislation, which has been in force since March 2015, provides for the possibility of:
 - o paying the employee a monthly amount of severance pay accumulated for a given month, or
 - o collecting these funds on the Company's account,
 - o paying funds to the pension fund, according to the employee's choice

The Company recognizes the costs of creating the fund in the "Administrative expenses" in the statement of comprehensive income and reports the value of the fund in the statement of financial position as "Post-employment benefit provision". Upon termination of employment, the amount is paid by a reduction in the value of the fund (provision) and a decrease in cash. The value of the fund is revalued using the actuarial method in accordance with the requirements of IAS 19 and revaluation gains or losses are recognized in other comprehensive income.

5.14. Securities transactions for clients

Securities accepted by the Company for safekeeping, administration or management are accounted for in off-balance sheet records in market, resp. nominal values if market value is not available. In the statement of financial position in the item "Trade and other payables", payables to clients due to received funds intended for the purchase of securities, or to return backups to the client.

5.15. Debt securities issued

Debt securities issued are classified as other financial liabilities measured at amortized cost. Debt securities issued are initially recognized at issue price, including the direct cost of issue. Subsequently, liabilities from issued bonds are increased by accrued interest costs determined by the effective interest rate method. In the statement of financial position, the bonds are recorded under "Liabilities from issued bonds". Accrued interest is recorded in the item "Interest expenses" in the statement of comprehensive income.

5.16. Method of determining fair value

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for the same assets or liabilities (level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- inputs for assets or liabilities that are not based on observed market data (unobservable inputs) (level 3).

See Note 37 for details.

5.17. Cash and bank balances

Cash and bank account balances also include restricted funds, the use of which by the Company is limited by the contractual conditions. Restricted cash is not included in the cash flow statement. Cash equivalents are cash on hand, deposits with central banks and deposits with other banks with a maturity of up to one day.

Clients' funds received as part of client asset management are not part of the item, they are reported off-balance sheet.

6. NET INTEREST INCOME

Interest income of CZK 73,814 thousand (2020: CZK 73,508 thousand) is generated mainly from repo loans and loans on the money market.

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Interest income calculated using the effective interest rate method	73,814	73,508
Loans and advances provided	70,015	66,065
Other	3,799	7,443
Interest expenses calculated using the effective interest rate method	(58,020)	(61,642)
Overdrafts	(6,386)	(6,597)
Loans and advances received	(50,548)	(53,544)
Interest on leases	(1,014)	(1,286)
Other	(72)	(215)
Net interest income	15,794	11,866

7. OTHER FINANCIAL INCOME / COSTS

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Other financial income	61,559	39,571
Other financial costs	(39,072)	(25,612)
Net other financial income	22,488	13,959

8. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Fee and commission income:	913,730	772,973
Securities transactions	551,816	495,873
Analytical services	85,176	93,162
Asset management	51,853	48,464
Investment banking	224,885	135,474
Fee and commission expenses:	(322,280)	(288,781)
Securities transactions	(317,791)	(286,401)
Other	(4,489)	(2,380)
Total net fee and commission income	591,450	484,192

9. NET PROFIT FROM FINANCIAL OPERATIONS

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Net profit from proprietary trading	193,489	182,024
Net profit from foreign Exchange transactions and foreign currency differences	(1,868)	(12,057)
Dividend income	10,546	1,398
Net profit from financial operations	202,168	171,365

10. OTHER OPERATING INCOME / EXPENSES, NET

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Reinvoicing of operating costs	2,445	2,304
Other operating income	931	3,205
Profit / (loss) on disposal of PPE	0	2
Release / (creation) of provisions to goodwill	(2,639)	(2,090)
Release / (creation) of provisions to receivables	(1,856)	170
Other operating income / expenses, net	(1,118)	3,591

11. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Wages, salaries and bonuses	(356,806)	(276,136)
Social security and health insurance costs	(82,298)	(68,835)
Contribution to T.F.R. fund	(2,134)	(6,592)
Share / option scheme	0	0
Personnel expenses	(441,238)	(351,563)
Other administrative expenses	(247,387)	(236,490)
Total administrative expenses	(688,625)	(588,053)
Depreciation and amortization	(45,129)	(36,722)
Total administrative and other expenses	(733,755)	(624,775)
Number of employees at the end of the period	253	221
Average number of employees per period	240	208
Average cost per employee	(1,838)	(1,690)

Other administrative expenses mainly include IT expenses (CZK 140,086 thousand; CZK 123,406 thousand in 2020), services related to the operation of office space and expenses related to lease agreements classified as short-term or related to low-value items (CZK 18,712 thousand; CZK 16,924 thousand in 2020), legal expenses (CZK 5,504 thousand; CZK 11,577 thousand in 2020), and travel expenses (CZK 5,452 thousand; CZK 5,735 thousand in 2020).

The line Other administrative expenses also includes the remuneration of the statutory auditor, which totaled CZK 2,150 thousand in 2021 and relates to the mandatory audit of the financial statements and the annual report and the report on the adequacy of the measures taken to protect the customer's assets (so-called MiFID reports). The auditor's fee for 2020 amounted to CZK 2,150 thousand. The statutory auditor of the Company was Ernst & Young Audit, s.r.o. for 2021 and 2020.

12. TAXATION

The corporate income tax rate for the year ended 31 December 2021 is 19%. The Company's tax liability is calculated on the basis of current profit / (loss) according to Czech accounting standards, taking into account tax non-deductible expenses and exempt income or income subject to the final withholding tax rate.

