

365.bank, a. s.

**Consolidated financial statements
prepared in accordance with International
Financial Reporting Standards as adopted by the
European Union**

**for the year ended 31 December 2021
(English translation)**

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KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
811 02 Bratislava
Slovakia

Telephone: +421 (0)2 59 98 41 11
Internet: www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of 365.bank, a. s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 365.bank, a. s. (the "Bank") and its subsidiaries (the "Group"), which comprise:

— the consolidated statement of financial position as at 31 December 2021;

and, for the period then ended:

— the consolidated statement of profit or loss and other comprehensive income;

— the consolidated statement of changes in equity;

— the consolidated statement of cash flows;

and

— notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated 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 International Standards on Auditing (“ISAs”) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended (“the Act on Statutory Audit”) including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, 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.

Key Audit Matters

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

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2021: € 3 090 459 thousand; impairment loss recognised in 2021: € 21 085 thousand; total impairment loss as at 31 December 2021: € 227 084 thousand.

Refer to Note 2 (Accounting policies), Note 8 (Financial assets at amortised cost: Loans and advances) and Note 30 (Impairment losses and provisions: Financial assets at amortised cost - Loans and advances).

<i>Key audit matter</i>	<i>Our response</i>
<p>Impairment allowances represent the Management Board’s best estimate of the expected credit losses (“ECLs”) within financial assets at amortized cost at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment and assumptions from the Management Board.</p> <p>Impairment allowances for most performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing exposures (Stage 3) below € 300 thousand individually (together “collective impairment allowance”) are determined by modelling techniques. Historical experience, forward-looking information, identification of exposures with a significant deterioration in credit quality and management judgment are incorporated into the model assumptions.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none">• Updating our understanding of the Group’s ECL impairment methods and assessing their compliance with the relevant requirements of the financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate;• Making relevant inquiries of the Group’s risk management, internal audit and IT personnel, in order to update our understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the Group's knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.

For the above reasons, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.

testing the Group's IT control environment for data security and access;

- Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and the overall ECL estimate;
- Assessing whether the definition of default and the financial instruments standard's staging criteria were appropriately and consistently applied;
- For collective impairment allowance:
 - Obtaining the Group's forward-looking information used in the ECL assessment. Assessing the information by means of comparison to publicly available information and corroborating inquiries of the Management Board;
 - Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances.
- For impairment allowances calculated individually:
 - For a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2021;
 - For the exposures with triggers for classification in Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values by reference publicly available market data search and also

performing respective independent estimations, where relevant;

- For loans and advances exposures in totality:
 - Examining whether the Group's loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2021: € 703 231 thousand; negative change in fair value recognized in profit or loss for the year ended 31 December 2021: € 12 340 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2021: € 3 939 thousand.

Refer to Note 2 (Accounting policies), Note 6 (Non-trading financial assets mandatorily at fair value through profit or loss), Note 7 (Financial assets at fair value through other comprehensive income) and Note 24 (Net gains/(losses) from financial transactions) to the consolidated financial statements.

Key audit matter

Securities held at fair value include primarily debt and equity securities within the portfolios of non-trading financial assets mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income.

For both security types, the Group determines their respective fair values based on either quoted prices of identical or similar instruments, or valuation techniques, such as discounted cash flows, using market observable and unobservable inputs, such as credit spread or liquidity premium.

Due to the magnitude of the amounts involved, as well as the complexity involved and judgment required in measuring the fair value of certain of these instruments, their valuation was a key area of focus during our audit.

Our response

Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others:

- Updating our understanding of the Group's fair value measurement methods and assessing their compliance with the requirements of relevant financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate in the context of said requirements;
- Independently assessing the Group's assignment of financial instruments into fair value hierarchy levels, considering underlying market activity, including volume traded and number of executable quotes, and assessment of bid-ask spread of those quotes;
- Testing the Group's market-based (level 1 in the fair value hierarchy of the financial reporting standards) valuations of financial instruments by tracing those amounts to

independently sourced publicly available quoted prices;

- On a sample of valuations based on inputs other than quoted prices (level 2 and level 3 valuations), performing an independent estimate of the fair value of the said financial instruments, using market observable inputs (risk-free rates and risk premium) derived from external market providers, and comparing our estimate to the carrying amount in the Group's financial statements; and
 - Evaluating the overall reasonableness of the Group's valuations by examining gains and losses on disposals and other events and transactions which could provide corroborating evidence about the accuracy of the past valuations.
 - Assessing the appropriateness of the fair value – related disclosures in the consolidated financial statements, including the disclosures in respect of the methods and inputs used in the Group's determination of the fair values, in light of the requirements of applicable financial reporting framework.
-

Responsibilities of the Statutory Body and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group'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 statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body;
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on Other Legal and Regulatory Requirements

Reporting on other information in the Consolidated Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Consolidated Annual Report that we have obtained prior to the date of the auditors' report on the audit of the consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The Consolidated Annual Report was not available to us as of the date of this auditors' report on the audit of the consolidated financial statements.

When we obtain the Consolidated Annual Report, based on the work undertaken in the course of the audit of the consolidated financial statements we will express an opinion as to whether, in all material respects:

- the other information given in the Consolidated Annual Report for the year ended 31 December 2021 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the other information in the Consolidated Annual Report in light of the knowledge and understanding of the Group and its environment that we have acquired during the course of the audit of the consolidated financial statements.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the Board of Directors of 365.bank, a. s. on 9 September 2020 on the basis of approval by the General Meeting of 365.bank, a. s. held on 18 June 2020. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 19 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the supervisory board of the Company, which was issued on the same date as the date of this report.



Non-audit services


No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

In addition to the statutory audit services and services disclosed in the consolidated financial statements of the Group, we did not provide any other services to the Group.

Audit firm:

KPMG Slovensko spol. s r.o.

License SKAU č. 96


Responsible auditor:
Ing. Martin Kršjak
License UDVA No. 990




Bratislava, 11 March 2022

A. Consolidated statement of financial position

EUR'000	Notes	31.12.2021	31.12.2020
Assets			
Cash, cash balances at central banks and other demand deposits	4	453 523	296 241
Financial assets held for trading	5	2	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	6	317 729	338 920
Financial assets at fair value through other comprehensive income	7	385 502	439 601
Financial assets at amortised cost	8	3 579 240	3 219 617
<i>Debt securities</i>	8	380 576	385 640
<i>Loans and advances</i>	8	3 173 993	2 797 304
thereof: Loans and advances to banks	8	23 553	16 469
thereof: Loans and advances to customers	8	3 150 440	2 780 835
<i>Other financial assets</i>	8	24 671	36 673
Fair value changes of the hedged items in portfolio hedge of interest rate risk	9	1 091	2 276
Investments in joint ventures and associates	10	937	1 515
Tangible assets	11	68 081	62 152
Intangible assets	12	57 481	59 839
Current tax assets		-	307
Deferred tax assets	13	24 223	25 526
Other assets	14	16 086	17 510
TOTAL ASSETS		4 903 895	4 466 152
Liabilities			
Financial liabilities held for trading	5	3 695	746
Financial liabilities at amortised cost	15	4 136 783	3 726 677
<i>Deposits</i>	15	4 007 447	3 668 402
thereof: Subordinated debt	15	8 014	8 014
Debt securities issued	15	64 794	-
<i>Other financial liabilities</i>	15	64 542	58 275
Derivatives – Hedge accounting	9	4 977	10 318
Provisions	16	736	28 633
Current tax liabilities		4 346	2 000
Other liabilities	17	14 284	15 048
Total liabilities		4 164 821	3 783 422
Share capital and share premium	18	367 043	367 043
Retained earnings	18	297 821	243 560
Other equity	18	74 094	68 172
Non-controlling interests	18	116	3 955
Total equity	18	739 074	682 730
TOTAL EQUITY AND LIABILITIES		4 903 895	4 466 152

These consolidated financial statements, which include the notes on pages 15 - 68, were approved by the Board of Directors on 9 March 2022.



Chairman of the Board of Directors
Andrej Zat'ko



Member of the Board of Directors
Ladislav Korec

B. Consolidated statement of profit or loss and other comprehensive income

EUR'000	Notes	2021	2020
Statement of profit or loss			
Net interest income	21	148 882	154 698
<i>Interest income</i>	21	154 006	163 107
<i>Interest expenses</i>	21	(5 124)	(8 409)
Net fee and commission income	22	59 640	47 759
<i>Fee and commission income</i>	22	90 209	80 686
<i>Fee and commission expenses</i>	22	(30 569)	(32 927)
Dividend income	23	24 415	15
Net gains/(losses) from financial transactions	24	(10 611)	1 269
Other operating income and expenses	25	6 195	(4 051)
<i>Other operating income</i>	25	12 300	6 046
<i>Other operating expenses</i>	25	(5 889)	(9 832)
<i>Gains/(losses) on derecognition of non-financial assets, net</i>	25	(216)	(265)
Staff expenses	26	(56 294)	(51 413)
Other administrative expenses	26	(48 882)	(40 391)
Depreciation	27	(28 359)	(22 512)
Net earned premium	28	8 915	16 748
Claim costs	29	(2 588)	(7 787)
Operating profit before impairment losses and provisions		101 313	94 335
Release/(creation) of provisions	30	1 860	684
Net impairment of financial assets not valued at fair value through profit and loss	30	(29 009)	(46 477)
Net impairment on non-financial assets	30	84	(681)
Share of the profit of investments in joint ventures and associates	10	430	622
Profit before tax		74 678	48 483
Income tax	31	(17 792)	(7 884)
Profit after tax		56 886	40 599
Profit after tax attributable to ordinary shareholders		56 455	40 657
Profit after tax attributable to non-controlling interest		431	(58)
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		3 233	1 598
<i>Revaluation of debt securities at fair value through other comprehensive income</i>		(3 939)	2 788
<i>Impairment losses for debt securities at fair value through other comprehensive income</i>		8 137	(741)
<i>Deferred tax related to items that may be reclassified to profit or loss</i>		(967)	(440)
<i>Foreign currency translation</i>		2	(9)
Items that may not be reclassified to profit or loss		-	(1 375)
<i>Revaluation of equity instruments at fair value through other comprehensive income</i>		-	(1 749)
<i>Deferred tax related to items that may not be reclassified to profit or loss</i>		-	374
Total other comprehensive income		3 233	223
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		60 119	40 822
Total comprehensive income attributable to ordinary shareholders		59 688	40 894
Total comprehensive income attributable to non-controlling interest		431	(72)
Earnings per share			
Profit after tax attributable to ordinary shareholders		56 455	40 657
Weighted-average number of ordinary shares		330 899	330 899
Basic and diluted earnings per share in EUR		171	123

The notes on pages 15 - 68 are an integral part of these consolidated financial statements.

C. Consolidated statement of changes in equity

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	Non-controlling interests	TOTAL EQUITY
Opening balance as of 1 January 2021	366 305	738	60 737	7 437	(2)	243 560	678 775	3 955	682 730
Total comprehensive income	-	-	-	3 231	2	56 455	59 688	431	60 119
Profit after tax	-	-	-	-	-	56 455	56 455	431	56 886
Items that may be reclassified to profit or loss	-	-	-	3 231	2	-	3 233	-	3 233
Items that may not be reclassified to profit or loss	-	-	-	-	-	-	-	-	-
Other transactions	-	-	2 689	-	-	(2 194)	495	(4 270)	(3 775)
Transfer to legal reserve fund	-	-	2 689	-	-	(2 689)	-	-	-
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	116	116
Change in non-controlling interests without change in control	-	-	-	-	-	495	495	(544)	(49)
Disposal of subsidiary impact	-	-	-	-	-	-	-	(3 572)	(3 572)
Other	-	-	-	-	-	-	-	(270)	(270)
Closing balance as of 31 December 2021	366 305	738	63 426	10 668	-	297 821	738 958	116	739 074

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	Non-controlling interests	TOTAL EQUITY
Opening balance as of 1 January 2020	366 305	738	55 995	7 191	7	208 062	638 298	4 202	642 500
Total comprehensive income	-	-	-	246	(9)	40 657	40 894	(72)	40 822
Profit after tax	-	-	-	-	-	40 657	40 657	(58)	40 599
Items that may be reclassified to profit or loss	-	-	-	1 621	(9)	-	1 612	(14)	1 598
Items that may not be reclassified to profit or loss	-	-	-	(1 375)	-	-	(1 375)	-	(1 375)
Other transactions	-	-	4 742	-	-	(5 159)	(417)	(175)	(592)
Transfer to legal reserve fund	-	-	4 742	-	-	(5 209)	(467)	467	-
Dividends	-	-	-	-	-	-	-	(590)	(590)
Other	-	-	-	-	-	50	50	(52)	(2)
Closing balance as of 31 December 2020	366 305	738	60 737	7 437	(2)	243 560	678 775	3 955	682 730

The notes on pages 15 - 68 are an integral part of these consolidated financial statements.

D. Consolidated statement of cash-flows

EUR'000	Notes	31.12.2021	31.12.2020
Profit before tax		74 678	48 483
<i>Adjustments:</i>			
Net interest income		(148 882)	(154 698)
Dividend income		(24 415)	(15)
Depreciation		28 359	22 512
Release/(creation) of provisions		(1 860)	(684)
Creation of insurance provisions		217	3 557
Gains/(losses) on derecognition of non-financial assets, net		216	265
Net impairment of financial assets not valued at fair value through profit and loss		29 009	46 477
Net impairment on non-financial assets		(84)	681
Share of profit in jointly controlled entities and associates		(430)	(622)
Cash flows from/(used in) operating activities before changes in working capital		(43 192)	(34 044)
<i>(Increase)/decrease in operating assets:</i>			
Cash balances at central banks		(161 795)	40 661
Financial assets held for trading		2 646	(1 627)
Non-trading financial assets mandatorily at fair value through profit or loss			
<i>(Increase)/decrease</i>		<i>21 191</i>	<i>(46 012)</i>
<i>Dividends received</i>		<i>24 415</i>	<i>-</i>
Financial assets at amortised cost		(389 120)	(336 073)
<i>Loans and advances</i>		<i>(401 122)</i>	<i>(351 532)</i>
<i>Other financial assets</i>		<i>12 002</i>	<i>15 459</i>
Other assets		1 424	6 648
<i>Increase/(decrease) in operating liabilities:</i>			
Financial liabilities held for trading		2 949	(3 222)
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		346 246	17 219
<i>Deposits</i>		<i>346 656</i>	<i>16 290</i>
<i>Other financial liabilities</i>		<i>(410)</i>	<i>929</i>
Derivatives – Hedge accounting		(5 341)	898
Other liabilities		(764)	(3 876)
Cash flows from operating activities before interest and income tax		(201 341)	(359 428)
Interest received		147 931	141 008
Interest paid		(11 461)	(4 897)
Income tax paid		(14 943)	(11 848)
Net cash flows from/(used in) operating activities		(79 814)	(235 165)
Cash flows from investing activities			
<i>Financial assets at amortised cost - debt securities</i>			
Purchase		(39 652)	(28 521)
Proceeds from sale and maturity		23 951	175 472
Interest received		6 287	14 878
<i>Financial assets at fair value through other comprehensive income - debt securities</i>			
Purchase		(67 827)	(30 835)
Proceeds from sale and maturity		107 872	131 704
Interest received		10 283	13 286
<i>Tangible and intangible assets</i>			
Purchase		(23 726)	(43 937)
Proceeds from sale		722	691
Net cash flows from/(used in) investing activities		17 910	232 738
Cash flows from financing activities			
<i>Dividends paid</i>		<i>-</i>	<i>-</i>
Non-controlling interests		-	(590)
<i>Debt securities issued</i>		<i>65 000</i>	<i>-</i>
Interest paid		(310)	-
<i>Financial liabilities at amortised cost - subordinated debt</i>		<i>(480)</i>	<i>(481)</i>
<i>Financial liabilities at amortised cost - received loans</i>		<i>-</i>	<i>(9 879)</i>
Interest paid		(222)	(283)
<i>Financial liabilities at amortised cost - lease liabilities</i>		<i>(5 982)</i>	<i>(5 881)</i>
Lease payments		(5 982)	(5 881)
Interest expense		(572)	(501)
Net cash flows from/(used in) financing activities		57 434	(17 615)
Net increase/(decrease) in cash and cash equivalents	4	(4 470)	(20 042)
Cash and cash equivalents at the beginning of the period	4	53 193	73 235
Cash and cash equivalents at the end of the period	4	48 723	53 193

The notes on pages 15 - 68 are an integral part of these consolidated financial statements.

E. Notes to the consolidated financial statements

1. General information

Poštová banka, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992 and commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. 365.bank has become the main Bank of the Group and provides both digital and branch network services. Poštová banka (365.bank, a. s., organizational unit Poštová banka) continues to provide its services at Slovenská pošta's offices. The registered office of the Bank is Dvořákovo nábřeží 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2021294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of 365.bank Group.

Based on the meeting of the Board of Directors dated 28 April 2021, the Bank decided to terminate the activities of its branch and to dissolve the organizational unit on 30 June 2021. On 3 July 2021, the Bank sold its entire share in the subsidiary Poštová poisťovňa, a. s.

Consolidated financial statements are the financial statements of the Bank and its subsidiaries, joint ventures and associates ('the Group').

The principal activities of the Group are as follows:

- Accepting and providing deposits in euro and in foreign currencies,
- Providing loans and guarantees in euro and foreign currencies,
- Providing banking services to the public,
- Providing services on the capital market,
- Provision of investment services,
- Managing pension funds,
- Mediation of life and non-life insurance services,
- Leasing, rental and factoring services.

The shareholder's structure is as:

Name of shareholder	Address	31 December 2021		31 December 2020	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Česká republika	325 794	98.45%	325 794	98.45%
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak republic	4 918	1.49%	4 918	1.49%
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak republic	100	0.03%	100	0.03%
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, Austria	87	0.03%	87	0.03%
Total		330 899	100.00%	330 899	100.00%

On 1 January 2020, the Bank's shareholder structure changed when PBI, a.s. merged with its 100% parent company J&T FINANCE GROUP SE. Through this merger, J&T FINANCE GROUP SE acquired a further 34% of the shares and voting rights in 365.bank, a. s., increasing its direct share in the bank's share capital to 98.457%.

Members of the Board of Directors

Andrej Zaťko	Chairman
Peter Hajko	Board member
Zuzana Žemlová	Board member
Ladislav Korec	Board member (from 2 July 2021)

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Jan Kotek	Board member

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Board of Directors on 10 March 2021.