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Profit / (loss) before tax	97,027	60,198
Theoretical tax calculated using a tax rate of 19% (2020: 19%)	18,435	11,438
Tax effect of non-taxable income	(481)	(284)
Tax effect of tax non-deductible expenses	1,359	2,014
Tax effect of other deductions	(1,672)	(2,565)
Tax effect of dividend income, income of foreign branches and tax of the previous period	2,935	734
Income tax expense / (income)	20,576	11,337
- Deferred tax	345	(2,939)

DEFERRED TAX

	Year ended 31 December 2021 In CZK thousands	Year ended 31 December 2020 In CZK thousands
Deferred tax assets		
Estimates on labor costs	1,086	555
Provisions	2,919	2,235
The difference between the accounting and tax residual value of fixed assets, including right of rights	156	89
Contractual fines and penalties	1,027	1,056
Deferred tax liabilities		
The difference between the accounting and tax residual value of fixed assets	(1,598)	0
Net deferred tax assets / (liabilities)	3,591	3,935
Movement of deferred tax assets / (liabilities)		
Balance at the beginning of the period	3,935	996
Net change recognized as income / (expenses)	(345)	2,939
Net change recognized in equity	0	0
Balance at the end of the period	3,591	3,935

Deferred income taxes are calculated on all taxable and deductible differences between tax bases and carrying amounts using the effective tax rates of 19% applicable for 2021 and beyond.

13. CASH AND BANK BALANCES

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Cash on hand	718	1,052
Current accounts with banks	273,417	189,023
Restricted cash	0	0
Total cash and bank balances	274,135	190,075

Cash and current accounts with banks in total represent cash and cash equivalents for cash flow reporting purposes. Restricted cash represents funds contractually blocked in the account for the needs of a third party.

14. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets held for trading

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Shares and equity securities traded on regular markets	300,279	144,925
Fair value of financial derivatives	109,789	73,513
Total trading assets	410,069	218,438

Of the financial assets held for trading, securities that are used as collateral for repo operations totaled CZK 22,728 thousand (2020: CZK 3,188 thousand).

Liabilities held for trading

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Liabilities from short sales	58,044	64,544
Fair value of financial derivatives	102,411	68,137
Total trading liabilities	160,455	132,681

The shares are denominated in the currencies of the individual local markets.

Nominal values of foreign exchange transactions	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Receivables from fixed-term operations	16,665,440	9,971,824
Liabilities from fixed term operations	16,654,544	9,968,421

Information on the risks arising from financial assets and financial liabilities held for trading and the methods of their management are described in Notes 29 – 35.

15. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Receivables from securities trading	755,391	709,099
Receivables from repo/ buy sell operations	5,184,657	2,407,834
Receivables from loans to non-banking entities	151,182	485,479
Trade and other receivables	45,252	30,378
Estimated receivables	36,784	31,599
Advance payments – short-term	14,778	10,747
Trade and other receivables, total	6,188,046	3,675,137

Receivables from securities trading of CZK 755,391 thousand mainly include capital transactions for clients, which remained unpaid at the end of 2021 (2020: CZK 709,099 thousand). These transactions were subsequently fully settled at the beginning of January 2022. Due to the method of settlement of transactions (delivery versus payment), these receivables carry a minimum credit risk. For securities trading receivables, the impairment loss is determined at the expected 12-month loss. Based on historical experience and the nature of receivables, the Company assessed the risk of expected twelve-month losses as insignificant. In 2021 and 2020, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

Receivables from reverse repo transactions represent short-term loans secured by securities. For receivables from reverse repo operations and buy-sell operations, the impairment loss is primarily set at the 12-month expected loss. Receivables are always secured by securities with a value higher than the value of the receivable. The debtor's credit risk and the value of collateral are regularly evaluated by the Company. The Company assessed the risk of expected twelve-month losses on existing receivables as insignificant. In 2021 and 2020, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables. Securities accepted as collateral under reverse repo transactions amount to CZK 6,107,491 thousand (2020: CZK 3,243,043 thousand). Securities are measured at fair value. All securities accepted as collateral may be sold or further pledged.

Receivables from loans to non-banking entities represent loans provided to selected business partners, including related parties. For receivables from loans to non-banking entities, the impairment loss is primarily determined at the expected 12-month loss. Expected losses are based on an individual assessment of individual debtors. Given that most loans are provided to related companies, the Company assesses the risk of expected credit losses on existing receivables as insignificant. In 2020 and 2021, there was no deterioration in credit risk and the Company reported no loss.

Trade receivables and other receivables of CZK 45,252 thousand include receivables from issued invoices for asset management services, investment banking and analytical services (2020: CZK 27,502 thousand). It also includes relationships in the group (CZK 243 thousand; 2020: CZK 3,768 thousand) due to re-invoicing of costs. In the case of trade receivables, the impairment loss is determined in the amount of the expected loss for the remaining life of the receivable, where the expected loss is based on the period after the receivable is valid. Based on historical experience and the nature of receivables, the Company assessed the risk of expected losses as insignificant.

As at 31 December 2021 the Company calculated expected impairment losses on financial assets. The total expected amount of impairment did not exceed the amount of CZK 1,000 thousand. The method of credit risk management is described in Note 32.

16. FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Opening balance	0	44,231
Gross carrying amount	0	0
Amortisation items	0	2,403
Sale	0	(46,634)
Closing balance	0	0

In 2020 and 2021, the Company did not have any financial assets measured at amortized cost.

17. DEFERRED CHARGES AND INCOME AND OTHER ASSETS

Deferred expenses as at 31 December 2021 in the amount CZK 21,722 thousand (2020: CZK 15,605 thousand) mainly include prepaid maintenance of IT systems and connections to stock exchanges.

18. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Unlisted bonds	7,327	53,600
Unquoted shares and participations	414,530	79,879
Other financial assets at fair value through profit or loss	421,857	133,479

The item unlisted bonds includes bonds of Czech companies maturing in 2024.

The item unquoted shares and participations as at 31 December 2021 and 31 December 2020 includes shares in funds of qualified investors.

Information on risks arising from other financial assets measured at fair value and the methods of their management are described in Notes 29-35.

19. LONG-TERM RECEIVABLES

Long-term receivables in the total amount of CZK 5,064 thousand (CZK 5,189 thousand in 2020) consists mainly of long-term advances paid for rent. There is no credit risk associated with these receivables.

As at 31 December 2021 the Company calculated expected impairment losses on financial assets. The total expected amount of impairment did not exceed the amount of CZK 1,000 thousand. The method of credit risk management is described in Note 32.

20. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Goodwill In CZK thousands	Software In CZK thousands	Right-of-use asset In CZK thousands	Technical improvement In CZK thousands	Inventory In CZK thousands	Other equip-ment In CZK thousands	Means of transport In CZK thousands	Total In CZK thousands
Purchase price								
1 January 2021	7,135	176,994	73,236	27,625	26,592	48,323	13,512	373,416
Additions		37,630	15,143	935	1,345	3,634		58,687
Translation of assets from branch currencies to CZK	(226)	(95)	0	(126)	(185)	(787)	(173)	(1,592)
Disposals			(7,219)			(337)		(7,556)
31 December 2021	6,909	214,529	81,161	28,434	27,752	50,833	13,339	422,956
Accumulated depreciation								
1 January 2021	0	125,720	34,184	13,971	23,666	43,182	10,371	251,094
Depreciation and amortization	0	19,406	19,518	833	702	2,653	2,019	45,129
Translation of assets from branch currencies to CZK		(456)	0	280	(110)	(620)	(150)	(1,056)
Derecognition			(7,219)			(337)		(7,556)
31 December 2021	0	144,669	46,483	15,085	24,257	44,877	12,240	287,611
Impairment	4,729	0	0	0	0	0	0	4,729
Net book value								
31 December 2021	2,180	69,859	34,678	13,350	3,494	5,955	1,099	130,615
1 January 2021	5,045	51,274	39,052	13,654	2,926	5,141	3,141	120,232

	Goodwill	Software	Right-of-use asset	Technical improvement	Inventory	Other equipment	Means of transport	Total
	In CZK thousands	In CZK thousands	In CZK thousands	In CZK thousands	In CZK thousands	In CZK thousands	In CZK thousands	In CZK thousands
Purchase price								
1 January 2020	6,999	149,770	73,236	28,003	26,604	49,738	13,408	347,757
Additions	0	27,200	0	0	29	1,194	0	28,423
Translation of assets from branch currencies to CZK	136	24	0	(223)	(41)	21	104	22
Disposals	0	0	0	(156)	0	(2,631)	0	(2,786)
31 December 2020	7,135	176,994	73,236	27,625	26,592	48,323	13,512	373,416
Accumulated depreciation								
1 January 2020	0	113,269	17,739	13,371	22,892	42,227	8,108	217,606
Depreciation and amortization	0	12,519	16,445	890	875	3,755	2,238	36,722
Translation of assets from branch currencies to CZK	0	(68)	0	(45)	(101)	(90)	26	(279)
Derecognition	0	0	0	(245)	0	(2,711)	0	(2,955)
31 December 2020	0	125,720	34,184	13,971	23,666	43,182	10,371	251,094
Impairment	2,090	0	0	0	0	0	0	2,090
Net book value								
31 December 2020	5,045	51,274	39,052	13,654	2,926	5,141	3,141	120,232
1 January 2020	6,999	36,501	55,497	14,632	3,712	7,510	5,300	130,151

The right-of-use asset relates to the leases of office space. The item means of transport also includes the right-of-use asset related to the use of cars; the right-of-use asset related to cars totaled CZK 1,099 thousand (2020: CZK 2,404 thousand). The total net book value of the right-of-use asset was CZK 35,777 thousand as at 31 December 2021 (2020: CZK 41,456 thousand). The depreciation of the right-of-use asset totaled CZK 20,822 thousand in (2020: CZK 16,445 thousand).

In the course of 2021, the Company spent CZK 8,890 thousand on research and development (2020: CZK 13,406 thousand).

Goodwill reported in the statement of financial position relates to the acquisition of a branch in Italy in 2013. At the acquisition date, the value of goodwill was determined as the difference between (i) the purchase price of the controlling interest and (ii) the fair value of acquired assets less the fair value of liabilities assumed at the acquisition date.

The Company has assessed the impairment of goodwill. Recoverable amount is determined as the value in use and is based on a long-term cash flow plan. Based on the assessment of the recoverable amount of the cash-generating unit to which the goodwill is allocated (the Italian branch of the Company), the Company reported a decrease in the value of goodwill in 2021 in the amount of CZK 4,729 thousand CZK. The book value of goodwill as at 31 December 2021 is CZK 2,180 thousand.

21. ISSUED CAPITAL

The Company's share capital represents 198,000 shares with a nominal value of CZK 2,250 per share. In 2021 and 2020, there was no change in the share capital of the Company. The share capital was fully paid up.

22. RETAINED EARNINGS

The profit for 2020 was transferred to the Company's Retained Earnings based on the decision of the General Meeting of the Company. The Company's management anticipates that the profit of 2021 will also be transferred to Retained Earnings.