The Group's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic. The consolidated financial statements are available at the registered office of J&T FINANCE GROUP SE.

2. Accounting policies

2.1 Basis of preparation of the consolidated financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union.

These financial statements are prepared as consolidated financial statements under Section 22 of the Slovak Act on Accounting 431/2002, as amended.

The financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

These financial statements are presented in euro (“EUR”), which is the Bank’s functional currency. Except for otherwise indicated, financial information presented in euro has been rounded to the nearest thousand. The tables in these financial statements may contain rounding differences.

2.2 Subsidiaries, joint ventures and associates

As at 31 December 2021 the Bank held significant direct or indirect shares in the following subsidiaries, joint ventures and associates:

Company name	Activity	Ownership in %
Subsidiaries		
365.invest, správ. spol., a. s. (Prvá penzijná správovská spoločnosť Poštovej banky, správ. spol., a. s. do 2. 7. 2021)	Asset management	100,00%
365.life, d. s. s., a. s. (Dôchodková správovská spoločnosť Poštovej banky, d. s. do 2. 7. 2021)	Management of pension funds	100,00%
Ahoj, a. s. (Amico Finance a. s. do 31. 5. 2021)	Consumer loans	100,00%
PB Servis, a. s.	Real estate administration	100,00%
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100,00%
365.fintech, a. s.	Investment fund	100,00%
Cards&Co, a. s.	Information technology services industry	100,00%
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	87,99%
365.nadácia	Charitable foundation	x
Joint ventures		
SKPAY, a. s. (SPPS, a. s. do 30. 6. 2021)	Payment services	40,00%

During November 2020, the Bank acquired a 100% share and control in Cards&Co a .s. During 2021, the Bank bought shares in ART FOND - Stredoeurópsky fond súčasného umenia, a. s., thus acquiring control in the Company.

365.nadácia is not included in the consolidated financial statements. On 3 July 2021, the Bank sold its entire share in the subsidiary Poštová poisťovňa, a. s.

2.3 Changes in accounting policies

The application of other accounting standards since 1 January 2021 had no significant impact on the financial statements of the Group.

2.4 Significant accounting policies

These consolidated financial statements include segment reporting, as the Group fulfils the criteria under *IFRS 8 Operating segments* for reporting of detailed segment reporting.

(a) Basis for consolidation

Consolidated financial statements include the financial statements of the Bank and its subsidiaries and jointly controlled entities.

IFRS 12 requires disclosure of significant judgments and assumptions made in determining the nature of a company's shareholding or arrangement, interests in subsidiaries, joint ventures and associates, and in non-consolidated structured units. Based on this analysis, the Group does not have investments in consolidated structured units or in non-consolidated structured companies.

Joint ventures are those entities in which the Bank has a material impact on financial and operating policies but is not controlled or controlled jointly by them. A joint venture is an agreement in which the bank has joint control, through which it has the right to net assets of the agreement, and not the right to assets and responsibility for the liabilities under this agreement.

i. Business combinations

In case of business combinations in which the Group acquires control, the acquisition method is applied. The consideration transferred in the acquisition is generally measured at fair value, similar to the net assets acquired. Reported goodwill is tested for impairment on an annual basis. Profit from a bargain purchase is recognised in the profit or loss statement immediately. Procurement costs (transaction costs) are recognised as an expense in the period in which they arise, excluding costs relating to the issue of debt securities and equity securities.

Part of the consideration given is not the amount that relates to the settlement of relationships existing before the business combination. These amounts are recognised in the income statement.

The contingent consideration is measured at fair value at the acquisition date. If the obligation to pay a contingent consideration exists, which meets the definition of a financial instrument classified as equity, the contingent consideration is not remeasured, and its settlement is recognised in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries

Subsidiaries are entities which are controlled by a group. The Group controls an entity when it is exposed to, or is entitled to, a variable return on its exposure to that entity, and is able to influence that return by its authority over that entity. Subsidiaries' financial statements are included in the consolidated financial statements, from the date of control to the loss of control date.

iii. Minority interests

Minority interests are measured at the proportion of the identifiable net assets of the entity procured at the date of acquisition. Changes in the Group's interests in the subsidiary, which do not result in the loss of control, are recognised in equity.

iv. Loss of control

If the Group loses control, it derecognises the assets and liabilities of the subsidiary, related non-controlling interests, and other equity. Profit or loss that arises from the loss of control is recognised in profit or loss. If the Group retains non-controlling interest in the former subsidiary, it is measured at fair value at the date when the control is lost.

v. Transactions eliminated from consolidation

Account balances and intragroup transactions, as well as any unrealised income, and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains on transactions with equity-settled entities are eliminated against investments in these entities, up to the Group's share in these entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the investment.

vi. Method of consolidation

The Bank assessed its shares and control in subsidiaries, jointly controlled entities and associates, in accordance with IFRS 10, IFRS 11 and IFRS 12. Subsidiaries are consolidated using the full consolidation method. The joint venture is consolidated in accordance with IFRS 11 by the equivalence method.

Company name	Share in %		Method of consolidation
	31.12.2021	31.12.2020	
Subsidiaries			
365.invest, správ. spol., a. s. (Prvá penzijná správcovská spoločnosť Poštovej banky, správ. spol., a. s. till 2. 7. 2021)	100.00%	100.00%	full consolidation
Poštová poisťovňa, a. s.	x	80.00%	full consolidation
365.life, d. s. s., a. s. (Dôchodková správcovská spoločnosť Poštovej banky, d. s. s. till 2. 7. 2021)	100.00%	100.00%	full consolidation
Ahoj, a. s. (Amico Finance a. s. till 31. 5. 2021)	100.00%	95.00%	full consolidation
PB Servis, a. s.	100.00%	100.00%	full consolidation
PB Finančné služby, a. s.	100.00%	100.00%	full consolidation
PB PARTNER, a. s. v likvidácii	x	100.00%	full consolidation
365.fintech, a. s.	100.00%	100.00%	full consolidation
Cards&Co, a. s.	100.00%	100.00%	full consolidation
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	87.99%	37.13%	full consolidation
Joint ventures			
SKPAY, a. s. (SPPS, a. s. till 30. 6. 2021)	40.00%	40.00%	equity method

(b) Foreign currency

i. Foreign currency transactions

Transactions denominated in foreign currencies are translated into euro at the exchange rate valid on the date of the transaction. Financial assets and liabilities in foreign currencies are translated at the exchange rate valid on the balance sheet date. All resulting gains and losses are recorded in *Net gains/(losses) from financial transactions* in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations are translated to euro at the spot exchange rate on the balance sheet date. The income and expenses of foreign operations are translated to euro at the spot exchange rate on the date of the transaction. Exchange rate differences from the translation of foreign operations are recognised in other comprehensive income.

In the “*Foreign exchange rate translation*” in other comprehensive income, the gains and losses arising from financial assets and liabilities of foreign operations are recognised. The settlement of these items is not planned, and no settlement is expected in the foreseeable future. These gains and losses are treated as part of a net investment in foreign operations.

(c) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate (*EIR*) method. EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. EIR is determined on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of EIR rate does not consider expected credit losses and includes all fees paid or received, transaction costs, and discounts or premiums, that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or retirement of a financial asset or liability. Interest income and expenses from financial assets and liabilities at fair value through profit or loss are presented as part of *Net interest income*, and changes in the fair values of such instruments are presented at fair value in *Net gains/(losses) from financial transactions*.

(d) Fee and commission income and expenses

Fee and commission income from contracts with customers is measured based on the consideration specified in the customer contract. The Group recognises revenue when it transfers control of a service to a customer. The following paragraphs provide information about the nature and timing of performance obligations in customer contracts and the related revenue recognition policies.

The Group provides services to retail and corporate customers. These include account management, provision of overdraft and loan facilities, loan commitments and financial guarantees, foreign currency transactions, and servicing fees.

Transaction-based fees such as servicing fees, investment management fees, sales commission, placement fees, syndication fees and fees for overdrafts are charged to the customer’s account when the transaction takes place.

Fee and commission income, and any expenses which are an integral part of EIR financial asset or liability, are included in the calculation of EIR. Revenue from account service and servicing fees is recognised over time, as the services are provided. Loan commitment fees are recognised on a straight-line basis over the commitment period.

(e) Net gains or losses from financial transactions

Net gains or losses from financial transactions comprise the following transactions:

- Net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss
- Net gains or losses on financial assets and liabilities held for trading
- Net gains or losses on non-trading financial assets mandatorily at fair value through profit or loss
- Net gains or losses on financial assets and liabilities designated at fair value through profit or loss
- Net gains or losses from hedge accounting
- Foreign exchange differences

(f) Dividend income

Dividend income is recognised when the right to receive income is established.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except for items recognised directly in equity and in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, calculated using the tax rate valid at the end of the reporting period, and including any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred

tax is calculated using the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial assets

i. Initial recognition

The Group initially recognises loans, advances and other financial assets on the date they are originated. All purchases and sales of securities are recognised on settlement day. Derivative instruments are initially recognised on the trade date, when the Group becomes a contractual party in relation to the instrument.

Financial assets are measured initially at fair value, plus transaction costs that are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss). Immediately after initial recognition, an expected credit loss allowance ('ECL') is recognised for financial assets measured at amortised cost or FVOCI.

ii. Classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories:

- Amortised cost ('AC')
- Fair value through profit or loss ('FVPL')
- Fair value through other comprehensive income ('FVOCI')

The classification requirements for debt and equity instruments under IFRS 9 are described below:

Debt instruments

Debt instruments are those instruments which meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring and other financial assets.

Classification and subsequent measurement of debt instruments depends on:

a. Business model for managing assets

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then financial assets are classified as part of the 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The Group evaluates the business model for asset management on a portfolio basis. Financial assets are classified into groups of products with the same characteristics in relation to cash flows.

b. Cash flow characteristics of the assets

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

Financial assets with embedded derivatives are treated as a whole when determining whether their cash flows represent only principal and interest payments.

The Group reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. It is expected that such changes will not occur, or they will be very infrequent.

Based on the business model and SPPI test, the Group classifies its debt instruments into one of the following measurement categories:

- *Amortised cost*

(A) Cash, cash balances at central banks and other demand deposits

Cash and cash balances at central banks comprise cash on hand, unrestricted cash balances at central banks, and other demand deposits at other credit institutions. Collateral accounts at other credit institutions, whose use is restricted, are reported within *Financial assets at amortised cost*.

(B) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation, using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in *Net interest income* using the effective interest rate method.

- *Fair value through profit or loss*

(A) Financial assets held for trading

Financial assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed to achieve short-term profit or to maintain position. These assets do not meet the criteria for amortised cost or FVOCI based on Group's business model, so they are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss, and is not part of a hedging relationship, is recognised in the profit or loss statement within *Net gains/(losses) from financial transactions* in the period in which it arises.

(B) Non-trading financial assets mandatorily at fair value through profit or loss

Assets whose cash flows do not represent solely payments of principal and interest, and therefore fail the SPPI test, are mandatorily measured at FVPL. Their measurement and subsequent recognition are the same as for financial assets held for trading.

(C) Financial assets designated at fair value through profit or loss

Under IFRS 9, it is permitted to irrevocably designate financial assets at FVPL, if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. The Group did not use the fair value option for any financial assets that meet the criteria for measurement at amortised cost or FVOCI.

- *Fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income

Financial assets that are held both for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are measured through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in *Net gains/(losses) from financial transactions*. Interest income from these financial assets is included in *Net interest income* using the effective interest rate method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are never reclassified to profit or loss, including derecognition. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established within *Dividend income*.

Gains and losses on equity investments at FVPL (those designated at FVPL or classified as held for trading) are included within *Net gains/(losses) from financial transactions* in the statement of profit or loss.

No expected credit losses are reported for equity instruments.

The Group concluded that share certificates held in the Group's portfolio meet the definition of puttable instruments. According to IFRS 9, puttable instruments do not meet the definition of an equity instrument, and therefore entities cannot make an irrevocable election to present the changes in fair value of such instruments in other comprehensive income. Due to cash flow characteristics of assets, share certificates fail to meet the solely payments of principal and interest requirement. As a result, these instruments are classified as *Non-trading financial assets mandatorily at fair value through profit or loss*.

iii. Identification and measurement of credit losses

Credit loss is the difference between all contractual cash flows that are attributable to the entity in accordance with the contract, and all cash flows that are expected to be received, discounted at the original effective interest rate. In estimating cash flows, the Group considers all the terms and conditions of the financial asset during the expected life of that financial asset. Considered cash flows should also include cash flows from sale of collateral, or any other form of credit risk mitigation that is an integral part of the terms and conditions.

The Group assesses expected credit losses associated with its debt instrument assets carried at amortised cost and FVOCI, and with exposures arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Note 36. *Credit risk* provides more detail of how the expected credit loss allowance is measured.

iv. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows from the financial asset, in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets, which is created or retained by the Group, is recognised as a consolidated asset or liability.

The Group enters contracts whereby it transfers assets recognised in its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group also derecognises certain assets when it writes off assets deemed to be uncollectible.

v. Modifications of financial assets

If there is a change in the contractual terms, the Group evaluates whether there is a significant change in the contractual cash flows. Significant modifications to cash flows result in the derecognition of the original financial asset and a new financial asset is recognised at fair value.

If the modification does not result in the derecognition of the financial asset, the Group recalculates the gross carrying amount as the present value of changed cash flows discounted by the original EIR. Difference between the new and the original values is recognised in the income statement as "*Net profit/(loss) from the modification of financial assets*". The impact of the modifications was insignificant during the reported accounting periods.

(i) Derivatives

Derivatives are measured at fair value in the statement of financial position. Changes in fair value depend on their classification:

Hedging derivatives

Under the Group's strategy, hedging derivatives are designed to hedge and manage selected risks. The Group has elected to adopt IFRS 9 for hedge accounting purposes.

The main Group criteria for classification of hedging derivatives are as follows:

- The relationship between hedging instrument and hedged item, in meaning of risk characteristics, function, target and strategy of hedging is formally documented at origination of the hedging transaction, together with the method that is used for assessment of effectiveness of the hedging relationship;
- The relationship between hedging instrument and hedged item is formally documented at the origination of the hedging transaction and the Group expects that it will decrease the risk of the hedged item;
- Hedging meets all effectiveness criteria:

- There is an economic relationship between the hedging instrument and hedged item;
- The impact of credit risk does not consider changes in value resulting from this economic relationship;
- The hedge ratio of the hedging relationship is that resulting from the quantity of the hedged item that the entity actually hedges, and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether recognised or not), that could also result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

i. Fair value hedge

The Group uses financial derivatives to manage the level of risk in relation to interest rate risk. The Group uses hedging derivatives to hedge the fair value of recognised assets. In the case of micro-hedging the Group hedges the fair value of bonds with fixed coupon. In the case of macro-hedging the Group hedges the fixed interest rate loan and advances portfolio. As the purchase of bonds with fixed coupon and origination of loans and advances with fixed interest rate increases the interest rate risk of the Group, the Group enters into interest rate swaps to hedge the changes in fair value, caused by changes in risk-free interest rates, and pays a fixed and receives a floating rate. The notional and fair values of the aforementioned hedging derivatives are described in Note 9. *Hedging derivatives*.

Changes in fair value without interest component (clean price) of hedging instruments are recognised in the profit or loss statement line as *Net gains/(losses) from financial transactions*. For micro-hedging, changes in fair value without interest component of the hedged items attributable to the hedged risk adjust the carrying amount of the hedged item and is recognised in profit or loss as *Net gains/(losses) from financial transactions*. For macro-hedging, changes in fair value, without the interest component of the hedged items are presented separately as the *Fair value changes of the hedged items in portfolio hedge of interest rate risk* and in profit and loss are also included in *Net gains / (losses) from financial transactions*.

Interest expense and interest income from hedging instruments are presented together with interest income and expense from hedged items, in the consolidated profit and loss statement under *Net interest income*. The positive value of hedging instruments is recognised in the consolidated statement of financial position as an asset in *Derivatives - Hedge accounting*. The negative value of hedging instruments is recognised as a liability in *Derivatives – Hedge accounting*. A summary of hedging derivatives is presented in Note 9. *Hedging derivatives*.

If the derivative expires or is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised in profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

ii. Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows, attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period, as hedged cash flows affect profit or loss under the same profit and loss statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in periods when the hedged item affects profit or loss. These are recorded in the income or expense lines, in which the revenue or expense associated with the related hedged item is reported.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued, and the amount previously recognised in other comprehensive income remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of *Net gains/(losses) from financial transactions*.

Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as a financial asset and applies classification and measurement accounting principles according to IFRS 9.

Otherwise, the embedded derivatives are treated as individual derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative;
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss, unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

Embedded derivatives in insurance contracts meeting the definition of an insurance contract, or the option to withdraw an insurance contract for a fixed amount (or an amount based on a fixed amount and interest rate), are not recognised separately.

(j) Tangible and intangible assets

i. Recognition and measurement

Items of tangible and intangible assets are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of related equipment is capitalised as part of the cost of that asset. When separate parts of a particular asset have different useful lives, they are accounted for separately as main components of assets.

ii. Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part of asset will flow to the Group, and its cost can be reliably measured. The costs of day-to-day maintenance of tangible assets are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation and amortisation are recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible and intangible assets. Land is not depreciated. Depreciation of tangible and intangible assets commences as soon as they are put into use.

The estimated useful lives for the current and comparative periods are as follows:

Type of asset	Period	Method
Buildings	40 years	straight line
Hardware	4 – 8 years	straight line
Fittings and other equipment	4 – 15 years	straight line
Software	individual	straight line
Other intangible assets	individual	straight line

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

iv. Goodwill

Goodwill arising in a business combination is determined as the excess of the acquisition cost of the subsidiary's share over the Group's share of the fair value of the assets, liabilities and contingent liabilities of the subsidiary. Goodwill is recognised as part of intangible assets in the statement of financial position.

Goodwill is stated at cost less impairment. Write-offs are not recognised, goodwill is tested for impairment each year and, if the goodwill is greater than the recoverable amount, the difference is recognised as a write-down in the profit and loss statement.

i. Value of business acquired – VOBA

Presumed rights and obligations arising from old-age pension savings agreements ('SDSs'), acquired within a business combination, are measured at fair value upon acquisition. The difference between the fair value of the acquired rights and obligations arising from the contracts, and the value of intangible assets measured in line with the accounting principles applicable to the Group (accrued transaction costs), is recognised as intangible assets (present value of the acquired portfolio of active contracts - VOBA). VOBA is amortised on a straight-line basis over the life of the contracts acquired. The present value of the acquired portfolio of active contracts is subject to an impairment assessment test as at the balance sheet date.