The Company's management closely monitors the situation and takes measures to minimize the impact of the global CoVID-19 pandemic on the Company's operations. The situation is constantly evolving, however, the current course of the pandemic in 2021 did not have a material impact on the Company's financial results, especially on the quality of the portfolio of financial instruments, financial performance and capital adequacy.

23. TRADE AND OTHER PAYABLES

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Payables to suppliers	61,348	47,094
Liabilities from securities trading	744,321	682,540
Liabilities from repo operations	5,441,490	2,397,411
Liabilities from loans	5,709	82,103
Liabilities to the state budget	25,028	15,697
Unbilled liabilities	70,440	66,780
Trade and other payables, total	6,348,337	3,291,625

Payables to suppliers include payables that remained outstanding at the end of 2021. No liabilities were overdue as at 31 December 2021.

Securities trading liabilities include capital transactions for clients that remained unpaid at the end of 2021 and were subsequently settled in January 2022.

Estimated accounts payable mainly include an estimate of the contribution to the guarantee fund, bonuses, provision for untaken holiday and estimated services not invoiced by 31 December 2021.

Securities provided as collateral under repurchase agreements amounted to CZK 5,762,570 thousand (2020: CZK 3,343,097 thousand).

24. AMOUNTS OWED TO BANKS

Liabilities to banks of CZK 18,217 thousand (2020: CZK 77,888 thousand) represent short-term bank loans, which are used primarily to cover stock exchange collateral and trade settlement.

The table below summarizes income and expenditure related to liabilities to banks:

	2021	2020
	In CZK thousands	In CZK thousands
Liabilities to banks as at 1 January	77,888	252,350
Drawing bank loans	0	0
Accrued interest	6,386	6,597
Repayments of bank loans	(66,058)	(181,059)
Liabilities to banks as at 31 December	18,217	77,888

25. LEASE LIABILITIES

The table below summarizes lease liabilities:

	2021	2020
	In CZK thousands	In CZK thousands
Lease liabilities as at 1 January 2021	41,354	60,054
Additions	14,950	0
Interest	1,014	1,286
Installments	(18,985)	(19,986)
Lease liabilities as at 31 December 2021	38,333	41,354
<i>Short-term lease liabilities</i>	<i>19,054</i>	<i>16,309</i>
<i>Long-term liabilities from lease agreements</i>	<i>19,279</i>	<i>25,045</i>

Lease payables are measured at the present value of the outstanding lease payments at the inception of the lease. In the case of the Company, these payments include fixed or variable rents. The variable component of the rent depending on the development of the price index is determined at the commencement of the lease according to the value of the index on the date of commencement of the lease. To determine the present value, the Company uses the Company's current borrowing rate as the discount rate.

The lease liability is subsequently increased by accrued interest and reduced by the rent paid.

The short-term portion of the lease liability represents the present value of the lease payments due within 12 months after the end of the current accounting period.

The amount of depreciation of rights of use is disclosed in Note 20, costs arising from short-term leases and contracts for low-value assets in Note 11, interest arising from leases in Note 6.

The obligations arise exclusively from contracts relating to office space and passenger cars. The Company is not exposed to any potential payments that would not be included in the valuation of lease liabilities.

26. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities as at 31 December 2021 in the amount CZK 438 thousand (2020: CZK 717 thousand) mainly represent accepted commissions, which belong to the contractual partners, and accruals of office space lease.

27. PROVISIONS

The most significant item in the provisions is the provision for post-employment benefits formed by the TFR fund for employees of a branch in Italy, which is compulsory under Italian law. It is an estimate of the amount that will be paid to employees upon termination of employment. The Company holds the same amount of cash (reported in the statement of financial position under "Cash and deposits with banks").

In 2021, the Company reported CZK 2,134 thousand related to these benefits. In total, it reported a provision of CZK 3,243 thousand, representing the expected payments that the Company will be forced to make in connection with these benefits in the future.

28. LIABILITIES FROM ISSUED DEBT SECURITIES

In 2020, the Company issued a new issue of bonds with a fixed interest rate of 3%, with a nominal value of CZK 200,000 thousand and with a maturity date on 2 November 2023. Liabilities from these issued bonds as at 31 December 2021 amounted to CZK 2,110 thousand (31 December 2020: CZK 2,110 thousand).

The Company also provides its own issued bonds as collateral in repo transactions. The total amount of own issued bonds thus provided was CZK 386,897 thousand as at 31 December 2021 (31 December 2020: CZK 164,275 thousand). Liabilities from these operations are reported under Trade and other payables.

29. RISK MANAGEMENT

The Company's management regularly assesses and evaluates possible risks to which the Company is exposed. The key risks arising from the financial asset of financial liabilities include currency risk, liquidity risk, credit risk and market risk. The Company's goal is to minimize risks. To this end, the Company uses a system of internal rules (including a system of limits for maximum risk exposure); in selected cases, the Company uses financial derivatives to hedge risks. Compliance with internal rules is regularly evaluated by the Company's management and the internal audit department.

30. CURRENCY RISK

The Company conducts business activities in Czech crowns and other major currencies in the region of Central and Eastern Europe. The Company has established rules for holding current assets, primarily cash in individual currencies, in accordance with its internal guidelines for foreign exchange risk management.

Currency risk is managed by the Treasury Department, which continuously monitors currency positions in current assets and decides on their structure and amount, specifically in relation to the currency structure of long-term liabilities.

Below is an analysis of selected assets and liabilities of the Company as at 31 December 2021 in CZK thousands according to individual currencies:

2021	CZK	EUR	PLN	Other	Total
Cash and cash equivalents	30,035	115,360	45,179	83,561	274,135
Financial assets held for trading	224,808	79,420	14,491	91,350	410,069
Other financial assets at fair value through profit or loss	257,041	157,055	0	7,761	421,857
Trade and other receivables	338,610	1,427,935	237,051	4,184,450	6,188,046
Financial assets measured at amortized cost	0	0	0	0	0
Income tax receivables	0	0	0	0	0
Deferred income and other assets	4,258	7,784	518	9,161	21,722
Long-term receivables	0	5,064	0	0	5,064
Deferred tax asset	3,591	0	0	0	3,591
Intangible assets, net	50,900	5,401	18	15,721	72,040
Tangible assets, net	39,453	23,403	1,056	(5,333)	58,578
Total assets	948,696	1,821,421	298,312	4,386,672	7,455,101
Basic capital	445,500	0	0	0	445,500
Reserve fund from profit	15,293	0	0	0	15,293
Retained earnings / (accumulated loss)	342,556	0	0	0	342,556
Fund from revaluation of financial assets and foreign operations	0	0	0	0	0
Profit for the accounting period	76,451	0	0	0	76,451
Revaluation reserve	(328)	0	0	0	(328)
Deferred tax liability	0	0	0	0	0
Liabilities from debt securities issued	2,110	0	0	0	2,110
Liabilities from lease agreements – long-term	0	19,279	0	0	19,279
Provision for post – employment benefits	2,160	3,243	0	0	5,403
Liabilities to banks	0	0	0	18,217	18,217
Financial liabilities for trading	152,114	8,256	85	0	160,455
Trade and other payables	657,002	1,111,053	196,050	4,384,231	6,348,337
Liabilities from lease agreements – short-term	0	19,054	0	0	19,054
Accruals and other liabilities	3	433	3	0	438
Income tax liability	2,337	0	0	0	2,337
Total liabilities	1,695,198	1,161,061	196,138	4,402,448	7,455,101
Impact of off-balance sheet items	683,699	(655,029)	(89,773)	61,103	0
Net currency position in the statement of financial position as at 31 December 2021	(62,803)	5,074	12,401	45,328	0

2020	CZK	EUR	PLN	Other	Total
Cash and cash equivalents	23,400	88,782	25,352	52,541	190,075
Financial assets held for trading	106,271	34,092	9,368	68,707	218,438
Other financial assets at fair value through profit or loss	49,178	27,477	0	56,823	133,479
Trade and other receivables	455,353	1,689,537	176,341	1,353,907	3,675,137
Financial assets measured at amortized cost	0	0	0	0	0
Income tax receivables	0	710	137	16	862
Deferred income and other assets	3,010	3,566	630	8,400	15,606
Long-term receivables	0	5,189	0	0	5,189
Deferred tax asset	3,935	0	0	0	3,935
Intangible assets, net	50,900	5,401	18	0	56,319
Tangible assets, net	33,686	29,169	1,056	3	63,914
Total assets	725,735	1,883,921	212,901	1,540,396	4,362,953
Basic capital	445,500	0	0	0	445,500
Reserve fund from profit	15,293	0	0	0	15,293
Retained earnings / (accumulated loss)	293,695	0	0	0	293,695
Fund from revaluation of financial assets and foreign operations	0	0	0	0	0
Profit for the accounting period	48,861	0	0	0	48,861
Revaluation reserve	841	0	0	0	841
Deferred tax liability	0	0	0	0	0
Liabilities from debt securities issued	2,110	0	0	0	2,110
Liabilities from lease agreements – long-term	0	25,045	0	0	25,045
Provision for post – employment benefits	2,160	3,319	0	0	5,479
Liabilities to banks	4	77,064	0	821	77,888
Financial liabilities for trading	100,987	31,694	0	0	132,681
Trade and other payables	805,087	1,023,109	193,423	1,270,006	3,291,625
Liabilities from lease agreements – short-term	0	16,309	0	0	16,309
Accruals and other liabilities	0	335	382	0	717
Income tax liability	6,909	0	0	0	6,909
Total liabilities	1,721,446	1,176,875	193,805	1,270,827	4,362,953
Impact of off-balance sheet items	948,780	(679,157)	(28,200)	(241,424)	0
Net currency position in the statement of financial position as at 31 December 2020	(46,931)	27,889	(9,103)	28,145	0

The Company regularly evaluates the possible impact of exchange rate changes on profit or loss and equity. The following table summarizes the impact of changes in exchange rates on the Company's profit and loss (in thousands of CZK) when the CZK exchange rate changes against other currencies by +/- 10%.

2021	Strengthening of CZK (+10%)	Weakening of CZK (- 10%)
Impact on profit (+ increase / - decrease)	(6,246)	6,246
Impact on equity	0	0

2020	Strengthening of CZK (+10%)	Weakening of CZK (- 10%)
Impact on profit (+ increase / - decrease)	(4,693)	4,693
Impact on equity	0	0

31. LIQUIDITY RISK MANAGEMENT

The Company's liquidity management is based on the fact that most business operations and transactions that the Company negotiates comply with the settlement convention T + 2 or T + 3 (settlement date + 2 or 3 business days). The Company's liquidity management is responsible for the Treasury Department, which works closely with the Settlement Department. In particular, the Treasury Department analyzes the time and currency structure of future receivables and payables so that the Company has a sufficient amount of readily liquid funds at its disposal at all times.