The fair value of the rights and obligations arising from acquired SDS contracts is determined as the present value of the net future cash flows during the remaining term of the acquired contracts. Calculation of the present value of the acquired portfolio of active contracts uses an estimate of the best assumptions for cancellation, costs, fees and mortality, adjusted accordingly by the risk premium.

(k) Right-of-use assets and lease liabilities

The Group assesses whether the contract is a lease or contains a lease, according to IFRS 16, at the inception of the contract. The contract is a lease, or contains a lease, when it conveys a right to use the underlying asset for a period of time in exchange for consideration. In cases where the contract is a lease, or contains a lease, the Group accounts for each lease component relating to the contract separately from the non-lease components of the contract.

The Group as a lessee recognises initially the right-of-use asset and the lease liability. The right-of-use asset is measured at cost, which equals the initial measurement of the lease liability. On the commencement day, the Group recognises the lease liability as a present value of minimum lease payments over the lease term, which were not paid until the commencement day. The lease term is a non-cancellable period of a lease, together with periods covered by an option to extend the lease – if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease – if the lessee is reasonably certain not to exercise that option. Lease payments are discounted using the interest rate implicit in the lease in relation to the operating lease of cars and using the incremental borrowing rate in relation to other leasing contracts, or leasing contracts containing a lease.

Right-of-use assets are depreciated evenly over the shorter of either the lease term or the useful life.

The Group uses a portfolio approach for contracts with similar characteristics when accounting for the lease.

Right-of-use assets are represented mainly by the lease of headquarter and branch premises, office space in post offices, IT lease contracts, lease of cars, and lease of other devices. The Group applies exemptions related to short term leases, i.e. lease contracts or contracts containing a lease with a lease term of 12 months or less, and to low value leases. Lease payments are recognised evenly as an expense over the lease term.

Right-of-use assets are presented in Note 11 *Tangible assets*, and lease liabilities are presented in Note 15 *Financial liabilities at amortised cost*. Interest expenses relating to lease liabilities are presented separately from depreciation relating to right-of-use assets.

(l) Impairment losses on non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows which are largely independent from other assets and groups.

Impairment losses are recognised directly in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, or its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Financial liabilities

i. Initial recognition

The Group initially recognises deposits by banks and customers, loans received, and other financial liabilities on the date they are originated. Derivative instruments are initially recognised on the trade date, when the Group becomes the contractual party in relation to the instrument.

Financial liabilities are measured initially at fair value, including transaction costs which are directly attributable to their acquisition or issue (for items that are not measured at fair value through profit or loss).

ii. Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book), and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities, designated at fair value through profit or loss, are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk), and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

iii. Derecognition

The Group derecognises a financial liability when its contractual obligations are fulfilled, cancelled or expire.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, if appropriate, the risks specific to the liability.

Provisions for off-balance sheet exposures arising from provided loan and other commitments and from provided guarantees are calculated in accordance with IFRS 9 on the basis of the same principles as the ECL for financial assets.

(o) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs, because a debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument.

Loan commitments are the Bank's commitments to provide credit under pre-specified terms and conditions.

Financial guarantees or commitments to provide a loan are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments are measured at the sum of the loss allowance determined in accordance with IFRS 9 and the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised.

(p) Employee benefits

i. Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

ii. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed when the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(q) Insurance and investment contracts

Contracts where the Group accepts significant insurance risk from another party (the insured), providing compensation for the insured in case of uncertain future events with a negative impact on the insured, are classified as insurance contracts.

i. Revenue (premium)

Gross premium written comprises the amounts of premium arising from insurance contracts due in the accounting period, regardless of whether these amounts relate fully or partially to future periods (unearned premium). Premium written includes estimates for premium from insurance contracts (with the beginning of insurance coverage in the

accounting period, which may not be delivered at the end of the reporting period), and adjustments to estimates of premium written in previous years. Written premium is recognised net of bonuses and similar discounts offered on contract conclusion or renewal.

Premium from co-insurance is the proportional part of total premium from co-insurance contracts due to the Group and is recognised as revenue.

The earned proportion of premium is recognised as revenue. Premium is earned from the date of acceptance of risk, over the coverage period, based on the pattern of risks underwritten.

On 1 January 2019, Act no. 213/2018 Coll. On insurance tax and on amendments to certain acts came into effect. The subject of the law is the introduction of an insurance tax, which is subject to insurance in the non-life insurance sectors. The insurance tax has the character of an indirect tax and it is paid, in principle, by the insurance companies, which collect it from taxpayers (policyholders) along with the premium. Insurance tax is initially recognised as part of gross premiums written, subsequently gross written premiums are reduced by the value of the tax. The insurance tax therefore has no effect on the reported gross written premium, as it is an indirect tax.

This Act replaced the 8% levy on non-life insurance premiums received under the Insurance Act, except for compulsory motor insurance, which is not provided by the Group.

ii. Unearned premium reserve

Unearned premium ('UPR') comprises the portion of gross premium written, which is estimated to be earned in the following or subsequent financial years, calculated separately for each insurance contract using the daily pro rata method temporis (365 method), adjusted, if necessary, to reflect any variation in the incidence of risk during the period covered by the contract.

iii. Claim costs of non-life insurance

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year, together with adjustments to prior and current year claim provisions. Claim costs are decreased by the amount of recourses.

iv. Claim costs of life insurance

Claims include maturities, annuities, surrenders and death claims, policyholder bonuses allocated in anticipation of a bonus declaration, and claim payments from riders. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid together with a release of the claim provision. Death claims and claims from riders are recognised when notified by creation of an RBNS.

v. Provision for insurance benefits

The indemnity provision is an estimate of the final costs on settling all claims arising out of claims incurred and outstanding, as at the balance sheet date, regardless of whether or not they were reported. These represent the claim payments from contracts classified as insurance contracts, investment contracts with discretionary participation feature ('DPF') and claim payments from related riders. It also includes internal and external costs related to liquidation.

Unsettled claims are valued by assessing individual insured events, creating a provision for reported and unsettled claims (RBNS), a provision for incurred but not reported insured events, and taking into account internal and external predictable events, such as changes in the method of settlement of insurance claims, inflation, trends in litigation related to insured events, changes in legislation, and historical experience and trends. In case the indemnity is paid in the form of a retirement pension, the provision shall be determined by relevant actuarial procedures.

Provisions for claims (other than annuity) are not discounted.

vi. Life assurance provision

Life assurance provision represents the actuarial estimate of the Group's liabilities from traditional life insurance contracts. Life assurance provisions are calculated for each individual policy separately, using the prospective Zillmer method, considering all guaranteed future benefits, already allocated profit-sharing, and future Zillmer premium paid by policyholders. The provision is calculated using the same assumptions as used for the calculation of premium. Changes in the life assurance provision are recognised in the period that the change occurs.

vii. Unexpired risk provision

Provision is made for unexpired risks arising from non-life insurance contracts, where the expected value of claims and expenses attributable to the unexpired periods of contracts in force at the end of the reporting period exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after considering the future investment return on investments held to back the unearned premium, and unexpired claims provisions. Unexpired risk provision is the result of a liability adequacy test in non-life insurance.

viii. Provision for premium deficiency

A liability adequacy test is performed at the reporting date. The test is performed by using actual actuarial assumptions (appropriately adjusted to include a risk margin) at the time of the test, and the discounted cash flow methodology. If such a test indicates that the initially determined life assurance provision is deficient as compared to the result of the liability adequacy test, an additional provision for premium deficiency is created as an expense in the current period.

(r) Pension saving funds

Contracts that are concluded in accordance with the Act on pension saving funds are classified as service contracts under IFRS 15. These are pension saving funds ('SDS') that are concluded by the subsidiary 365.life, d.s.s., a.s.

Deferred acquisition costs of acquisition of SDS contracts

Transaction costs related to the acquisition of SDS contracts are deferred. Transaction costs are represented by commissions paid to intermediaries.

Direct transaction costs are deferred up to the amount of their expected returns from future revenues associated with these contracts. Commissions paid are recognised as deferred transaction costs. If this expense does not meet the requirements of capitalisation (the probability that it will bring economic benefit in the future is low, or it is not directly attributable to a particular SDS contract), it is accounted for as a cost in its full amount when it occurs.

Deferred transaction costs recognised in the financial statements and are part of the brokerage commissions for SDS contracts paid that are deferred to future periods. Deferred costs of acquisition of SDS contracts are amortised using the straight-line basis over the expected life of the contract. At the termination of the contract a one-time write-off is made. The subsidiary tests deferred transaction costs for impairment on a regular basis (as at the date of the financial statements).

(s) Offsetting

In general, financial assets and liabilities are not offset. They are presented net in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The right to offset financial assets and financial liabilities is applicable only if it is not contingent on a future event, and is enforceable by all counterparties in the normal course of business, as well as in the event of insolvency and bankruptcy. Compensation mainly concerns supplier-customer relations, and it is booked based on offsetting supporting evidence.

Income and expenses are presented on a net basis only when permitted by the reporting standards, or for gains and losses arising from a group of similar transactions, such as in the Group's trading activity.

(t) Basic and diluted earnings per share

The Group reports basic and diluted earnings per share for ordinary shares. Earnings per share are calculated by dividing the net profit after tax by the weighted average number of issued shares outstanding during the accounting period.

(u) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments were not effective for the reporting period ending 31 December 2021 and were not applied in these financial statements:

- Annual improvements to IFRS Standards 2018-2020—Amendments to IFRS 9 Financial Instruments- The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted).
- Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction ((Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)
- Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance.

The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted).

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments
The amendments to IAS 1 require companies to disclose their material accounting policies and not their significant accounting policies. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Amendments introduce a definition of accounting estimates and involve other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The distinction is important as the changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted)

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes.

Expected credit losses

The measurement of ECL for debt financial assets measured at amortised cost and FVOCI and for financial guarantees and loan commitments, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk
- Choosing the appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

Further information about determining ECL is included in Note 36. *Credit risk*.

Determining fair values

The determination of fair value for financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Determining fair value of such instruments is also influenced by the assessment of credit risk from the counterparty.

Further information about the amounts of financial instruments at fair value, analysed according to the valuation methodology (broken down into individual valuation levels), are included in Note 34. *Fair values of financial assets and liabilities*.

4. Cash, cash balances at central banks and other demand deposits

The compulsory minimum reserve account is reported within cash balances at central banks and is held at the National Bank of Slovakia ('NBS'). The account contains funds from the payment system, as well as funds that the Group is obliged to maintain at an average level set by requirement of the NBS.

The amount of set reserve depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for calculation of the compulsory minimum reserve. The account balance of compulsory minimum reserve may significantly vary depending on the amount of incoming and outgoing payments. During the reporting period, the Bank fulfilled the set amount of compulsory minimum reserves.

EUR'000	31.12.2021	31.12.2020
Cash on hand	29 835	25 880
Cash balances at central banks	404 800	243 048
Other demand deposits	18 888	27 313
Total	453 523	296 241

The above-mentioned financial assets are not restricted.

Cash and cash equivalents comprise cash on hand and other deposits repayable on demand. The Group does not recognise compulsory minimum reserves as part of cash equivalents due to the obligation to maintain them at the average amount stipulated by the NBS measure. The balance of cash and cash equivalents is as follows:

EUR'000	31.12.2021	31.12.2020	31.12.2019
Cash on hand	29 835	25 880	27 801
Other demand deposits	18 888	27 313	45 434
Total	48 723	53 193	73 235

5. Financial assets and liabilities held for trading

EUR'000	31.12.2021	31.12.2020
Financial assets held for trading		
Derivatives	2	2 648
Foreign exchange	2	2 648
Total	2	2 648
Financial liabilities held for trading		
Derivatives	3 695	746
Foreign exchange	3 695	746
Total	3 695	746

The table below summarises the notional value and fair value of derivatives held for trading.

EUR'000	31 December 2021			31 December 2020		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	143 237	2	3 695	214 006	2 648	746
Total	143 237	2	3 695	214 006	2 648	746

6. Non-trading financial assets mandatorily at fair value through profit or loss

EUR'000	31.12.2021	31.12.2020
Equity instruments	317 729	338 606
Shares	-	2 980
Share certificates	317 729	335 626
Loans and advances	-	314
Total	317 729	338 920

7. Financial assets at fair value through other comprehensive income

EUR'000	31.12.2021	31.12.2020
Equity instruments	65	65
Shares	65	65
Debt securities	385 437	439 536
General governments	266 897	298 201
Credit institutions	28 346	48 816
Other financial corporations	29 180	19 784
Non-financial corporations	61 014	72 735
Total	385 502	439 601
Impairment allowances to debt securities in OCI	(8 615)	(477)

The movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	(477)	-	-	-	(477)
Increases due to origination and acquisition	(83)	-	-	-	(83)
Decreases due to derecognition	67	-	-	-	67
Changes due to change in credit risk (net)	65	(8 187)	-	-	(8 122)
Transfers:	73	(73)	-	-	-
to/(from) Stage 1	x	(73)	-	-	(73)
to/(from) Stage 2	73	x	-	-	73
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2021	(355)	(8 260)	-	-	(8 615)

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	(1 218)	-	-	-	(1 218)
Increases due to origination and acquisition	(51)	-	-	-	(51)
Decreases due to derecognition	301	-	-	-	301
Changes due to change in credit risk (net)	490	-	-	-	490
Unwinding of discount	-	-	-	-	-
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	1	-	-	-	1
As of 31 December 2020	(477)	-	-	-	(477)

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	388 188	393 361	(7 612)	(7 721)	380 576	385 640
Central banks	-	983	-	-	-	983
General governments	307 533	290 512	(96)	(90)	307 437	290 422
Credit institutions	30 990	30 986	(2)	(5)	30 988	30 981
Other financial corporations	3 038	5 810	-	-	3 038	5 810
Non-financial corporations	46 627	65 070	(7 514)	(7 626)	39 113	57 444
Loans and advances	3 401 114	3 024 686	(227 121)	(227 382)	3 173 993	2 797 304
Central banks	-	-	-	-	-	-
General governments	60 000	-	(19)	-	59 981	-
Credit institutions	23 571	16 489	(18)	(20)	23 553	16 469
Other financial corporations	491 554	547 946	(15 454)	(16 195)	476 100	531 751
Non-financial corporations	865 689	938 402	(73 650)	(83 419)	792 039	854 983
Households	1 960 300	1 521 849	(137 980)	(127 748)	1 822 320	1 394 101
Lending for house purchase	1 028 687	547 615	(787)	(881)	1 027 900	546 734
Credit for consumption	918 543	964 420	(134 571)	(124 195)	783 972	840 225
Other	13 070	9 814	(2 622)	(2 672)	10 448	7 142
Other financial assets	24 954	37 823	(283)	(1 150)	24 671	36 673
Total	3 814 256	3 455 870	(235 016)	(236 253)	3 579 240	3 219 617

*Loans and advances to other financial corporations and non-financial corporations recognised as at 31 December 2020 were adjusted due to a sector change for selected clients.

Loans and advances include finance lease receivables:

EUR'000	31.12.2021	31.12.2020
Minimum value of leasing payments		
Receivables from leasing	19 056	14 077
<i>Up to 1 year</i>	5 733	4 702
<i>1-5 years</i>	12 591	8 765
<i>Over 5 years</i>	732	610
Unrealized income on finance leases	(1 977)	(1 428)
Present value of future lease payments	17 079	12 649
Impairment allowances	(164)	(53)
Total	16 915	12 596

EUR'000	31.12.2021	31.12.2020
Present value of future lease payments		
Receivables from leasing	17 079	12 649
<i>Up to 1 year</i>	4 944	4 142
<i>1-5 years</i>	11 420	7 924
<i>Over 5 years</i>	715	583
Present value of future lease payments	17 079	12 649
Impairment allowances	(164)	(53)
Total	16 915	12 596

Other financial assets comprise the following:

EUR'000	31.12.2021	31.12.2020
Other financial assets, gross	24 954	37 823
Clearing and settlement items	3 227	3 478
Cash collateral	6 750	6 235
Tax receivables	55	482
Trade receivables	9 687	9 438
Other	5 235	18 190
Impairment allowances	(283)	(1 150)
Total	24 671	36 673

The following table shows the gross value and impairment allowances by impairment stage:

31.12.2021	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	341 561	46 627	-	-	(98)	(7 514)	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	(96)	-	-	-
Credit institutions	30 990	-	-	-	(2)	-	-	-
Other financial corporations	3 038	-	-	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	-	(7 514)	-	-
Loans and advances	2 757 081	437 705	193 448	12 880	(21 360)	(35 099)	(161 716)	(8 946)
Central banks	-	-	-	-	-	-	-	-
General governments	60 000	-	-	-	(19)	-	-	-
Credit institutions	23 571	-	-	-	(18)	-	-	-
Other financial corporations	437 367	45 976	11	8 200	(1 504)	(5 730)	(10)	(8 210)
Non-financial corporations	613 922	196 006	51 124	4 637	(14 886)	(16 909)	(41 144)	(711)
Households	1 622 221	195 723	142 313	43	(4 933)	(12 460)	(120 562)	(25)
<i>Lending for house purchase</i>	972 781	52 988	2 918	-	(107)	(155)	(525)	-
<i>Credit for consumption</i>	643 182	138 614	136 704	43	(4 755)	(12 286)	(117 505)	(25)
<i>Other</i>	6 258	4 121	2 691	-	(71)	(19)	(2 532)	-
Other financial assets	-	24 954	-	-	-	(283)	-	-
Total	3 098 642	509 286	193 448	12 880	(21 458)	(42 896)	(161 716)	(8 946)

31.12.2020	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	337 960	55 401	-	-	(95)	(7 626)	-	-
Central banks	983	-	-	-	-	-	-	-
General governments	290 512	-	-	-	(90)	-	-	-
Credit institutions	30 986	-	-	-	(5)	-	-	-
Other financial corporations	5 810	-	-	-	-	-	-	-
Non-financial corporations	9 669	55 401	-	-	-	(7 626)	-	-
Loans and advances	2 316 935	495 637	181 414	30 700	(23 036)	(41 260)	(152 219)	(10 867)
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	16 489	-	-	-	(20)	-	-	-
Other financial corporations	489 629	49 703	8	8 606	(1 786)	(6 254)	(7)	(8 148)
Non-financial corporations	674 299	182 936	59 124	22 043	(15 098)	(11 959)	(53 666)	(2 696)
Households	1 136 518	262 998	122 282	51	(6 132)	(23 047)	(98 546)	(23)
<i>Lending for house purchase</i>	480 820	64 545	2 250	-	(89)	(391)	(401)	-
<i>Credit for consumption</i>	648 717	198 315	117 337	51	(5 932)	(22 627)	(95 613)	(23)
<i>Other</i>	6 981	138	2 695	-	(111)	(29)	(2 532)	-
Other financial assets	-	37 823	-	-	-	(1 150)	-	-
Total	2 654 895	588 861	181 414	30 700	(23 131)	(50 036)	(152 219)	(10 867)