The internal regulations also stipulate the volume of purchases and sales that the trader may conclude on his own account during the day and the value of the securities portfolio that the trader may hold in the Company's own account at the end of the trading day.

Appropriate inspections of compliance with the set limits take place throughout the day and involve authorized employees of the Trading, Treasury and Settlement departments.

Below is an analysis of the Company's financial liabilities as at 31 December 2021 and 31 December 2020, respectively, according to the remaining maturity in thousands of CZK. Items with an unspecified maturity date are included in the "Unspecified" column.

Maturity:	On request	< 3 months	< 1 year	< than 5 years	> 5 years	Not specifie d	Total
Liabilities from debt securities issued	0	0	45	2,065	0	0	2,110
Liabilities to banks	0	18,217	0	0	0	0	18,217
Financial liabilities for trading	0	160,455	0	0	0	0	160,455
Trade and other payables	0	6,277,897	70,440	0	0	0	6,348,337
Liabilities from lease agreements		1,218	17,836	19,279			38,333
Accruals and other liabilities	0	438	0	0	0	0	438
Income tax payable	0	0	2,337	0	0	0	2,337
Total 31 December 2021	0	6,458,225	90,658	21,344	0	0	6,570,227

Maturity:	On request	< 3 months	< 1 year	< than 5 years	> 5 years	Not specified	Total
Liabilities from debt securities issued	0	0	45	2,065	0	0	2,110
Liabilities to banks	0	77,888	0	0	0	0	77,888
Financial liabilities for trading	0	132,681	0	0	0	0	132,681
Trade and other payables	0	3,224,845	66,780	0	0	0	3,291,625
Liabilities from lease agreements		1,354	14,955	25,045			41,354
Accruals and other liabilities	0	717	0	0	0	0	717
Income tax payable	0	0	6,909	0	0	0	6,909
Total 31 December 2020	0	3,437,485	88,689	27,110	0	0	3,553,284

The carrying amount does not differ materially from the contractual cash flows of financial liabilities. The expected maturity of financial assets and financial liabilities does not differ significantly from the expected maturity

32. CREDIT RISK

Credit risk arises mainly from receivables from outstanding securities transactions, receivables from loans and repo loans, trade receivables and debt securities. The Company manages and evaluates credit risk separately for each of the above categories separately. The Company's objective is to minimize losses resulting from the inability of debtors to repay the Company's receivables by evaluating the creditworthiness and regular monitoring of counterparties with which the Company enters into transactions and / or to which it provides its services. The Company methodically manages and continuously evaluates the credit risk of counterparties. New clients go through the so-called account opening procedure, where after obtaining and analyzing information, there is an internal (or external) credit rating. The counterparty is then assigned a limit on the total open position. The Treasury and Compliance departments continuously monitor the hedging and risk assessment of the loans provided.

In the case of receivables from securities trading, the Company takes into account the method of settlement of trades (delivery versus payment) when assessing credit risk. As a result, these receivables carry minimal credit risk. Based on historical experience and the nature of receivables, the Company assessed the risk of expected twelve-month losses as insignificant. In 2021 and 2020, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

In the case of receivables from reverse repo operations and buy-sell operations, the Company assesses the credibility of the debtor and the value of the securities with which the receivable will be secured before concluding the transaction. The Company always requires that the value of collateral when arranging a transaction exceeds the value of the receivable. For receivables from reverse repo operations and buy-sell operations, the impairment loss is primarily set at the 12-month expected loss. In 2021 and 2020, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

The Company provides loans to selected business partners. Loans are granted after prior assessment by the borrower and, unless it is a related party loan, the Company requires adequate collateral. All loans are provided only after the approval of the statutory body of the Company. For receivables from loans to non-banking entities, the impairment loss is primarily determined at the expected 12-month loss. Expected losses are based on an individual assessment of individual debtors. Given that most loans are provided to related companies, the Company assesses the risk of expected credit losses on existing receivables as insignificant. In 2021, none of the receivables showed a significant increase in credit risk, nor was an impairment loss recognized. In 2020, none of the receivables showed a significant increase in credit risk, nor was an impairment loss recognized.

Trade receivables mainly represent receivables for asset management services, investment banking and analytical services. Before accepting an order, the Company always assesses the client's ability to pay the fee. In the case of trade receivables, the impairment loss is based on the overdue period of the receivable. Based on historical experience and the nature of receivables, the Company assessed the risk of expected losses as insignificant (2021: CZK 786 thousand; 2020: CZK 68 thousand).

As at 31 December 2021, the Company is exposed to credit risk, which is due to:

- (i) the carrying amounts of receivables recognized in the statement of financial position;
- (ii) the maximum value of the performance of the financial guarantees provided.

The Company did not provide any financial guarantees in 2021. The Company assessed the risk of expected losses from the provided guarantees as negligible. Therefore, the Company does not report any impairment loss for the financial guarantees provided.

The Company also evaluates credit risk when purchasing debt securities. As at 31 December 2021 and 31 December 2020, all debt securities were classified as financial assets held for trading; any credit losses were thus reflected in fair value directly in the Company's costs.

The Company is obliged to comply with the rules restricting credit concentration in accordance with the rules of credit exposure. As at 31 December 2021 and 31 December 2020, the credit exposure to one debtor did not exceed 10% of the total value of all receivables of the Company.

33. INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The period of time during which the interest rate of a financial instrument is fixed indicates the extent to which the instrument is exposed to interest rate risk. Most transactions that the Company enters into with an interest rate component have a fixed interest rate. Therefore, the Company is not exposed to the risk of duration mismatch.

Due to the nature of operations and the contractual maturity of financial assets and liabilities, the Company is not exposed to significant interest rate risk. The effects of changes in interest rates on the Company's profit or loss and equity would not be significant.

34. MARKET RISK

Market risk is the risk of changes in the prices of securities held by the Company in its portfolios. To measure and manage market risks, the Company mainly uses a system of limits that result from the Company's needs and external requirements.

The Company trades in the following instruments associated with market risk:

- shares traded on the Prague Stock Exchange,
- selected foreign shares traded on foreign stock exchanges and derivative contracts.

The following table calculates the sensitivity analysis of equity (Delta) in thousands of CZK. Sensitivity represents a shift of +/- 10% of all securities in the portfolio.

2021	Sensitivity Long position	Sensitivity Short position	Total sensitivity
Impact on equity	+/- 71,481	+/- 5,804	+/- 65,677
Impact on profit (+ increase / - decrease)	+/- 30,028	+/- 5,804	+/- 24,224

2020	Sensitivity Long position	Sensitivity Short position	Total sensitivity
Impact on equity	+/- 22,480	+/- 6,454	+/- 16,026
Impact on profit (+ increase / - decrease)	+/- 14,493	+/- 6,454	+/- 8,038

35. CAPITAL MANAGEMENT

The Company's basic tool for capital management is to monitor and comply with the capital adequacy limit.

The Company also manages its capital to be able to continue its business activities while maximizing returns for shareholders through the optimization of debt and capital balances.

For management purposes, the Company considers as capital all components that form the so-called regulatory capital of a securities trader (especially share capital, retained earnings, profit or loss for the current period and funds from revaluation of financial assets measured at fair value through other comprehensive income). The value of regulatory capital as at 31 December 2021 is CZK 730,921 thousand (2020: CZK 699,010 thousand).

36. ESTIMATED FAIR VALUE OF THE COMPANY'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of financial assets and liabilities measured at amortized cost do not differ materially from their fair values. In most cases, these are short-term receivables and payables with an original maturity of less than one year.

The fair value of these assets and liabilities (excluding receivables from restitution claims) is determined as the present value of future cash flows. Due to the fact that the time value is negligible, and the credit risk is reflected in the impairment loss, the difference between the book value and the fair value is insignificant.

The fair value of receivables from Romanian restitution claims is determined on the basis of the latest available prices at which these receivables were acquired. The difference between the market price and the accrued value is not significant.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities held for trading and other financial assets at fair value through profit or loss are carried at fair value in accordance with accounting policies.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- a. quoted prices (unadjusted) in active markets for the same assets or liabilities (level 1);
- b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- c. inputs for assets or liabilities that are not based on observed market data (unobservable inputs) (level 3).

2021	Total In CZK thousands	Level 1 In CZK thousands	Level 2 In CZK thousands	Level 3 In CZK thousands
Financial assets measured at fair value				
Financial assets held for trading				
- Listed shares and equity securities	300,279	300,279	0	0
- Fair value of financial derivatives	109,789	0	109,789	0
Other financial assets measured at fair value				
- Unquoted bonds	7,327	0	0	7,327
- Unquoted shares	414,530	0	0	414,530
Financial liabilities for trading				
- Liabilities from short sales of shares	(58,044)	(58,044)	0	0
- Fair value of financial derivatives	(102,411)	0	(102,411)	0
Total	671,471	242,235	7,378	421,857

2020	Total In CZK thousands	Level 1 In CZK thousands	Level 2 In CZK thousands	Level 3 In CZK thousands
Financial assets measured at fair value				
Financial assets held for trading				
- Listed shares and equity securities	144,925	144,925	0	0
- Fair value of financial derivatives	73,513	0	73,513	0
Other financial assets measured at fair value				
- Unquoted bonds	53,600	0	0	53,600
- Unquoted shares	79,879	0	0	79,879
Financial liabilities for trading				
- Liabilities from short sales of shares	(64,543)	(64,544)	0	0
- Fair value of financial derivatives	(68,137)	0	(68,137)	0
Total	219,236	80,382	5,375	133,479

Financial instruments measured at fair value based on level 3

2021	Unlisted bonds In CZK thousands	Unquoted shares In CZK thousands
Opening balance	53,600	79,879
Purchase	2,314,707	4,045,152
Maturing bonds	-	-
Sales	2,360,980	3,710,500
Closing balance	7,327	414,530

2020	Unlisted bonds In CZK thousands	Unquoted shares In CZK thousands
Opening balance	5,419	367,975
Purchase	925,950	248,623
Maturing bonds	0	0
Sales	877,768	536,719
Closing balance	53,600	79,879

Unlisted units for which level 3 fair value measurement is used are primarily real estate sub-fund certificates that the Company sells to investors.

The following table summarizes the manner in which fair value is determined for financial assets and financial liabilities (particularly the method of determining fair value and the inputs used for valuation):

Financial assets / financial liabilities	Level	Method of determining fair value	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Listed shares and equity securities	1	Market prices on regulated markets	N/A	N/A
Liabilities from short sales	1	Market prices on regulated markets	N/A	N/A
Financial derivatives	2	Discounted cash also based on forward exchange rates	N/A	N/A
Unquoted shares	3	Yield method based on expected cash flows discounted by average cost of capital (WACC)	The value of the WACC parameter determined using the CAPM model The amount of expected cash flows based on the expected growth of sales	An increase in the WACC parameter would lead to a decrease in the fair value of unlisted units A reduction in expected sales growth would lead to a decrease in the fair value of unlisted units
Unquoted bonds	3	Yield method based on expected cash flows discounted by a rate including a risk-free and risky component (issuer risk, underlying assets risk, etc.)	The amount of expected cash flows based on the cash flows of the underlying assets The amount of the risk-free rate for individual currencies and other components determining the market discount rate	A decrease in expected cash flows from the underlying assets or an increase in the discount rate would lead to a decrease in the market price of unquoted bonds

The impact of changes in the fair value of financial assets for which level 3 is used to determine fair value on the Company's income and expenses in 2021 was CZK 43,297 thousand (2020: CZK 6,066 thousand).