The movements in impairment allowances for debt securities, and loans and advances, are as follows:

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	(95)	(7 626)	-	-	(7 721)
Increases due to origination and acquisition	(19)	-	-	-	(19)
Decreases due to derecognition	9	-	-	-	9
Changes due to change in credit risk (net)	7	112	-	-	119
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Other adjustments	-	-	-	-	-
As of 31 December 2021	(98)	(7 514)	-	-	(7 612)

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	(145)	(7 385)	-	-	(7 530)
Increases due to origination and acquisition	(15)	-	-	-	(15)
Decreases due to derecognition	22	-	-	-	22
Changes due to change in credit risk (net)	43	(241)	-	-	(198)
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2020	(95)	(7 626)	-	-	(7 721)

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	(23 036)	(41 260)	(152 219)	(10 867)	(227 382)
Increases due to origination and acquisition	(7 099)	-	-	(7)	(7 106)
Decreases due to derecognition	3 299	3 318	11 538	317	18 472
Changes due to change in credit risk (net)	9 029	(9 853)	(32 935)	1 632	(32 127)
Unwinding of discount	-	-	-	-	-
Transfers:	(3 517)	12 696	(9 179)	-	-
to/(from) Stage 1	x	3 446	71	-	3 517
to/(from) Stage 2	(3 446)	x	(9 250)	-	(12 696)
to/(from) Stage 3	(71)	9 250	x	-	9 179
Decrease in allowance account due to write-offs	-	-	21 173	-	21 173
Changes due to movements in FX rates	(36)	-	(94)	(21)	(151)
As of 31 December 2021	(21 360)	(35 099)	(161 716)	(8 946)	(227 121)

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	(26 864)	(22 743)	(140 539)	(17 586)	(207 732)
Increases due to origination and acquisition	(8 514)	-	-	-	(8 514)
Decreases due to derecognition	2 650	1 359	31 081	4	35 094
Changes due to change in credit risk (net)	12 471	(39 242)	(26 221)	6 214	(46 778)
Unwinding of discount	-	-	-	-	-
Transfers:	(2 833)	19 366	(16 533)	-	-
to/(from) Stage 1	x	3 320	(487)	-	2 833
to/(from) Stage 2	(3 320)	x	(16 046)	-	(19 366)
to/(from) Stage 3	487	16 046	x	-	16 533
Changes due to movements in FX rates	54	-	(7)	501	548
As of 31 December 2020	(23 036)	(41 260)	(152 219)	(10 867)	(227 382)

9. Hedging derivatives

The Group has designated fair value hedges. For micro-hedging, the hedged items are selected, fixed-coupon debt securities from the portfolio of *Financial assets at FVOCI*. For macro-hedging, the hedged items are selected, fixed-interest rate loans and advances to customers. In both cases, interest rate swaps are used as hedging instruments, for which the Group pays fixed interest rate and receives floating interest rate. The hedges were effective in hedging the fair value exposure to interest rate movements during the entire hedge relationship. Changes in the fair value of these interest rate swaps, due to changes in interest rates, substantially offset changes in the fair value of the hedged items caused by changes in interest rates.

The table below summarises notional and fair values of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss relating to the market or credit risks of these transactions. All of the Group's hedging derivatives are in compliance with IFRS 9.

EUR'000	31 December 2021			31 December 2020		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives – Hedge accounting	134 476	-	3 549	174 476	-	7 792
Interest rate	134 476	-	3 549	174 476	-	7 792
Portfolio fair value hedges of interest rate risk	93 400	-	1 428	93 400	-	2 526
Total	227 876	-	4 977	267 876	-	10 318

The following table provides the carrying amount of the hedges, the hedge adjustment due to hedging and the statement of financial position in which the hedged item is recognised.

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	
Fair value hedges					
Portfolio hedge of interest rate risk	200 037	197 635	1 091	2 276	Financial assets at amortised cost
Interest rate	145 078	191 489	(2 260)	(5 739)	Financial assets at fair value through OCI

The impact of hedge accounting on profit or loss is as follows:

EUR'000	2021	2020
Fair value changes of the hedging instrument	4 616	(1 625)
Fair value changes of the hedged item attributable to the hedged risk	(4 663)	1 662
Gains/(losses) from hedge accounting, net	(47)	37

10. Investments in joint ventures and associates

EUR'000	SKPAY		ART FOND	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Statement on financial position				
Total assets	4 173	5 317	-	1 005
Total liabilities	1 830	2 463	-	1
Net assets	2 343	2 854	-	1 004
Group share on net assets	937	1 142	-	373

	SKPAY		ART FOND	
	2021	2020	2021	2020
Statement of profit or loss				
Profit before tax	1 391	2 002	-	(43)
Income tax	(316)	(408)	-	-
Profit after tax	1 075	1 594	-	(43)
Total comprehensive income for the year	1 075	1 594	-	(43)
Group share of profit/(loss) after tax	430	638	-	(16)

Total share in net assets and net profit of the Group, after tax:

EUR'000	31.12.2021	31.12.2020
Net assets		
SKPAY, a.s.	937	1 142
ART FOND, a.s.	-	373
Total	937	1 515
EUR'000	2021	2020
Profit after tax		
SKPAY, a.s.	430	638
ART FOND, a.s.	-	(16)
Total	430	622

11. Tangible assets

EUR'000	31.12.2021	31.12.2020
Tangible assets owned	28 357	28 940
<i>Property, plant and equipment</i>	28 357	28 940
Right of use assets	39 724	33 212
Total	68 081	62 152

EUR'000	Tangible assets owned					Total
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	
Cost						
As of 1 January 2021	23 726	12 593	22 541	2 420	1 307	62 587
Additions	9	13	62	338	5 075	5 497
Additions from business combinations	-	-	984	-	-	984
Transfers	1 660	1 973	1 739	(1)	(5 371)	-
Disposals	(536)	(2 179)	(1 906)	(963)	(132)	(5 716)
As of 31 December 2021	24 859	12 400	23 420	1 794	879	63 352
Accumulated depreciation						
As of 1 January 2021	(10 584)	(9 210)	(12 156)	(756)	-	(32 706)
Depreciation for the year	(1 581)	(1 642)	(2 319)	(357)	-	(5 899)
Disposals	208	2 004	1 575	464	-	4 251
As of 31 December 2021	(11 957)	(8 848)	(12 900)	(649)	-	(34 354)
Accumulated impairment losses						
	(619)	-	(23)	-	-	(642)
Carrying amount as at 31.12.2021	12 283	3 552	10 497	1 146	879	28 357

EUR'000	Tangible assets owned					Total
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	
Cost						
As of 1 January 2020	22 717	11 521	16 567	1 688	518	53 011
Additions from business combinations	-	38	13	1 502	10 486	12 039
Additions	-	-	1 260	-	306	1 566
Transfers	1 478	1 718	6 215	196	(9 607)	-
Disposals	(469)	(684)	(1 514)	(966)	(396)	(4 029)
As of 31 December 2020	23 726	12 593	22 541	2 420	1 307	62 587
Accumulated depreciation						
As of 1 January 2020	(9 334)	(8 154)	(10 852)	(837)	-	(29 177)
Depreciation for the year	(1 567)	(1 702)	(2 131)	(394)	-	(5 794)
Disposals	317	646	827	475	-	2 265
As of 31 December 2020	(10 584)	(9 210)	(12 156)	(756)	-	(32 706)
Accumulated impairment losses						
	(413)	-	(527)	-	-	(940)
Carrying amount as at 31.12.2020	12 729	3 382	9 858	1 664	1 307	28 940

EUR'000	Righ of use assets			Total	
	Land and buildings	Hardware	Fittings and other equipment		
Cost					
As of 1 January 2021		39 781	211	4 524	44 516
Additions		3 694	-	382	4 076
Remeasurements		9 139	-	-	9 139
Disposals		(2 238)	-	(848)	(3 086)
As of 31 December 2021		50 376	211	4 058	54 645
Accumulated depreciation					
As of 1 January 2021		(9 699)	(106)	(1 500)	(11 305)
Depreciation for the year		(5 200)	(53)	(729)	(5 982)
Disposals		1 662	-	704	2 366
As of 31 December 2021		(13 237)	(159)	(1 525)	(14 921)
Accumulated impairment losses					
		-	-	-	-
Carrying amount as at 31.12.2021		37 139	52	2 533	39 724

EUR'000	Righ of use assets			Total
	Land and buildings	Hardware	Fittings and other equipment	
Cost				
As of 1 January 2020	26 901	211	4 470	31 582
Additions	2 448	-	88	2 536
Remeasurements	10 891	-	-	10 891
Disposals	(459)	-	(34)	(493)
As of 31 December 2020	39 781	211	4 524	44 516
Accumulated depreciation				
As of 1 January 2020	(4 934)	(53)	(709)	(5 696)
Depreciation for the year	(5 027)	(53)	(801)	(5 881)
Disposals	262	-	10	272
As of 31 December 2020	(9 699)	(106)	(1 500)	(11 305)
Accumulated impairment losses				
	-	-	-	-
Carrying amount as at 31.12.2020	30 082	105	3 025	33 212

Movements on the accounts of impairment losses to tangible assets were as follows:

EUR'000	31.12.2021	31.12.2020
Opening balance as at 1 January	(940)	(646)
Net creation/(release) of impairment losses	298	(294)
Closing balance	(642)	(940)

The Group uses fully depreciated tangible assets with an acquisition cost as follows:

EUR'000	31.12.2021	31.12.2020
Costs of fully depreciated tangible assets in use	13 801	11 352

The Group insures tangible assets against natural disasters, malicious damage, theft and robbery. Motor vehicles are insured through motor third party liability and casco insurance. The Group's assets are not pledged.

EUR'000	31.12.2021	31.12.2020
Insurance amount of fixed assets	54 079	52 916

12. Intangible assets

EUR'000	Goodwill	DAC	Software	Other intangible assets	Assets not yet in use	Total
Cost						
As of 1 January 2021	15 200	3 629	90 569	401	5 994	115 793
Additions	-	759	27	223	15 939	16 948
Additions from business combinations	297	-	-	-	-	297
Transfers	-	-	14 566	(200)	(14 366)	-
Disposals	(1 473)	(982)	(3 543)	(14)	(276)	(6 288)
As of 31 December 2021	14 024	3 406	101 619	410	7 291	126 750
Accumulated amortisation						
As of 1 January 2021	-	-	(52 499)	(148)	-	(52 647)
Amortisation for the year	-	-	(16 444)	(32)	-	(16 476)
Disposals	-	-	3 378	(7)	-	3 371
As of 31 December 2021	-	-	(65 565)	(187)	-	(65 752)
Accumulated impairment losses	(3 221)	-	(225)	-	(71)	(3 517)
Carrying amount as at 31.12.2021	10 803	3 406	35 829	223	7 220	57 481

EUR'000	Goodwill	DAC	Software	Other intangible assets	Assets not yet in use	Total
Cost						
As of 1 January 2020	11 324	3 267	75 068	268	2 048	95 143
Additions	-	1 798	758	133	15 977	18 666
Additions from business combinations	3 876	-	6 695	-	1 095	11 666
Transfers	-	-	12 245	-	(12 245)	-
Disposals	-	(1 436)	(4 197)	-	(881)	(9 682)
As of 31 December 2020	15 200	3 629	90 569	401	5 994	115 793
Accumulated amortisation						
As of 1 January 2020	-	-	(42 406)	(106)	-	(45 680)
Additions from business combinations	-	-	(3 394)	-	-	(3 394)
Amortisation for the year	-	-	(10 795)	(42)	-	(10 837)
Disposals	-	-	4 096	-	-	7 264
As of 31 December 2020	-	-	(52 499)	(148)	-	(52 647)
Accumulated impairment losses	(2 924)	-	(325)	-	(58)	(3 307)
Carrying amount as at 31.12.2020	12 276	3 629	37 745	253	5 936	59 839

The Group uses fully depreciated intangible assets with an acquisition cost as follows:

EUR'000	31.12.2021	31.12.2020
Costs of fully amortized intangible assets in use	29 063	10 624

The Group tests impairment of goodwill on an annual basis, or more frequently, when events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. For the purpose of impairment testing, management considers the subsidiaries to be separate cash generating units.

The recoverable amount of the subsidiaries was determined by the value-in-use method using expected future cash flows based on the most recent financial and business plans of these companies. The discount rate applied to future cash flows after the approved plan period is adjusted by the projected growth rate. Both the discount rate and the projected growth rate were determined with respect to market share, planning deviation, company size and area of operation. The Group used the following discount rates:

	31.12.2021	31.12.2020
365.invest, správ. spol., a. s.	9.49%	8.05%
Cards&Co, a. s.	9.49%	10.39%
Ahoj, a. s.	10.49%	8.37%
PB Finančné služby, a. s.	9.49%	8.62%

13. Deferred tax assets and liabilities

The deferred tax assets and deferred tax liabilities are calculated using the following tax rates:

	31.12.2021	31.12.2020
Companies in SK	21%	21%
Companies in CZ	-	19%

EUR'000	31.12.2021	31.12.2020
SK		
Impairment allowances - financial assets at AC	22 176	22 782
Impairment allowances - other	2	7
Provisions for off-balance sheet exposures	160	169
Financial assets at FVOCI	(2 724)	(1 892)
Tangible assets	306	125
Other	4 303	4 204
Total	24 223	25 395
CZ		
Provisions for off-balance sheet exposures	-	117
Tangible assets	-	(1)
Other	-	15
Total	-	131
Total deferred tax assets	24 223	25 526

Due to the termination of the branch in Czech Republic, the Group does not recognise a deferred tax asset as at 31 December 2021.

Movements in deferred tax were as follows:

EUR'000	1.1.2021	Profit or loss	OCI	Sale of subsidiary	31.12.2021
Impairment on financial assets at AC	22 782	(606)	-	-	22 176
Impairment on financial assets at FVOCI	-	-	-	-	-
Impairment on other assets	7	(5)	-	-	2
Provisions for off-balance sheet exposures	286	149	-	(275)	160
Revaluation of financial assets at FVOCI	(1 892)	-	(967)	135	(2 724)
Tangible assets	124	182	-	-	306
Other	4 219	84	-	-	4 303
Total	25 526	(196)	(967)	(140)	24 223

EUR'000	1.1.2020	Profit or loss	OCI	31.12.2020
Impairment on financial assets at amortised cost	16 014	6 768	-	22 782
Impairment on other assets	-	7	-	7
Provisions for off-balance sheet exposures	610	(324)	-	286
Revaluation of financial assets at FVOCI	(1 829)	3	(66)	(1 892)
Tangible assets	(117)	241	-	124
Other	4 292	(73)	-	4 219
Total	18 970	6 622	(66)	25 526

14. Other assets

EUR'000	31.12.2021	31.12.2020
Deferred expenses	9 085	10 184
Accrued income	3 595	1 453
Inventories	543	584
Reinsurance assets	-	215
Prepayments	2 863	5 074
Total	16 086	17 510

15. Financial liabilities measured at amortised cost

EUR'000	31.12.2021	31.12.2020
Deposits	4 007 447	3 668 402
Central banks	249 931	-
General governments	3 613	3 390
Credit institutions excluding subordinated debt	84 587	28 110
Credit institutions - subordinated debt	8 014	8 014
Other financial corporations	148 645	193 141
Non-financial corporations	146 302	160 312
Households	3 366 355	3 275 435
Debt securities issued	64 794	-
Non-convertible debt securities issued	64 794	-
Other financial liabilities	64 542	58 275
Clearing and settlement items	5 930	11 796
Liabilities to employees	3 633	4 509
Liabilities from social and health insurance and social fund	1 955	1 848
Tax liabilities	1 232	1 249
Received prepayments	5 116	105
Liabilities from dividends	28	28
Lease liabilities	40 267	33 590
Other creditors	6 381	5 150
Total	4 136 783	3 726 677

In November and December 2021, the Group issued senior unsecured and non-subordinated debt securities. The detail is shown in the table:

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	31.12.2021	31.12.2020
Debt securities issued	22.11.2021	22.11.2024	3.50%	15	1 000	EUR	14 984	-
Debt securities issued	22.12.2021	22.12.2024	3.50%	500	100	EUR	49 810	-
Total							64 794	-

The interest rate is fixed at 3.5% per annum for the first two years. Subsequently, for 2024 the float interest rate of 3-month EURIBOR + the original spread p. a. paid quarterly is agreed (3.82% or 3.85%). The first issue of debt securities in the amount of EUR 15 mil. is private. The second issue comprises debt securities in the amount of EUR 50 mil. deposited on the Luxembourg Stock Exchange.

The table below summarises loans received, classified under financial liabilities and measured at amortised cost:

EUR'000	31.12.2021	31.12.2020
Subordinated debt	8 014	8 014
Other received loans	10 100	10 100

In the event of bankruptcy or liquidation of the Group, subordinated debt will be subordinated to receivables of all other creditors of the Group.

Creditor	Debtor	Carrying amount	Interest rate	Maturity
J&T BANKA, a.s.	365.bank, a. s.	8 014	3M EURIBOR+6%	31.12.2026

The reconciliation of the movements of liabilities to the cash flows from financing activities is as follows:

EUR'000	Debt securities		Subordinated debt		Other received loans	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Opening balance as at 1 January	-	-	8 014	8 014	10 100	19 979
Proceeds from issue of debt securities	65 000	-	-	-	-	-
Loan repayments	-	-	-	-	-	(9 879)
Interest expenses	104	-	480	481	222	283
Interest paid	(310)	-	(480)	(481)	(222)	(283)
Closing balance	64 794	-	8 014	8 014	10 100	10 100

In December 2021, within the TLTRO programme, the Group received a loan from the European Central Bank (hereinafter the "ECB") in the amount of EUR 250 mil. This loan is recognised as a deposit received from the central bank. As collateral, the Bank provided held Slovak government bonds measured at fair value through other comprehensive income (EUR 135 000 thousand) and Slovak government bonds measured at amortised cost (EUR 251 644 thousand).

As at 31 December 2021, outstanding borrowing on the balance sheet under the third series of the targeted longer-term refinancing operation (TLTRO-III) program of the ECB amounts to EUR 249,931 thousand.

Based on the terms of this program, in comparison to market pricing for other similarly-collateralised borrowings available to the Bank, it was concluded that TLTRO III does not contain a significant benefit relative to market pricing, and accounts for financial liabilities relating to the TLTRO III program wholly as floating rate instruments under IFRS 9. The effective interest rate of these instruments includes the special interest period, and reflects the Bank's determination at initial recognition as to the final interest amount receivable on maturity. This calculation at initial recognition also considers the Bank's expectation to meet its lending targets over the operations' life.

If there was a subsequent change in the Bank's estimate regarding its lending targets, it would apply IFRS 9 revision of estimates guidance.

The TLTRO III negative interest amount recorded in the 2021 consolidated statement of profit or loss is EUR 69 thousand.

16. Provision

EUR'000	31.12.2021	31.12.2020
Commitments and guarantees given	730	1 481
<i>Loan commitments</i>	541	792
<i>Guarantees given</i>	189	689
Other provisions	6	1 106
Insurance provisions	-	26 046
<i>Life insurance</i>	-	24 307
<i>Unearned premium</i>	-	454
<i>Provision for claims</i>	-	1 285
Total	736	28 633

The movements in provisions for commitments and guarantees provided were as follows:

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	422	439	620	-	1 481
Increases due to origination and acquisition	796	-	-	-	796
Decreases due to derecognition	(636)	(700)	(425)	-	(1 761)
Changes due to change in credit risk (net)	(264)	671	(194)	-	213
Transfers:	60	(60)	-	-	-
to/(from) Stage 1	x	(60)	-	-	(60)
to/(from) Stage 2	60	x	-	-	60
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	1	-	-	1
As of 31 December 2021	378	351	1	-	730

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	1 568	695	494	-	2 757
Increases due to origination and acquisition	2 716	-	-	-	2 716
Decreases due to derecognition	(2 695)	(789)	(511)	-	(3 995)
Changes due to change in credit risk (net)	(1 142)	511	637	-	6
Transfers:	(22)	22	-	-	-
to/(from) Stage 1	x	22	-	-	22
to/(from) Stage 2	(22)	x	-	-	(22)
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(3)	-	-	-	(3)
As of 31 December 2020	422	439	620	-	1 481

Movements in the insurance provisions were as follows:

EUR'000	Life insurance	Unearned premium	Provision for claims	Total
As of 1 January 2020	20 722	533	1 473	22 728
Additions, including increases in existing provisions	6 645	832	7 072	14 549
(-) Unused amounts reversed during the period	(3 060)	(911)	(7 260)	(11 231)
As of 31 December 2020	24 307	454	1 285	26 046
Additions, including increases in existing provisions	2 714	401	3 872	6 987
(-) Unused amounts reversed during the period	(2 690)	(382)	(3 710)	(6 782)
Other movements	(24 331)	(473)	(1 447)	(26 251)
As of 31 December 2021	-	-	-	-

Other movements in the table of insurance provisions relate to the sale of subsidiary Poštová poisťovňa.

17. Other liabilities

EUR'000	31.12.2021	31.12.2020
Estimated payables (PEREX, OPEX)	14 545	14 213
Deferred income	(545)	486
Accrued expenses	284	349
Total	14 284	15 048

18. Equity

a) Share capital

	31.12.2021	31.12.2020
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR'000	366 305	366 305

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

Under the Slovak Commercial Code, all companies are required to create a legal reserve fund to cover losses. Each entity is obliged to contribute an amount of at least 10% of its annual net profit each year, until the aggregate amount reaches a level equal to 20% of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

c) *Revaluation of financial instruments measured through other comprehensive income*

This item includes the revaluation at FVOCI of financial assets after deferred tax. Since 1 January 2018, under the implementation of IFRS 9, the Group also recognises provisions for debt securities measured at fair value through other comprehensive income within this equity item.

d) *Translation reserve*

The translation reserve comprises all foreign exchange rate differences arising from the translation of financial statements of foreign operations.

19. Off-balance sheet items

a) *Loan commitments, financial guarantees and other commitments given*

EUR'000	31.12.2021	31.12.2020
Loan commitments given	264 432	219 573
Financial guarantees given	16 507	18 236
Total	280 939	237 809

b) *Assets management and custody*

EUR'000	31.12.2021	31.12.2020
Asset management	2 784 880	2 497 628
Custody assets	104 068	100 592
Total	2 888 948	2 598 220

c) *Securities provided as collateral*

The Group has pledged debt securities in carrying amount as summarised in the table below. The pledge was provided against transactions with the Central Bank and credit institutions. These debt securities have not been derecognised from the Group's statement of financial position.

EUR'000	31.12.2021	31.12.2020
Financial assets at fair value through other comprehensive income	185 995	42 291
Financial assets at amortised cost	270 682	298 644
Total	456 677	340 935

d) *Transferred financial assets*

The following table summarises the carrying amount of transferred financial assets which has not been derecognised in the statement of financial position as well as related liabilities (repo deals and TLTRO, see also note 15).

EUR'000	Carrying amount of transferred assets		Carrying amount of associated liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	456 677	-	319 930	-
Collateral given in repurchase agreements	456 677	-	319 930	-

20. Offsetting of financial assets and liabilities

The following table shows the financial assets and financial liabilities that could be offset under "master netting agreements", or similar agreements (legally enforceable):

31.12.2021	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2	-	2	2	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Total assets	2	-	2	2	-	-	-
Financial liabilities							
Derivatives	3 695	-	3 695	2	3 693	-	-
Hedging derivatives	4 977	-	4 977	-	4 895	-	82
Total liabilities	8 672	-	8 672	2	8 588	-	82

31.12.2020	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2 648	-	2 648	746	1 881	-	21
Hedging derivatives	-	-	-	-	-	-	-
Total assets	2 648	-	2 648	746	1 881	-	21
Financial liabilities							
Derivatives	746	-	746	746	-	-	-
Hedging derivatives	10 318	-	10 318	-	6 472	-	3 846
Total liabilities	11 064	-	11 064	746	6 472	-	3 846

21. Net interest income

EUR'000	2021	2020
Interest income		
Financial assets at fair value through other comprehensive income	5 762	6 792
Financial assets at amortised cost	150 416	158 515
<i>Debt securities</i>	5 803	8 677
<i>Loans and advances</i>	144 613	149 838
Derivatives - Hedge accounting, interest rate risk	(2 286)	(2 324)
Other assets	45	124
<i>Cash balances at central banks</i>	-	2
<i>Other demand deposits</i>	40	14
<i>Other</i>	5	108
Interest income on liabilities	69	-
Total interest income	154 006	163 107
Interest expenses		
Financial liabilities measured at amortised cost	(5 001)	(8 400)
<i>thereof: lease liabilities</i>	(572)	(501)
Other liabilities	-	(9)
Interest expense on assets	(123)	-
Total interest expense	(5 124)	(8 409)
Net interest income	148 882	154 698
EUR'000		
Interest income calculated on an EIR	153 206	163 107
Other interest income	800	-
Total interest income	154 006	163 107

The 'Interest income on liabilities' line presents negative interest expense from the long-term targeted financial operation (TLTRO) with the ECB. As at 31 December 2021, the Bank considered the original interest rate specified in the contract, and also assumed that the conditions for obtaining a favorable negative interest rate will be met.

22. Net fee and commission income

EUR'000	2021	2020
Fee and commission income		
Securities	61	84
Clearing and settlement	14 231	15 609
Asset management	30 784	24 947
Custody	3 517	2 874
Payment services	29 537	31 322
<i>Current accounts</i>	24 382	26 370
<i>Debit cards and other card payments</i>	355	385
<i>Transfers and other payment orders</i>	1 975	1 885
<i>Other fee and commission income in relation to payment services</i>	2 825	2 682
Loan servicing activities	2 487	2 767
Loan commitments given	653	901
Other	8 636	1 829
Total fee and commission income	90 209	80 686
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	89 253	79 432
Fee and commission expenses		
Securities	(372)	-
Clearing and settlement	(18 767)	(21 152)
Custody	(500)	(449)
Loan servicing activities	(2 005)	(2 264)
Financial guarantees received	(61)	(98)
Other	(8 864)	(8 964)
Total fee and commission expenses	(30 569)	(32 927)
Net fee and commission income	59 640	47 759

23. Dividend income

EUR'000	2021	2020
Non-trading financial assets mandatorily at fair value through profit or loss	24 415	-
Financial assets at fair value through other comprehensive income	-	15
Total	24 415	15

24. Net gains/(losses) from financial transactions

EUR'000	2021	2020
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	1 129	538
Financial assets at fair value through other comprehensive income	-	538
<i>Equity instruments</i>	-	9
<i>Debt securities</i>	-	529
<i>thereof: reclassified from other comprehensive income</i>	-	1 086
Other	1 129	-
Gains/(losses) on financial assets and liabilities held for trading, net	(9 257)	12 763
Derivatives	(9 257)	12 763
Exchange differences, net	9 859	(15 634)
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	(12 340)	3 358
Revaluation gains/(losses)	(12 340)	3 358
Trading gains/(losses)	-	-
Gains/(losses) on financial assets and liabilities designated at FVPL, net	46	207
Gains/(losses) from hedge accounting, net	(48)	37
Fair value changes of the hedging instrument	4 616	(1 625)
Fair value changes of the hedged item attributable to the hedged risk	(4 663)	1 662
Total	(10 611)	1 269

25. Net other operating expenses income/(expenses)

EUR'000	2021	2020
Other expenses	(5 889)	(9 832)
Bank and insurance companies specific fees	(3 222)	(8 132)
Special levy for banking institutions	-	(7 453)
Resolution fund	(312)	(341)
Deposit protection fund	(2 830)	(337)
Special levy for insurance companies	(80)	(1)
Other	(2 667)	(1 700)
Other income	12 300	6 046
Operating leases other than investment property	1 184	826
Other	11 116	5 220
Gains/(losses) on derecognition of non-financial assets, net	(216)	(265)
Total net other operating expense	6 195	(4 051)

Other income – other includes income from payment services, contractual penalties and other operating income.

26. Administrative expenses

EUR'000	2021	2020
Staff expenses	(56 294)	(51 413)
Wages and salaries (including bonuses)	(40 939)	(37 025)
Social expenses	(15 355)	(14 388)
Other administrative expenses	(48 882)	(40 391)
Rental expenses	(3 853)	(3 901)
Short-term lease contracts	(679)	204
Variable lease payments not included in the lease liabilities	(2 945)	(3 881)
Other	(229)	(224)
Real estate expenses	(1 594)	(944)
IT expenses	(11 682)	(8 367)
Marketing and advertisement	(8 273)	(8 798)
Legal and consulting services	(4 129)	(2 788)
Post and telecommunication	(4 649)	(4 678)
Material consumption	(1 336)	(1 165)
Repair and maintenance	(3 226)	(3 188)
Other administrative expenses - Rest	(10 140)	(6 562)
Total	(105 176)	(91 804)

	2021	2020
Number of employees as of balance sheet date	1 517	1 456
Average number of employees for the period	1 468	1 502
thereof, key management	51	63

The cost of services provided by the statutory auditor were as follows:

EUR'000	2021	2020
Audit of the financial statements	(421)	(384)
Non-audit services required by EU legislation	(79)	(83)
Other assurance services	(48)	(5)
Other non-audit services	(8)	-
Total	(556)	(472)

27. Depreciation

EUR'000	2021	2020
Property, plant and equipment	(5 899)	(5 794)
Buildings	(1 581)	(1 567)
Hardware	(1 642)	(1 702)
Fittings and other equipment	(2 319)	(2 131)
Operating lease assets	(357)	(394)
Right of use assets	(5 982)	(5 881)
Buildings	(5 200)	(5 027)
Hardware	(53)	(53)
Fittings and other equipment	(729)	(801)
Intangible assets	(16 476)	(10 837)
Software	(16 444)	(10 795)
Other intangible assets	(32)	(42)
Total	(28 357)	(22 512)

28. Net earned premium

EUR'000	2021	2020
Gross written premium	9 254	17 411
Written premium ceded	(312)	(676)
Change in unearned premium provision	(19)	79
Change in unearned premium provision	(8)	(66)
Total	8 915	16 748

29. Claim costs

EUR'000	2021	2020
Claims paid	(2 433)	(4 371)
Claims paid ceded	54	75
Change in life insurance provision	(24)	(3 585)
Change in claim provisions	(162)	188
Change in claim provisions ceded	(23)	(94)
Total	(2 588)	(7 787)

30. Impairment losses and provisions

EUR'000	2021	2020
Net impairment of financial assets not valued at fair value through profit or loss	(29 009)	(46 477)
Financial assets at fair value through other comprehensive income	(8 138)	741
<i>Debt securities</i>	<i>(8 138)</i>	<i>741</i>
Financial assets at amortised cost	(20 871)	(47 218)
<i>Debt securities</i>	<i>109</i>	<i>(191)</i>
<i>Loans and advances</i>	<i>(21 085)</i>	<i>(46 164)</i>
<i>Other financial assets</i>	<i>105</i>	<i>(863)</i>
Release/(creation) of provisions	1 860	684
Net impairment on non-financial assets	84	(681)
Total	(27 065)	(46 474)

31. Income tax

EUR'000	2021	2020
Current income tax	(17 596)	(14 506)
Current year	(18 169)	(14 090)
Correction of prior period	667	(336)
Withholding tax	(94)	(80)
Deferred tax	(196)	6 622
Total	(17 792)	(7 884)

Reconciliation of the effective tax rate is as follows:

EUR'000	2021	2020
Profit before tax	74 678	48 483
Income tax rate	21%	21%
Theoretical income tax	(15 682)	(10 181)
Non - tax expenses	(8 130)	(5 339)
<i>Impairment allowances</i>	<i>898</i>	<i>(1 273)</i>
<i>Other</i>	<i>(9 028)</i>	<i>(4 066)</i>
Non - taxable income	4 723	1 313
<i>Dividends</i>	<i>49</i>	<i>3</i>
<i>Other</i>	<i>4 674</i>	<i>1 310</i>
Deferred tax	(196)	6 622
Correction of prior period	667	(336)
Withholding tax	(94)	(80)
Other		
Total	(17 792)	(7 884)
Effective tax rate	23.82%	16.26%

Given that many parts of the Slovak tax legislation remain untested, there is uncertainty about how the tax authorities will apply them. The effect of this uncertainty cannot be quantified and will only be resolved once legislative precedents are set, or when official interpretations of the authorities are available.

32. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or it has through its financial and operational decisions, significant influence over the other party. The following persons or companies meet the definition of related parties:

- Entities that directly or indirectly, through one or more intermediaries' control, or are controlled, have significant influence, or are under joint control of the reporting company;
- Affiliated entities in which the parent company has significant influence, and which are not a subsidiary, nor a joint venture;
- Individuals owning, directly or indirectly, shares in the voting right of the Group that gives them significant influence over the Group, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Group;
- Key management personnel, i.e. persons having authority and responsibility for planning, managing and controlling the activities of the Group, including directors and managing employees of the Group, and persons related to them;
- Companies in which a significant share of voting rights is owned, directly or indirectly, by any person described in points (a), (c) or (d) above, or over which such party may have a significant influence. This includes companies owned by directors or major shareholders of the Group and companies that have key member of management common with the Group.

31.12.2021	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key management and related parties	Others
Assets	59 990	158 872	561	-	1 887	142 027
Other demand deposits	-	223	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	139 791	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	-	10 056	-	-	-	-
Financial assets at amortised cost	59 990	8 802	561	-	1 887	142 027
<i>Debt securities</i>	-	-	-	-	-	-
<i>Loans and advances</i>	59 990	8 662	-	-	1 887	142 027
<i>Other financial assets</i>	-	140	561	-	-	-
Liabilities	-	17 154	3 799	-	1 499	1 739
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	17 154	3 799	-	1 499	1 739
<i>Deposits</i>	-	17 147	3 799	-	1 499	1 724
<i>Other financial liabilities</i>	-	7	-	-	-	15
Derivatives – Hedge accounting	-	-	-	-	-	-
Income/expenses	-	-	-	-	-	-
Net interest income	1 488	122	-	-	8	2 692
Net fee and commission income	36	354	7 663	-	1	690
Net gains/(losses) from financial transactions	-	1 394	-	-	-	-
Net other operating expenses	-	61	93	-	-	-
Administrative expenses	-	(65)	4	-	-	(147)
31.12.2020	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key management and related parties	Others
Assets	14 980	176 359	705	-	1 071	34 081
Other demand deposits	-	186	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	137 567	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-
Financial assets at amortised cost	14 980	38 606	705	-	1 071	34 081
<i>Debt securities</i>	-	-	-	-	-	-
<i>Loans and advances</i>	14 980	38 481	-	-	1071	34081
<i>Other financial assets</i>	-	125	705	-	-	-
Liabilities	-	18 754	4 392	-	1 452	1 608
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	18 754	4 392	-	1 452	1 608
<i>Deposits</i>	-	18 733	4 392	-	1 452	1 589
<i>Other financial liabilities</i>	-	21	-	-	-	19
Derivatives – Hedge accounting	-	-	-	-	-	-
2020	-	-	-	-	-	-
Income/expenses	-	-	-	-	-	-
Net interest income	500	(478)	-	-	10	888
Net fee and commission income	(12)	344	7 898	-	1	68
Net gains/(losses) from financial transactions	-	(1 815)	-	-	-	-
Net other operating expenses	-	-	78	-	-	-
Administrative expenses	-	(83)	-	10	-	(123)

The total remuneration of the members of the Board of Directors and executive officers directly supervised by the Board of Directors members of 365.bank for the year ended 31 December 2021 is in the amount of EUR 5 512 thousand (2020: EUR 4 881 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

33. Fair value of financial assets and liabilities

According to IFRS 13, fair value is the price that would be received when selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group measures fair values using the following fair value level hierarchy:

- Level 1: Quoted market price in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and where the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values for financial assets and financial liabilities is based on quoted market prices. Shares in funds are measured at prices obtained from an asset management company. The funds are not listed however they are audited annually. Prices of funds are determined using NAV, with valuation techniques corresponding to the above-mentioned fair value hierarchies.