38. RELATED PARTIES

During the year, the Company entered into the following transactions with related parties of the WOOD & Company Group S.A.

38.1. Key management of the Company

The key management of the Company includes the ultimate owners of the Company. During the accounting period, short-term remuneration to key members of management amounted to CZK 5,147 thousand (2020: CZK 5,147 thousand). The members of the key management are three persons who have the authority and responsibility for the planning, management and control activities of the Company. The key management did not receive any other rewards.

38.2. WOOD & Company Group S.A. ("WOOD SA")

As at 31 December 2021, the Company reported a receivable of CZK 5,935 thousand (2020: CZK 2 thousand) from WOOD SA (included in the item "Receivables from loans on the money market" in Note 14).

As at 31 December 2021, the Company reported a liability to WOOD SA of CZK 3,147 thousand (2020: CZK 3,322 thousand), which is included in the item "Trade and other payables" in Note 23.

The Company reports interest income of CZK 58 thousand (2020: CZK 619 thousand) from a loan provided by WOOD SA.

38.3. Other related parties

As at 31 December 2021 and 31 December 2020, the Company reports the following transactions with Other related parties, which the Company considers to be companies in the same holding group in accordance with [IAS 24.9b vi.] with the exception of the parent company WOOD & Company Group S.A.

	2021	2020
	In CZK thousands	In CZK thousands
Trade and other receivables	695	63,483
Trade and other payables	1,361	20,599
Interest income	473	1,241
Interest expenses	446	488
Fee and commission expense	0	0
Operating costs	667	501
Other income	482	543

38.4. Related parties outside the WOOD & Company Group S.A.

As at 31 December 2021, the Company reports the following transactions outside the WOOD & Company Group S.A. according to IAS 24.

2021	Closely related parties in accordance with IAS 24.9a (iii) In CZK thousands	Other related parties according to IAS 24.9b In CZK thousands
Trade and other receivables	375,312	313,891
Trade and other payables	10,028	1,607
Interest income	10,114	10,068
Interest expenses	233	0
Fee and commission income	611	153

2020	Closely related parties in accordance with IAS 24.9a (iii) In CZK thousands	Other related parties according to IAS 24.9b In CZK thousands
Trade and other receivables	577,393	294,149
Trade and other payables	35,184	80
Interest income	14,595	11,033
Interest expenses	1,674	1,258
Fee and commission income	840	37

39. ASSETS IN ADMINISTRATION, CUSTODY AND MANAGEMENT

	As at 31 December 2021 In CZK thousands	As at 31 December 2020 In CZK thousands
Assets accepted for administration and safekeeping	18,089,491	16,433,005
Assets accepted for management	14,039,256	2,274,346

Assets accepted for administration and custody do not include assets of CZK 6,766,811 thousand (2020: CZK 982,588 thousand), which are accepted for management and at the same time for administration and custody at the Company.

40. SET-OFF OF FINANCIAL ASSETS AND LIABILITIES

The Company enters into agreements with counterparties that contain an agreement on the final settlement of profits and losses.

The Company enters into foreign exchange transactions with counterparties – banks with which it may have cash accounts. The fair value of these short-term foreign exchange transactions is insignificant due to the volume of funds deposited with the bank. The fair values of foreign exchange transactions recognized in Note 15 may be offset in the event of a counterparty default.

The Company enters into repurchase agreements and reverse repurchase agreements with counterparties, where it uses securities as collateral. As at 31 December 2021, no repo operation was entered into that could be offset against another operation of the given counterparty reported in the Company's financial position.

The Company enters into transactions for the purchase and sale of securities. These transactions are recorded in the statement of financial position as receivables or payables from securities trading. Receivables and payables from securities trading are kept in the accounting records according

to individual currencies and counterparties. They are therefore reported in the statement of financial position at netted value.

The Company is obliged to deposit part of the funds as collateral for the closed volume of trades with settling counterparties. This collateral cannot be withdrawn for specific transactions, therefore it cannot be included in the statement of financial position.

41. CONTINGENT LIABILITIES

The members of the Board of Directors of the Company believe that the Company is not exposed to any contingent liabilities of any kind as at the date of the Company's financial statements and no provisions have been made for them.

42. SUBSEQUENT EVENTS

The outbreak of war in Ukraine on 24 February 2022 caused new turmoil on global financial markets. The markets mostly responded through falling stock and bond prices and increasing commodity prices. The Western countries subsequently took retaliatory measures and imposed continually tightening economic sanctions on Russia, with the purpose of suppressing aggression against Ukraine; these steps further exacerbated already volatile conditions.

Nevertheless, the present situation does not have any significant impact on WOOD & Company jeopardizing its business. The Company has minimal exposure to parties directly affected by the armed conflict. A higher volatility at stock exchanges, on the other hand, offers the Company new opportunities to compensate any reduction of business transactions in investment banking.

There were no other significant events after the balance sheet date that would have a material impact on the financial statements for the year ended 31 December 2021.



Vladimír Jaroš
Chairman of the Board of Directors