For all other financial instruments, fair value is determined by using valuation techniques. These valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination, that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and less complicated financial instruments, like interest rate and currency swaps, that use only observable market data, and require little management judgement or estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives, like interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For fair value measurement of debt financial instruments, the Group uses models based on net present value. The key estimation parameter is the discount interest rate. Determination of the discount interest rate is based on the risk-free market rate, which corresponds to the incremental maturity of particular financial instruments, plus a risk premium. The risk premium is determined to be consistent with regular market practice.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed based on recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices and rates, or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market, and certain investments in subsidiaries. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows from the financial instrument being valued, determination of the probability of counterparty default or prepayments, and selection of appropriate discount rates.

Basic parameters entering into the valuation model to determine the fair value of equity financial instruments are forecast economic results and equity of the company, market multiples, and indicators such as EBITDA, sales etc. for comparable companies, all of which are published by reputable companies for different sectors.

Even though these valuation techniques are considered to be appropriate and in compliance with market practice, the estimations in discount interest rates and changes of basic assumptions in future cash flows, may lead to different fair value of financial instruments. Transfers of financial instruments between individual levels can occur only if market activity has changed.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a control function, performed by the Market Risks department, which is independent from front office management. Specific controls include: verification of observable pricing inputs and reperformance of model valuations; review and approval processes for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; and review of significant unobservable inputs and valuation adjustments.

The reported fair values of financial instruments analysed according to fair value levels are as follows:

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
ASSETS								
Financial assets held for trading	-	-	2	2 648	-	-	2	2 648
Derivatives	-	-	2	2 648	-	-	2	2 648
Non-trading financial assets mandatorily at FVPL	16 753	11 028	300 976	327 892	-	-	317 729	338 920
Equity instruments	16 753	11 028	300 976	327 892	-	-	317 729	338 920
Loans and advances	-	-	-	314	-	-	-	314
Financial assets at FVOCI	337 413	351 962	-	78 973	48 089	8 666	385 502	439 601
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	337 413	351 962	-	78 973	48 024	8 601	385 437	439 536
Total assets	354 166	362 990	300 978	409 513	48 089	8 666	703 233	781 169

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
LIABILITIES								
Financial liabilities held for trading	-	-	3 695	746	-	-	3 695	746
Derivatives	-	-	3 695	746	-	-	3 695	746
Derivatives – Hedge accounting	-	-	4 977	10 318	-	-	4 977	10 318
Total liabilities	-	-	8 672	11 064	-	-	8 672	11 064

The following table shows information regarding the investment movements between all categories of valuation methods:

EUR'000	31 December 2021			31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Non-trading financial assets mandatorily at FVPL	-	-	-	-	-	-
Transfers into the category	2 669	1 102	-	-	-	-
Transfers out of the category	(1 102)	(2 669)	-	-	-	-
Financial assets at fair value through OCI	-	-	-	-	-	-
Transfers into the category	-	-	18 110	23 000	76 942	-
Transfers out of the category	-	(18 110)	-	(37 825)	-	(62 117)
Total assets	1 567	(19 677)	18 110	(14 825)	76 942	(62 117)

The following table shows the reconciliations of the opening and closing balances of the fair values of each category at level 3:

EUR'000	1.1.2021	Gains / (losses) in PL	Gains / (losses) in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out of Level 3	31.12.2021
Financial assets at fair value through OCI	8 666	2 110	97	46 018	(26 912)	18 110	-	48 089
Total	8 666	2 110	97	46 018	(26 912)	18 110	-	48 089

The estimated fair values of the Group's financial assets and liabilities that are not carried at fair value were as follows:

31 December 2021	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	453 523	453 523	-	453 523	-
Financial assets at amortised cost	3 579 240	3 628 930	396 710	87 643	3 144 577
Debt securities	380 576	398 959	351 455	-	47 504
Loans and advances	3 173 993	3 205 300	45 255	62 972	3 097 073
Other financial assets	24 671	24 671	-	24 671	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	4 136 783	4 158 856	-	4 158 856	-
Deposits	4 007 447	4 029 520	-	4 029 520	-
Debt securities issued	64 794	64 794	-	64 794	-
Other financial liabilities	64 542	64 542	-	64 542	-
31 December 2020					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	296 241	296 241	-	296 241	-
Financial assets at amortised cost	3 219 617	3 316 586	335 825	78 510	2 902 251
Debt securities	385 640	391 073	335 825	-	55 248
Loans and advances	2 797 304	2 888 840	-	41 837	2 847 003
Other financial assets	36 673	36 673	-	36 673	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	3 726 677	3 747 906	-	3 747 906	-
Deposits	3 668 402	3 689 631	-	3 689 631	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	58 275	58 275	-	58 275	-

34. Segment reporting

The Group classifies its business activities into three segments. Within these segments, various products and services are offered and they are also managed independently by the Group's management.

- Retail banking - loans, deposits and other transactions with retail customers.
- Corporate banking - loans, deposits and other transactions with corporate customers and investments in liquid assets, such as short-term investments and corporate or government debt securities.
- Other - asset management (fund management activities) and treasury (financing and centralized risk management activities through loans, use of derivatives for risk management).

The Board of Directors continuously monitors internal reports for each segment at least once a month.

Information related to the reported segments is presented in the table:

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Interest income	76 791	80 585	74 211	76 720	3 004	5 802	154 006	163 107
Interest expenses	(3 083)	(6 867)	(695)	(630)	(1 346)	(912)	(5 124)	(8 409)
Net interest income	73 708	73 718	73 516	76 090	1 658	4 890	148 882	154 698
Fee and commission income	48 260	41 611	14 990	17 214	26 959	21 861	90 209	80 686
Fee and commission expenses	(17 379)	(21 346)	(5 835)	(7 334)	(7 355)	(4 247)	(30 569)	(32 927)
Net fee and commission income	30 881	20 265	9 155	9 880	19 604	17 614	59 640	47 759
Net interest and fee margin	104 589	93 983	82 671	85 970	21 262	22 504	208 522	202 457
Impairment losses and provisions	(22 466)	(30 549)	(4 480)	(15 906)	(119)	(19)	(27 065)	(46 474)

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Assets	1 712 652	1 293 758	1 818 926	1 914 405	1 372 317	1 257 989	4 903 895	4 466 152
Liabilities	3 243 579	3 258 224	3 16 744	369 442	1 343 572	838 486	4 903 895	4 466 152

35. Risk management

The ultimate body responsible for risk management is the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Some responsibilities are delegated to permanent working groups and advisory bodies.

The Group's risk management policies are based on the Risk Management Strategy, as a primary document for risk management, which is then further described in the Risk Appetite document. These documents are regularly reassessed, updated and approved by the Board of Directors. The risk management process is a dynamic and continuous process of identification, measurement, monitoring, control, and reporting of risks within the Group. For management of the risks faced by the Group, there are defined appropriate limits, and controls for risk monitoring and adherence to those limits.

Evaluation of key performance limits defined in the Group's risk profile is presented to the Board of Directors on a monthly basis. Risk management policies and systems are reviewed and amended regularly to reflect changes in legislation, market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Rights and responsibilities of the Group's Audit Committee are assigned to the Supervisory Board, who are responsible for monitoring the effectiveness of internal control and risk management systems. Its activities also cover review of the external auditor's independence, and evaluation of the findings from audit of the financial statements, made by the external auditor. They also monitor the Group's compliance with financial accounting standards. The Department of Internal control and audit assists the Audit Committee in these functions.

The Group has exposure to the following main risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Settlement risk.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent, to ensure that a trade is settled only when both parties have fulfilled their contractual obligations.

Limits for settlement represent a part of the process of monitoring the limits. Acceptance of risk resulting from a free settlement trades requires transaction-specific or counterparty-specific approvals of ALCO committee.

The risk to a management company is that the issuer or counterparty fails to meet its obligation. The potential credit risk impact on asset value is moderate.

Mutual funds minimise the risk of trading with securities in particular, by the fact that trading with the mutual fund assets is performed in accordance with the law in such way that the value is transferred in favor of the mutual fund, on the principle of payment versus delivery, within normal timescales of the regulated market. Risk management involves: issuer and counterparty creditworthiness testing, establishment of limits on issuer and counterparty in terms of risk and risk delimitation rules, establishment of limits in the information system, and its subsequent conversion.

36. Credit risk

Credit risk is the risk of financial loss to the Group if a debtor, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises from the Group's financial assets – primarily from loans and advances, debt securities, and off-balance sheet exposures. For risk management reporting purposes, the Group considers and consolidates all elements of its credit risk exposure (such as individual obligor default risk, management failure, country, sector or concentration risk).

Credit risk management includes:

- Examination of the clients' creditworthiness,
- Assessing limits for clients, and economically connected parties, including monitoring portfolio concentration,
- Assessing limits for counterparties, industries, countries, and banks,
- Mitigation of risk by various forms of collateral,
- Continuous monitoring of loan portfolio development, and prompt decision-making to minimise possible losses.

In order to mitigate credit risk, the bank assesses the creditworthiness of the client deal using a rating tool with parameters specific to each client segment, when initially providing the loan, as well as during the life of the credit loan trade. The Group has various rating models depending on the type of business.

When analysing client deals the Group uses:

- Client rating,
- Project assessment tools,
- Scoring for retail loans.

The approval process of active bank transactions includes a review of the individual applicant of the transactions, credit limit of the counterparty, and collateral in order to mitigate credit risk. The Group monitors the development of the portfolio of active bank transactions yearly, or more often as necessary, to ensure that prompt action can be taken to minimise potential risks.

Credit risk limits are generally determined on the basis of economic analysis of the client, sector, region or country. The procedure of determining individual limits is part of the Group's internal guidelines. To mitigate credit risk, the Group uses the following types of limits:

- Financial involvement limits of the client or economically connected entities (clients),
- Country limits,
- Limits on banks,
- Industry limits.

Compliance with the limits is continuously monitored, evaluated and applied into the Group's activities.

The tables below provide sector and geographical summaries of financial assets at amortised cost, financial assets at fair value through other comprehensive income, and off-balance sheet exposures (in gross amounts):

EUR'000	Financial assets at amortised cost				FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Central banks	-	983	-	-	-	-	-	-	-	-
General governments	307 533	290 512	60 000	-	266 897	298 201	-	-	-	-
Credit institutions	30 990	30 986	23 571	16 489	28 346	48 816	-	-	-	-
Other financial corporations	3 038	5 810	491 554	547 946	29 180	19 784	-	61	-	4 954
Non-financial corporations	46 627	65 070	865 689	938 402	61 014	72 735	51 842	89 316	16 507	13 282
A Agriculture, forestry and fishing	-	-	35 943	26 096	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	2 616	60 442	58 096	-	3 138	438	1 561	76	79
D Electricity, gas, steam and air conditioning supply	-	1 063	67 645	148 950	-	-	-	74 531	-	-
E Water supply	-	-	385	84	-	-	-	-	-	-
F Construction	-	-	115 440	108 378	-	-	2 108	2 413	2 972	3 457
G Wholesale and retail trade	-	-	25 106	36 615	-	-	445	592	487	2 078
H Transport and storage	-	-	2 802	2 867	-	-	23	21	3	247
I Accommodation and food service activities	-	-	75 697	55 802	-	37 950	64	197	-	-
J Information and communication	-	1 281	2 534	10 973	-	-	3 000	3 000	-	-
K Financial and insurance activities	-	4 055	53 508	28 412	-	8 601	45 600	419	5 230	-
L Real estate activities	46 627	55 401	158 285	167 916	-	-	44	5 898	-	-
M Professional, scientific and technical activities	-	-	92 841	103 015	-	-	86	77	7 739	7 421
N Administrative and support service activities	-	-	80 360	89 550	-	-	30	606	-	-
O Public administration and defence, compulsory social security	-	654	-	6	-	-	-	-	-	-
P Education	-	-	13	25	-	-	-	-	-	-
Q Human health services and social work activities	-	-	19 246	19 508	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	69 415	76 315	61 014	23 046	-	-	-	-
S Other services	-	-	6 027	5 794	-	-	4	1	-	-
Households	-	-	1 960 300	1 521 849	-	-	212 590	130 196	-	-
Total	388 188	393 361	3 401 114	3 024 686	385 437	439 536	264 432	219 573	16 507	18 236

EUR'000	Financial assets at amortised cost				FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Slovak Republic	320 481	293 728	2 508 947	2 202 053	247 927	248 124	218 692	142 717	3 600	4 408
Czech Republic	-	-	348 281	319 156	29 462	80 288	30 547	76 807	257	1 454
Cyprus	-	-	298 390	274 392	-	-	14 977	37	-	-
Luxemburg	1 424	2 469	133 395	114 727	11 621	12 374	-	-	-	-
Switzerland	-	-	69 171	76 295	-	-	2	1	-	-
France	-	24 671	1 100	30 437	51 375	-	1	-	5 230	4 954
Netherlands	21 614	2 130	21 991	1 845	-	52 914	-	1	-	-
Poland	-	15 781	1	1	14 060	14 654	1	2	-	-
Lithuania	10 110	10 174	-	-	13 329	13 475	-	-	-	-
Latvia	2 181	2 208	-	-	17 663	17 707	-	-	-	-
Ireland	10 938	11 870	1	1	-	-	-	-	-	-
Germany	-	748	19 537	5 400	-	-	1	-	-	-
Great Britain	-	592	-	15	-	-	205	3	-	-
Other countries	21 440	28 990	300	364	-	-	6	5	7 420	7 420
Total	388 188	393 361	3 401 114	3 024 686	385 437	439 536	264 432	219 573	16 507	18 236

Rating system

The Group uses a rating system to evaluate the financial performance of companies. The rating system evaluate quantitative and qualitative indicators of economic activities (e.g. liquidity ratio, profitability, gearing etc.), and compares them with the subjective assessment of the client by the Group. The Group categorises clients into rating levels from best to worst, the worst level representing the highest probability of default. The Group has established processes for creation of ratings, their regular update, and control for assigning the ratings, and these are defined in the Group's internal guidelines.

The Group uses internal credit risk ratings that reflect its assessment of the probability of default by individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information, collected at the time of application (such as disposable income, level of collateral for retail exposures, or turnover and industry type for corporate exposures) is entered into this rating model. This is supplemented with external data, such as credit bureau scoring information on retail customers. In addition, the models enable inclusion of expert judgements, to be entered into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of other data inputs into the model.

The rating methods are subject to regular validation and recalibration, so that they reflect the latest projections in the light of all actually observed defaults.

The following table shows the assignment of external and internal ratings to each credit risk level:

Credit risk	External rating Moody's	Internal rating		1YPD
		corporate	Internal rating retail	
Low credit risk	Aaa – Aa3	1 – 3	A1 – A3	0,2 % – 1 %
Low credit risk	A1 – A3			
Low credit risk	Baa1 – Baa3			
Low credit risk	Ba1 – Ba2			
Moderate credit risk	Ba3	4C – 5C	B1 – C1	2 % – 8 %
Moderate credit risk	B1 – B3			
Moderate credit risk	Caa1			
High credit risk	Caa2 – Caa3	6 – 8	C2 – C3	12 % – 35 %
High credit risk	Ca – C		D – F	
Default	D	9 – 10	Default	100 %

Measurement of expected credit losses

IFRS 9 outlines a three-stage model for impairment, based on changes in credit quality since initial recognition, as summarised below:

- **Stage 1:** A financial instrument that is not impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group. This includes all financial instruments, where no significant increase in credit risk has been identified, from the date of initial recognition,
- **Stage 2:** If significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired,
- **Stage 3:** If the financial instrument is impaired, the financial instrument is moved to Stage 3.

Financial instruments in *Stage 1* have their ECL measured, at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in *Stages 2* or *3* have their ECL measured based on expected credit losses on a lifetime basis. The Group has a defined remedial period for returning from *Stage 3* to *Stage 2* and from *Stage 2* to *Stage 1*. Direct movement from *Stage 3* to *Stage 1* is not allowed.

Purchased or originated credit-impaired financial assets ('POCI') are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

A pervasive concept in measuring ECL is that it should consider forward-looking information.

The Group sets the level of significance at EUR 300 thousand (31 December 2021: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2020: EUR 300 thousand) are assessed individually in the staging process.

The same principles are also applied for measurement of provisions for off-balance sheet exposures, arising from loan and other commitments, and guarantees given.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

i. Quantitative criteria:

Remaining Lifetime PD at the reporting date has increased compared to the expected residual Lifetime PD at the initial recognition date, and it exceeds the relevant threshold.

These thresholds are determined separately for retail and corporate portfolios, by assessing how the Lifetime PD changes prior to an instrument becoming problematic.

The protection criterion applies, and the financial asset is considered to have experienced a significant increase in credit risk, when the borrower is past due with contracted payments for more than 30 days. The Group does not benefit from the exception of low credit risk for any financial instrument.

The following thresholds apply to retail portfolios:

- deterioration of the internal rating to the worst degree
- forbearance indicator.

The following thresholds apply to corporate portfolios:

- deterioration of the internal rating to the worst degree
- forbearance indicator
- non-compliance with financial covenants.

ii. Qualitative criteria:

The Group uses the following indicators to assess whether SICR has occurred:

- The debtor violates the financial covenants or contracts;
- Actual or expected significant adverse change in operating results of the borrower;
- Negative information about the borrower from external sources;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Actual or expected concession, restructuring or change in the repayment schedule.

The assessment of SICR for individually assessed exposures is carried out at the level of the counterparty on an ongoing basis. The criteria used to identify SICR are monitored and reassessed, in order to assess their suitability, at least once a year.

Definition of default and credit impaired financial assets

The Group defines a financial asset as defaulted when it fully complies with the definition of credit impairment, or when one or more events occur that have a detrimental effect on the estimated future cash flows of that financial asset.

i. Hard criteria:

- Any significant credit obligation of the borrower towards the Group, parent company, or any of its subsidiaries is more than 90 days while:
 - the materiality does not apply to real estate portfolios;
 - for corporate portfolios, the materiality is set at EUR 250 or 1% of the amount of the debtor's balance sheet exposure;
- The Borrower has declared bankruptcy or other form of reorganisation;
- The Borrower has asked the Group for concession due to economic or contractual reasons, related to the borrower's financial difficulties and a significant reduction in the quality of the loan;
- The loan was forfeited;
- Fraud.

If the Group identifies any of hard criteria, the loan is classified as defaulted immediately.

ii. Soft criteria:

- The receivable is overdue (up to 90 days)
- The Group recognises a specific loan concession to the loan agreement, resulting from a significant reduction in the quality of the loan
- Signs of impairment, leading to the assumption that the borrower will not pay its credit obligations to the bank in full and in time, without taking any actions such as realisation of the collateral
- Significant impairment of main loan collateral
- Failure of the debtor in another financial institution, or failure of another client's loans and advances in the bank
- Any other warning signs identified in the client monitoring and engagement process that, according to the Group's assessment, will result in the debtor not paying his credit commitments to the Group in full and in time, without the Group taking steps toward loan collateral

Soft criteria are the subject of a qualified Group assessment as to whether the receivable is in default.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information ('*FLI*').

i. Individually assessed exposures

Considering the abundance and high diversity of corporate exposures, the Group does not identify a reliable correlation between macroeconomic indicators and ECL. Using future-oriented information for individually assessed exposures would lead to unpredictable results due to a lack of reliable correlation, and the Group therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Group assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

ii. Portfolio-based exposures

In assessing the amount of expected loss of portfolio exposures, the Group considers estimated future economic conditions. This is achieved by appropriate PD value modifications via a multiplier. The FLI setting consists of determining the values of two parameters:

- The coefficient of increase of 12-month marginal PD values
- The number of months during which the PD will revert to the original values

As at 31 December 2021, the setting of FLI parameters in relation to retail client defaults in 2022 for portfolio assessed exposures is based upon favourable expectations of the Group. In 2021 the Group observed lower retail client default rates than in the previous year.

Calculation of ECL

The Group calculates ECL on an individual or portfolio basis. Individual basis is an individual estimate of cash flows at the exposure level. In calculating the ECL on a portfolio basis, exposures are classified from common risk characteristics into a homogenous group.

The aggregation of the exposures follows a business purpose and also considers the risk perspective. Separate portfolios are created for retail secured and unsecured loans, while the Group also creates additional portfolios by the amount of LTV or product type. Corporate exposures are aggregated into instalment loans, overdrafts, guarantees and bonds. Other portfolios mainly represent money-market exposures to financial institutions and government bonds.

i. Individual calculation:

The individual basis for calculating ECL is used for individually assessed exposures in Stage 3:

The ECL calculation is generally based on three scenarios (and at least two scenarios), and each scenario is given a certain probability:

- **Contractual scenario** - scenario based on the expectation of maturity of all contractual cash flows on time and in full amount
- **Going concern** - scenario based on the expectation of both contractual cash flows and cash flows from collateral recovery
- **Gone concern** - the worst scenario based on the expectation of both contractual cash flows and cash flow from collateral recovery. Compared to the Going concern scenario, the Group expects lower cash flow values

ECL sa následne vypočíta ako pravdepodobnosťou vážená výška očakávaných peňažných tokov z každého scenára diskontovaná pôvodnou EIR.

ii. Portfolio calculation:

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula $ECL = PD \times EAD \times LGD$, where:

- PD: probability of default is the probability that the borrower will not fulfil its financial liabilities. PD depends on the rating and the following rules apply:
 - *Stage 1*: use of 12-month PD, i.e. probability of default over the next 12 months;
 - *Stage 2*: use of PD over the lifetime, i.e. probability of default over the entire lifetime of the exposure;
 - *Stage 3*: PD is equal to 1 because the exposure is already defaulted;
- EAD: non-secured exposure at default;
- LGD: loss given default means the ratio of credit loss in case of default to EAD.

The Group calculates the ECL on an individual or portfolio basis. An individual basis represents an individual estimate.

ECL sensitivity analysis

The Group prepares ECL scenarios when changing parameters for retail loan and corporate loans portfolios. One of the recalculation scenarios is the assessment of ECL in case of deteriorated or improved credit quality of clients, which the Group implements through the adjustment of client ratings. The second scenario is the ECL assessment when at PD and the third scenario represents a change in LGD parameter.

Changes in the credit quality of clients

Scenario of deterioration of the client's rating by 1 rating for retail loans under the following assumptions:

- PD values are allocated according to PD values ratings calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the deterioration of the client's rating is realised by 1 rating level lower, while clients from the worst rating level remain at the same rating level;
- for clients who reach the lowest rating level after the rating level deteriorates, the ECL is calculated in Stage 2, while the EAD is calculated on a straight-line basis.

Scenario of improving the client's rating by 1 level for retail loans under the following assumptions:

- PD values are allocated according to ratings from PD values calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the improvement of the client's rating is realised by 1 rating level higher, while clients from the worst rating level remain at the same rating level;
- Stage remains unchanged

ECL scenarios impact compared to the actual ECL value:

31.12.2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	118 309	5 724	4.84%	(3 248)	-2.75%
Mortgage loans	790	249	31.50%	(129)	-16.31%
Total	119 099	5 973	5.02%	(3 377)	-2.84%

31.12.2020	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	114 498	8 992	7.85%	(5 334)	-4.66%
Mortgage loans	959	198	20.65%	(118)	-12.30%
Total	115 457	9 190	7.96%	(5 452)	-4.72%

The corporate portfolio is regularly monitored and assessed on a regular basis. The classification into the relevant rating is also performed on an individual basis according to the specific situation of the clients. The corporate portfolio does not show signs of a homogeneous portfolio. Therefore, a sensitivity analysis through change would not provide additional relevant information. In corporate portfolios, the Group assesses the sensitivity to changes in PD, which can be seen below.

PD changes

When changing the PD, the Group tests the ECL sensitivity to PD changes in 10% movements upwards and downwards. This analysis does not change the Stage assignment. The effects of stressing PD parameters are as follows:

PD change	31 December 2021				31 December 2020			
	10% increase		10% decrease		10% increase		10% decrease	
	EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	1 404	1.19%	(1 404)	-1.19%	2 457	2.15%	(2 457)	-2.15%
Mortgage loans	31	3.95%	(31)	-3.95%	43	4.45%	(43)	-4.45%
Corporate loans	2 364	2.29%	(2 368)	-2.29%	2 572	2.41%	(2 572)	-2.41%
Other	35	1.09%	(35)	-1.09%	38	1.22%	(38)	-1.22%
Total	3 834	1.70%	(3 838)	-1.70%	5 110	2.27%	(5 110)	-2.27%

A change of the LGD parameter

A change of the LGD parameter would result in a change in the impairment allowances as follows:

LGD change	31 December 2021		31 December 2020	
	in %	EUR'000	in %	EUR'000
+5%	3.16%	7 096	3.19%	7 153
-5%	-3.16%	(7 096)	-3.19%	(7 153)
+10%	6.10%	13 714	6.32%	14 160
-10%	-6.32%	(14 193)	-6.39%	(14 305)

PD and LGD values are estimated by statistical models. PD values are recalculated and recalibrated on a monthly basis, reflecting the changes to ECL in individual portfolios. LGD values are recalculated and recalibrated at least once a year. Back testing of PD and LGD is performed on an annual basis.

The tables below summarise the classification of financial assets and off-balance sheet exposures (gross) by credit risk ratings:

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial assets at AC - Debt securities	-	-	-	-	-	-	-	-	-	-
Low credit risk	341 561	337 960	-	-	-	-	-	-	341 561	337 960
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	46 627	55 401	-	-	-	-	46 627	55 401
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	341 561	337 960	46 627	55 401	-	-	-	-	388 188	393 361
Impairment allowance	(98)	(95)	(7 514)	(7 626)	-	-	-	-	(7 612)	(7 721)
Carrying amount	341 463	337 865	39 113	47 775	-	-	-	-	380 576	385 640

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial assets at AC - Loans and advances	-	-	-	-	-	-	-	-	-	-
Low credit risk	954 222	807 841	55 728	56 299	130	-	-	-	1 010 080	864 140
Moderate credit risk	1 460 069	1 303 823	84 277	140 715	14 089	8 322	-	4	1 558 435	1 452 864
High credit risk	319 074	192 386	288 234	279 400	1 671	338	4 649	22 066	613 628	494 190
Default	-	-	-	-	173 793	172 204	8 226	8 630	182 019	180 834
Not rated	23 716	12 885	9 466	19 223	3 765	550	5	-	36 952	32 658
Gross amount	2 757 081	2 316 935	437 705	495 637	193 448	181 414	12 880	30 700	3 401 114	3 024 686
Impairment allowance	(21 360)	(23 036)	(35 099)	(41 260)	(161 716)	(152 219)	(8 946)	(10 867)	(227 121)	(227 382)
Carrying amount	2 735 721	2 293 899	402 606	454 377	31 732	29 195	3 934	19 833	3 173 993	2 797 304

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial assets at FVOCI - Debt securities	-	-	-	-	-	-	-	-	-	-
Low credit risk	306 864	359 391	-	-	-	-	-	-	306 864	359 391
Moderate credit risk	40 605	77 007	-	-	-	-	-	-	40 605	77 007
High credit risk	-	3 138	37 968	-	-	-	-	-	37 968	3 138
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	347 469	439 536	37 968	-	-	-	-	-	385 437	439 536
Impairment allowance in OCI	(355)	(477)	(8 260)	-	-	-	-	-	(8 615)	(477)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loan and other commitments given	-	-	-	-	-	-	-	-	-	-
Low credit risk	131 589	102 229	-	5	-	-	-	-	131 589	102 234
Moderate credit risk	121 725	98 961	-	1	-	-	-	-	121 725	98 962
High credit risk	1 732	2 133	1 939	974	-	-	-	-	3 671	3 107
Default	-	-	-	-	6	44	-	-	6	44
Not rated	3 000	3 000	4 441	12 226	-	-	-	-	7 441	15 226
Gross amount	258 046	206 323	6 380	13 206	6	44	-	-	264 432	219 573
Provision	267	342	273	439	1	11	-	-	541	792

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial guarantees given	-	-	-	-	-	-	-	-	-	-
Low credit risk	76	2 121	-	-	-	-	-	-	76	2 121
Moderate credit risk	13 184	12 973	-	-	-	-	-	-	13 184	12 973
High credit risk	1 618	1 932	1 629	-	-	-	-	-	3 247	1 932
Default	-	-	-	-	-	1 210	-	-	-	1 210
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	14 878	17 026	1 629	-	-	1 210	-	-	16 507	18 236
Provision	111	80	78	-	-	609	-	-	189	689

Received collaterals

The Group generally requires collateral in order to mitigate its credit risk from exposures on financial assets. The following collateral types are accepted:

- Cash;
- Guarantees issued by banks, governments or reputable third parties;
- Securities;
- Receivables;
- Commercial and residential real estate;
- Tangible assets.

Estimates of fair value are based on the value of collateral assessed at the time before executing the deal and are reassessed on a regular basis. Generally, collateral is not held on exposures against credit institutions, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of received collateral is shown below (including received collateral from reverse repurchase agreements). Received collateral value is disclosed up to the gross carrying amount of the asset (so-called recoverable amount):

EUR'000	31.12.2021	31.12.2020
Real-estates	1 185 359	712 836
Securities	226 588	230 593
Cash	3	6
Other	164 725	167 794
Total	1 576 675	1 111 229

Collateral in default loans and advances at amortised cost:

EUR'000	31.12.2021	31.12.2020
Gross amount	201 674	190 044
Impairment allowances	(170 034)	(159 890)
Carrying amount	31 640	30 154
Collateral	11 615	5 663

The Group's assessment of the net realisable value of the collateral is based on independent expert appraisals, which are reviewed by the Group's specialists, or internal evaluations prepared by the Group. The realisable value of collateral is derived from this value using a correction coefficient, that is the result of the current market situation, and reflects the Group's ability to realise the collateral in case of involuntary sale, for a price that is possibly lower than the market price. The Group, at least annually, updates the values of the collateral and the correction coefficient.

Net value of assets acquired by taking possession of the collateral is as follows:

EUR'000	31.12.2021	31.12.2020
Net value of assets obtained by taking possession of collateral	145	193

Recovery of receivables

The Group takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In case of default receivables, the activities of taking possession of collateral, representing the Group in bankruptcy, and restructuring proceedings are realised separately.

In the retail segment, the recovery process for overdue receivables is defined and centrally operated by a workflow system. The system provides complex evidence of problematic receivables, uses a segmented strategy of recovery, and it also processes numerous task flows, automated collection tasks, etc. The Group also uses outsourced services of collection companies.

Impact of COVID-19 pandemic

Retail portfolios

- From the credit risk point of view, the Group distinguishes between the provision of deferred payments to deferred payments for retired clients and for non-retired clients whereas, according to the amount of outstanding exposure as at 31 December 2021, deferred payments to non-retired clients represent 95.5% of provided deferred payments;
- Loans to non-retired clients with deferral of payments during the pandemic are included in Level 2, as the Group is exposed to increased credit risk due to possible loss of income in the future, the Group does not expect loss of income in retired clients;

- By the end of 2021, the FLI multiplier for retail portfolios was calibrated uniformly at 10%, in compliance with the Bank's expectations for the following year;
- As a result of the calibration of the FLI parameter, there was a one-off decrease in impairment allowances by approx. EUR 1.9 mil.

Corporate portfolios

- Corporate clients are monitored and assessed individually on a regular basis during the pandemic
- Categorisation to the relevant Level also takes place on an individual basis according to the specific situation of the clients
- Due to individual assessment, the Bank did not adjust the PD values of individual rating classes and the setting of the LGD parameter
- Impacts on ECL due to the pandemic alone cannot be clearly defined.

The following table shows the gross value and impairment allowances of financial assets with deferred payments as a result of COVID-19 measures.

31.12.2021	EUR'000	Gross amount			Impairment allowance		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost		18 729	53 602	871	(147)	(4 189)	(225)
Loans and advances		18 729	53 602	871	(147)	(4 189)	(225)
<i>of which: Non-financial corporations</i>		<i>18 699</i>	<i>40 671</i>	<i>769</i>	<i>(147)</i>	<i>(3 496)</i>	<i>(188)</i>
<i>of which: Households</i>		<i>31</i>	<i>12 930</i>	<i>102</i>	<i>-</i>	<i>(693)</i>	<i>(38)</i>

Remaining period of moratorium is as follows:

31.12.2021	EUR'000	Gross amount	Residual maturity of moratoria				
			≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 12 months
Financial assets at amortised cost		73 202	47 732	5 538	589	829	18 514
Loans and advances		73 202	47 732	5 538	589	829	18 514
<i>of which: Non-financial corporations</i>		<i>60 139</i>	<i>40 682</i>	<i>759</i>	<i>-</i>	<i>709</i>	<i>17 989</i>
<i>of which: Households</i>		<i>13 063</i>	<i>7 049</i>	<i>4 780</i>	<i>589</i>	<i>120</i>	<i>525</i>

The deferral of instalments under COVID-19 measures was provided for 12 675 loans active as at 31 December 2021, of which the deferral continues for 616 loans. According to our records 1 399 remaining loans were regranted a deferred payment during the reporting period. We record more than 30 days of delay in repayment of instalments for 2 011 loans, and 8 370 loans are due after the end of the deferral of instalments.

37. Liquidity risk

Liquidity risk arises from financing of the Group's activities and management of its positions. It includes financing the Group's assets with instruments of appropriate maturity, and the Group's ability to dispose of its assets for acceptable prices within acceptable time periods. The Group promotes a conservative and prudent approach to liquidity risk management.

The Group has a system of limits and indicators consisting of the following elements:

- Short-term liquidity management is performed by monitoring the liabilities and receivables due, and fulfilling the compulsory minimum reserves;
- Long-term liquidity management is also performed using the method of liquidity gap analysis (the classification of assets and liabilities based on their maturity into different maturity ranges). Liquidity gap analysis uses the Liquidity at Risk deposit stability model, as well as other behavioural assumptions.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, where possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group finances its assets mostly from primary sources. In addition to this, the Group has open credit lines from several financial institutions and is also able to finance its assets from interbank deposits. Due to its structure of assets, the Group has at its disposal sufficient amount of bonds which are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the European Central Bank.

The Group monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Group maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity position is monitored daily and the liquidity stress testing is conducted monthly, under a variety of scenarios covering both normal and more severe market conditions. The Group also has a contingency plan and communication crisis plan, which describes the principles and procedures of management in extraordinary conditions and secures the availability of financial back-up sources. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee ("ALCO"). Reports on the liquidity position, including any exceptions and remedial action taken, is submitted to ALCO at least once a month.

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are:

- *Primary liquidity ratio and Liquidity coverage ratio* - tracking short-term liquidity under stress scenarios;
- *Net stable funding ratio* - structural funding monitoring;
- *Modified liquidity gap indicator* - management of structural medium- to long-term liquidity;
- *Analysis of survival time in stress conditions*.

Cash flows expected by the Group for certain assets and liabilities may differ significantly from their contractual flows. For example, for deposits from clients (current accounts, term deposits without notice period) the Group expects that they will remain in the Group over a longer period, or more precisely, their value will increase over time as a result of receiving new funds. Receivables from clients may also be prematurely repaid or prolonged.

The liquidity coverage ratio is defined by Regulation of the European Parliament and of the Council no. 575/2013, as the ratio of the sum of the liquid assets to the sum of the net cash outflows. The ratio must not fall below 1. The value of ratio was as follows:

	2021	2020
End of the period	1.58	2.15
Average for the period	2.04	1.95
Maximum for the period	3.00	2.15
Minimum for the period	1.58	1.81

The Net Stable Funding Ratio requirement stipulated in Article 413 (2) 1 (EU Regulation No. 575/2013 of 26 June 2013) equals the ratio of the available stable funding of the institution to the required stable funding of the institution. The value of the indicator must not fall below 1. The value of the indicator is as follows:

	31.12.2021	31.12.2020
End of the period	1.27	1.22

The following table provides an overview of the distribution of assets and liabilities, according to their contractual maturity as current (with a maturity up to 1 year) and non-current (with a maturity over one year):

EUR'000	31 December 2021			31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	453 523	-	453 523	296 241	-	296 241
Financial assets held for trading	2	-	2	2 648	-	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	17 203	300 526	317 729	10 264	328 656	338 920
Financial assets at fair value through other comprehensive income	96 380	289 122	385 502	102 694	336 907	439 601
Financial assets at amortised cost	509 696	3 069 544	3 579 240	697 946	2 521 671	3 219 617
<i>Debt securities</i>	21 613	358 963	380 576	16 737	368 903	385 640
<i>Loans and advances</i>	463 412	2 710 581	3 173 993	644 536	2 152 768	2 797 304
<i>Other financial assets</i>	24 671	-	24 671	36 673	-	36 673
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 091	-	1 091	2 276	-	2 276
Investments in subsidiaries, joint ventures and associates	-	937	937	-	1 515	1 515
Tangible assets	-	68 081	68 081	-	62 152	62 152
Intangible assets	-	57 481	57 481	-	59 839	59 839
Current tax assets	-	-	-	307	-	307
Deferred tax assets	-	24 223	24 223	-	25 526	25 526
Other assets	16 086	-	16 086	17 510	-	17 510
Total assets	1 093 981	3 809 914	4 903 895	1 129 886	3 336 266	4 466 152
Liabilities						
Financial liabilities held for trading	3 695	-	3 695	746	-	746
Financial liabilities measured at amortised cost	3 511 667	625 116	4 136 783	3 503 698	222 979	3 726 677
<i>Deposits</i>	3 481 029	526 418	4 007 447	3 474 147	194 255	3 668 402
<i>Debt securities issued</i>	-	64 794	64 794	-	-	-
<i>Other financial liabilities</i>	30 638	33 904	64 542	29 551	28 724	58 275
<i>thereof: lease liabilities</i>	6 363	33 904	40 267	5 995	27 595	33 590
Derivatives – Hedge accounting	981	3 996	4 977	10 318	-	10 318
Provisions	736	-	736	28 633	-	28 633
Current tax liabilities	4 346	-	4 346	2 000	-	2 000
Other liabilities	14 284	-	14 284	15 048	-	15 048
Total liabilities	3 535 709	629 112	4 164 821	3 560 443	222 979	3 783 422

The Group monitors residual maturity based on expected recovery or expected maturity of the individual assets and liabilities. Historical experience shows that short-term liabilities are usually prolonged, or their volume grows over time. The maturity of these liabilities is determined in the range of 1-10 years, based on their volatility and the use of statistical models.

The following tables show the residual maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives. Undiscounted cash flows in the table are presented based on their earliest contractual maturities. Expected cash flows may be different from the analysis below:

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2021						
Financial liabilities measured at amortised cost	3 293 587	229 800	566 257	74 835	4 164 479	4 136 783
<i>Deposits</i>	3 267 801	224 549	480 606	59 357	4 032 313	4 007 447
<i>Debt securities issued</i>	-	-	64 794	-	64 794	64 794
<i>Other financial liabilities</i>	25 786	5 251	20 857	15 478	67 372	64 542
<i>thereof: lease liabilities</i>	1 620	4 793	20 857	15 478	42 748	40 267
Derivatives – Hedge accounting	129	2 053	4 110	506	6 798	4 977
Total	3 293 716	231 853	570 367	75 341	4 171 277	4 141 760

31 December 2020						
Financial liabilities measured at amortised cost	3 253 845	257 825	163 645	74 491	3 749 806	3 726 677
<i>Deposits</i>	3 227 358	253 597	144 157	62 788	3 687 900	3 668 402
<i>Debt securities issued</i>	-	-	-	-	-	-
<i>Other financial liabilities</i>	26 487	4 228	19 488	11 703	61 906	58 275
<i>thereof: lease liabilities</i>	1 926	4 111	18 159	11 703	35 899	33 590
Derivatives – Hedge accounting	706	9 612	-	-	10 318	10 318
Total	3 254 551	267 437	163 645	74 491	3 760 124	3 736 995

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2021						
Loan and other commitments given	264 432	-	-	-	264 432	264 432
Financial guarantees given	16 507	-	-	-	16 507	16 507
Total	280 939	-	-	-	280 939	280 939

31 December 2020						
Loan and other commitments given	219 573	-	-	-	219 573	219 573
Financial guarantees given	18 236	-	-	-	18 236	18 236
Total	237 809	-	-	-	237 809	237 809

38. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing), will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group distributes its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities which are managed on a fair value basis.

Overall authority for market risk is vested in the ALCO. The members of ALCO are responsible for the development of detailed market risk management policies.

Management of market risks

Limits, indicators and methods of equity risk management are defined in accordance with the principles described in the Market Risk Management Strategy. In managing market risk, the Group uses the following limits, indicators and methods for identifying, measuring and monitoring market risk:

- Open positions in individual financial instruments
- Value at Risk
- Expected shortfall
- Basis point value
- Credit spread point value
- Analysis of interest rate gap
- Capital at Risk / Change of economic value of capital
- Earnings at Risk / Change of net interest income
- Stop loss limits for trading book
- Stress testing
- VaR back-testing

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk ('VaR'). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period), from an adverse market movement with a specific probability (confidence level). The VaR model used by the Group is based upon a 99% confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Taking account of market data from previous years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A holding period assumes that it is possible to acquire or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Group uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Group uses the stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

Daily reports of utilisation of VaR limits are submitted to ALCO members, and the departments responsible for risk position management. Information on market risks development is regularly submitted to ALCO.

A summary of the VaR position of the Group:

EUR'000	31.12.2021	Average	Maximum	Minimum
VaR trading book	6	15	102	-
VaR banking book	2 269	2 535	2 994	2 241
VaR total	2 264	2 596	3 921	2 240
<i>Out of which interest rate risk</i>	<i>1 321</i>	<i>1 310</i>	<i>2 126</i>	<i>882</i>
<i>Out of which credit spread risk</i>	<i>1 549</i>	<i>2 248</i>	<i>3 782</i>	<i>1 549</i>
<i>Out of which foreign exchange risk</i>	<i>6</i>	<i>15</i>	<i>102</i>	<i>-</i>

EUR'000	31.12.2020	Average	Maximum	Minimum
VaR trading book	12	6	36	0
VaR banking book	2 516	2 127	2 749	868
VaR total	2 515	2 127	2 731	870
<i>Out of which interest rate risk</i>	<i>1 144</i>	<i>904</i>	<i>2 362</i>	<i>516</i>
<i>Out of which credit spread risk</i>	<i>2 386</i>	<i>2 087</i>	<i>5 273</i>	<i>1 046</i>
<i>Out of which foreign exchange risk</i>	<i>12</i>	<i>6</i>	<i>36</i>	<i>0</i>

Interest rate risk

The main source of the Group's interest rate risk is so-called revaluation risk which arises due to timing differences in maturity dates (fixed rate positions) and in revaluation (variable rate positions) assets, liabilities, and positions in commitments, contingencies and derivative financial instruments of the Group.

Other sources of interest rate risk are:

- *Yield curve risk* – risk of changes in the yield curve, due to the fact that a change in interest rates on the financial market will occur to different extents at different periods of time for interest-sensitive financial instruments,
- *Different interest base risk* - reference rates, relating to the active and passive transactions, are dissimilar and do not move simultaneously,
- *Risk from provisioning* - resulting from the decrease of interest sensitive exposure, with increasing volume of impairment loss allowances. Reducing exposure affects the Group's interest sensitivity, based on a short or long position,
- *Option risk* – arising from potential embedded options in financial instruments in the portfolio of the Group, allowing early withdrawals and repayments by counterparties, and subsequent deviation from their contractual maturities.

On the asset side of the statement of financial position, the Group manages its interest rate risk by providing a majority of corporate loans with variable rates. The Group continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Group is considered, which then

serves as a basis for purchase of fixed or variable debt securities. The Group uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Group for interest rate risk management of liabilities comprise:

- Stability of deposits, especially over longer time periods;
- Fast and flexible reactions to significant changes in inter-bank interest rates, through adjustments to interest rates on deposit products;
- Continuously evaluating interest rate levels offered to clients, compared to competitors, and actual or expected development of interest rates on the local market;
- Managing the structure of liabilities in compliance with the expected development of money market rates, in order to optimise interest revenues and minimise interest rate risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows, or fair values of financial instruments, because of a change in market interest rates.

Sensitivity of economic value of the Group due to movements in interest rates:

	2021	2020
End of the period	(45 523)	(46 642)
Average for the period	(45 808)	(41 975)
Maximum for the period	(52 885)	(46 642)
Minimum for the period	(34 284)	(35 626)

The Economic Value represents the difference between the fair value of interest rate sensitive assets recorded in the bank book, and the fair value of interest rate sensitive liabilities recorded in the bank book. Interest rate sensitive assets and liabilities are assets and liabilities for which fair value is variable, depending on changes in market interest rates. Particular assets and liabilities are divided into re-pricing gaps, based on their contractual re-pricing period, volatility of interest margins (for selected liability products), or roll forward (for assets and liabilities where it is not possible to use statistical models). In case the asset or the liability does not bear any interest risk, it is assigned a one-day maturity.

Changes in the economic value reflect the impact of a parallel interest shock on the value of interest sensitive assets and liabilities of the Group. The scenario of parallel decrease in rates does not consider the decrease of interest rates below 0%, which results in minimal change in economic value of the Group's capital. It should be emphasised that this measure highlights the effect of a shift in interest curves on the present structure of assets and liabilities and excludes assumptions of future changes in the structure of the balance sheet.

Share price risk

Share price risk is a risk of movements in the prices of equity instruments held in the Group's portfolio, and financial derivatives derived from these instruments. The main source of the Group's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Group:

- Follows an investment strategy which is updated on a regular basis;
- Prefers for publicly traded stocks;
- Monitors limits to minimise share price risk;
- Performs a risk analysis, which usually includes forecasts of the development of the share price, various models and scenarios for the development of external and internal factors with an impact on the statement of profit or loss, asset concentration, and the adequacy of own resources.

Share price risk is expressed above as part of the VaR ratio.

Foreign exchange risk

The Group is exposed to foreign exchange risk when trading in foreign currency on its own account, as well as on the account of its clients. The Group assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e. the Group has unsecured foreign exchange positions. The Group reduces its foreign exchange risk through limits on its unsecured foreign exchange positions and keeps them at an acceptable level according to its size and business activities. The main currencies in which the Group holds significant positions are CZK and USD. The amount of foreign exchange risk is shown above through the VaR indicator.

IBOR reform

Risk Management

IBOR rates ('Interbank Offered Rates') are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, so-called 'iborization'. As part of this iborization, IBOR rates will be gradually replaced by risk-free interest rates.

The Bank currently uses only EONIA and USD LIBOR of the rates terminated as at 1 January 2022 and 1 July 2023.

The yield curve from the USD LIBOR rate is used by the Bank to determine the fair values of interest rate sensitive instruments for accounting and internal risk management purposes. This yield curve is used to determine future float rates and discount to present value.

Non - derivative financial assets and liabilities

Currently, there is only one concluded contract with interest rates linked to the USD LIBOR rate. The reform of this rate will take place in June 2023.

Regarding the financial markets, the bank does not carry out transactions linked to the reformed rates. The changes will only affect the interest on some collateral accounts. The Bank is in the process of concluding amendments to the relevant framework agreements (ISDA, GMRA, GMSLA). These changes are expected to affect a maximum of five more contracts.

The Group does not recognise significant exposures as at 31 December 2021, which will be affected by the IBOR reform as amended on 1 January 2022.

Other balance sheet and off-balance sheet positions do not comprise any financial instruments that are the subject of IBOR reform.

Derivatives

The Group only records interest rate swaps with the EURIBOR reference rate, as for derivatives. EURIBOR is compatible with European Parliament Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds. The final date for the transition to the alternative risk-free rate is not yet known.

Hedge accounting

The bank uses interest rate derivatives for hedge accounting. Float rate interest rate swaps are linked to the EURIBOR reference rate.

39. Operational risk

Operational risk is the risk of loss, including the damage caused to the Group (by the Group's own activities) as a result of inappropriate or incorrect internal procedures, human factor failure, failure of systems used, and by external factors other than credit, market and liquidity risks. A part of the operational risk is legal risk arising from unenforceable contracted receivables, unsuccessful legal cases, verdicts with negative impact on the Group, and compliance risk. Operational risk arises from all of the Group's operations and is faced by all business entities.

The Group continuously aims to improve the implemented process of operational risk identification, usage of key risk indicators, self-evaluation procedures, or planning for unforeseeable events, and aims to secure business continuity and manage operational risk of the Group on a consolidated basis.

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

- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for periodic assessment of operational risks faced, and adequacy of controls and procedures to address the risks identified
- Requirements for reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where it is effective

Internal audit performs audits and inspections, in accordance with the Statute of internal control and internal audit, and the plan of audit activities for the year, approved by the Supervisory Board. Results of audits and inspections performed by internal audit are discussed with management of the department to which they relate. Reports from audits and controls are then submitted to the Board of Directors and the Supervisory Board (which also carries out activities of the Audit Committee).

Legal risk

Legal risk represents a risk of loss arising mainly from unenforceable contracts, threats of unsuccessful legal cases, or verdicts with negative impact on the Group. Legal risk management is the responsibility of the Legal Services department.

Compliance risk

The Group, in the management of compliance risk, is focused mainly on:

- Managing the risk of money laundering and financing the terrorism;
- Risk of legal sanctions and penalties from regulators;
- Loss of the Group's reputation, which may be suffered as a result of a failure to comply with the requirements of generally applicable laws, legal standards, guidelines and standards related to banking activities.

Risks related to outsourcing

Outsourcing activities present a separate group of operational risks. Outsourcing involves long-term performance of activities by a third party, which support the Group's activities and are carried out on a contractual basis, in order to increase the efficiency of the Group's activities.

Risk management relating to outsourcing is a part of overall Group risk management. It is the responsibility of the Board of Directors and includes:

- Managing strategy for risks associated with outsourcing, which is approved by the Board of Directors, as well as other particular internal directives relating to outsourcing, security crisis plans for individual outsourced activities, or plans for the Group when ceasing outsourced activities;
- Examination of the quality of service providers before and during outsourcing;
- Regular inspections of performance of outsourcing companies by the Department of Internal Control and Internal Audit;
- Minimising the risk related to outsourcing when extraordinary events occur.

40. Regulatory requirements of the asset management company

The asset management company is obliged to comply with regulatory requirements of the National Bank of Slovakia ('NBS'), which are set out under Act No. 203/2011 on collective investment, and according to NBS Provision No. 7/2011 on capital resources of asset management companies. These include limits and restrictions on capital adequacy. These requirements apply to all asset management companies in Slovakia and their compliance is determined on the basis of reports submitted by the asset management company under statutory legal regulations. The Group has met the described regulatory requirements during the reporting period and at the reporting date.

The own funds of the management company are considered appropriate under this Act, unless they are below:

- a) EUR 125 thousand plus 0.02% of the value of the assets in funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
- b) EUR 125 thousand plus 0.02% of the value of the assets in alternative investment funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
- c) One quarter of the average general operating costs of the management company for the previous calendar year. If the management company exists for less than one year, a quarter of the amount of general operating costs according to its business plan.

41. Regulatory requirements of the pension funds management company

The pension funds management company, when administering and creating pension funds, is obliged to comply with regulatory requirements of the National Bank of Slovakia, as stated in the Act No. 43/2004 on pension saving funds. These requirements apply to all pension funds management companies in Slovakia. The Group has met the described regulatory requirements during the reporting period and at the reporting date.

Own resources are adequate when:

- a) There are not less than 25% of general operating expenses for the previous year. If the pension funds management company is operating less than one year, 25% of the amount of general operating expenses stated in its commercial and financial plan;
- b) the ratio of the difference between liquid assets and liabilities and receivables to the value of assets in all pension funds under management is not less than 0.005 (according to the Act No. 43/2004 Section 60 as amended).

42. Capital management

In implementing current capital requirements, the Group is required to maintain a prescribed ratio of total capital to total risk-weighted assets, and a ratio of Tier I capital to total risk-weighted assets.

The Group uses the standardised approach to credit risk, the standardised method for credit valuation adjustment, the simplified approach to trading book risks, and the standardised approach to operational risk, in accordance with The Regulation of the European Parliament and the EU Council no. 575/2013 and its amendments ("CRR").

Banking operations are categorised to either a banking book or a trading book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and contingent liabilities.

Adequacy of Tier I capital and own Tier I capital is expressed as the ratio between the forms of capital to total risk-weighted assets of the Group. Tier I capital is the sum of own Tier I capital (CET1) and additional Tier I capital (AT1). Since the Group does not own AT1 capital, the entire volume of Tier I capital of the Group consists of only CET1 capital, and therefore there is no difference between Tier I capital adequacy, and own Tier I capital adequacy, respectively.

The Group has complied with all externally imposed capital requirements throughout the year.

The Group's position of own funds according to the Capital Requirement Regulation is displayed in the following table:

EUR'000	31.12.2021	31.12.2020
Tier I Capital	644 274	609 754
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	65 076	60 430
Selected components of accumulated other comprehensive income	6 841	6 547
Profit or loss of previous years	237 345	202 541
Intangible assets	(47 860)	(49 201)
Additional valuation adjustments	(780)	(859)
Other transitional adjustments to CET1 Capital	16 609	23 253
Tier II Capital	8 000	8 000
Subordinated debt	8 000	8 000
Regulatory capital total	652 274	617 754

The table below summarises requirements on own funds in accordance with CRR:

EUR'000	31.12.2021	31.12.2020
Capital required to cover:		
Credit risk	259 161	259 299
Credit value adjustment risk	202	105
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	29 598	29 527
Total capital requirements	288 961	288 931
Capital ratios		
Total capital level as a percentage of total risk weighted assets	18.06%	17.10%
Tier I capital as a percentage of total risk weighted assets	17.84%	16.88%
Common Equity Tier I capital as a percentage of total risk weighted assets	17.84%	16.88%

Under IFRS 9 transition, the Group has decided to apply gradual impact reflection to capital adequacy, by layering the initial impact (Article 473a of the CRR with the exception of paragraph 3), the impact of which is presented in the following table:

EUR'000	31.12.2021	31.12.2020
Available capital (amounts)		
Common Equity Tier I (CET1) capital	644 274	609 754
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	627 665	586 501
Tier I capital	644 274	609 754
Tier I capital as if IFRS 9 transitional arrangements were not applied	627 665	586 501
Total capital	652 274	617 754
Total capital as if IFRS 9 transitional arrangements were not applied	635 665	594 501
Risk-weighted assets (amounts)		
Risk-weighted assets	3 612 010	3 611 631
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	3 593 371	3 585 297
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	17.84%	16.88%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17.47%	16.36%
Tier I capital (as a percentage of risk exposure amount)	17.84%	16.88%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17.47%	16.36%
Total capital (as a percentage of risk exposure amount)	18.06%	17.10%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17.69%	16.58%

43. Post balance-sheet events

After the date of preparation of the financial statements, a war conflict emerged between Russia and Ukraine. Based on the currently available information and our analysis performed we do not anticipate a direct significant adverse impact of the conflict on the Group, its operations, financial position and operating result. The longer-term effects of the conflict are difficult to determine, and the Group monitors the situation closely and will respond to mitigate the potential impact, if any.