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 2022 (English translation)

Contents

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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 2022;

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 2022, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with IFRS 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 2022: € 3 135 084 thousand; release of impairment loss recognized for the year then ended: € 7 093 thousand; total impairment loss as at 31 December 2022: € 177 362 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).

Key audit matter	Our response
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. 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.	Our audit procedures in this area, performed assisted by our own information technology (IT) specialists, included, among others: • 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 ECL process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Group's IT control environment for data security and access;

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 analysis. 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 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 definitions of default and significant increase in credit risk, and the financial instruments standard's staging criteria, were all appropriately and consistently applied; • For collective impairment allowance: — Obtaining the Group's forward-looking information used in the ECL assessment. Evaluating 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 2022; — For the exposures identified as 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 to publicly available market

	data 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 address 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 2022: € 418 938 thousand; change in fair value recognized in profit or loss for the year then ended: € 4 941 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2022: € 29 700 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).

Key audit matter	**Our response**
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, as considered appropriate: — For securities traded in an active market (such as publicly traded corporate bonds and shares) – by reference to current market quotations; — For securities not traded in an active market (such as not actively traded corporate bonds) – based on the discounted cash-flow (DCF) model with observable and unobservable inputs and assumptions, such as, primarily, contractual cash flows, risk free interest rate and credit spread, among other things.	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 the 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; • For debt and equity securities traded in an active market: — for a sample of securities, challenging the Group’s evaluation of the underlying markets as active, by assessing whether transactions in a given market take place with sufficient frequency and volume for

Significant management judgement is involved in determination of the appropriate valuation method and in the determination of the model assumptions and inputs. In addition, comprehensive models tend to be more susceptible to the risk of management bias, error and inconsistent application. These require more attention during the audit process to assess the objectivity of the sources used in developing the assumptions and their consistent application. Due the above factors, measurement of the fair value of the securities held by the Group required our increased attention in the audit and was considered by us to be a key audit matter.	pricing information to be provided on an ongoing basis; and — for the entire portfolio held, tracing the recognized fair values of quoted securities in the portfolio to publicly available market quotations; • For a sample of valuations based on inputs other than quoted prices, developing our own independent estimate of the fair value. As part of the procedure, we developed the key DCF model inputs as follows: — contractual cash flows – by reference to our inspection of the underlying contractual provisions; — risk-free interest rate – by reference to government bonds data provided by external financial data platforms; and — credit spread – by reference to the comparable securities approach or market curve approach, as considered relevant. • 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, against the requirements of the 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 IFRS 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 2022 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 statutory body 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 20 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 Bank, 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 No. 96

Slovenská komora audítorov SKAU Č.licencie 96 KPMG Slovensko spol. s r.o.

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

Bratislava, 24 March 2023

A. Consolidated statement of financial position

EUR'000	Notes	31.12.2022	31.12.2021
Assets			
Cash, cash balances at central banks and other demand deposits	4	594 686	453 523
thereof: Cash and cash equivalents	4	562 341	48 723
Financial assets held for trading	5	16	2
Non-trading financial assets mandatorily at fair value through profit or loss	6	186 523	317 729
Financial assets at fair value through other comprehensive income	7	232 415	385 502
Financial assets at amortised cost	8	3 545 098	3 579 240
Debt securities	*8*	*512 690*	*380 576*
Loans and advances	*8*	*2 993 535*	*3 173 993*
thereof: Loans and advances to banks	8	35 813	23 553
thereof: Loans and advances to customers	8	2 957 722	3 150 440
Other financial assets	*8*	*38 873*	*24 671*
Derivatives – Hedge accounting	9	8 089	1 091
Investments in joint ventures and associates	10	1 106	937
Tangible assets	11	60 095	68 081
Intangible assets	12	56 009	57 481
Current tax assets		142	-
Deferred tax assets	13	27 291	24 223
Other assets	14	19 799	16 086
TOTAL ASSETS		**4 731 269**	**4 903 895**
Liabilities			
Financial liabilities held for trading	5	2 102	3 695
Financial liabilities at amortised cost	15	3 953 365	4 136 783
Deposits	*15*	*3 769 899*	*4 007 447*
thereof: Subordinated debt	15	8 019	8 014
Debt securities issued	*15*	*124 981*	*64 794*
Other financial liabilities	*15*	*58 485*	*64 542*
Derivatives – Hedge accounting	9	37	4 977
Provisions	16	2 577	736
Current tax liabilities		2 773	4 346
Other liabilities	17	13 272	14 284
Total liabilities		**3 974 126**	**4 164 821**
Share capital and share premium	18	367 043	367 043
Retained earnings	18	334 830	297 821
Other equity	18	55 270	74 094
Non-controlling interests	18	-	116
Total equity	**18**	**757 143**	**739 074**
TOTAL EQUITY AND LIABILITIES		**4 731 269**	**4 903 895**

These consolidated financial statements, which include the notes on pages 15-73, were approved by the Board of Directors on 22 March 2023.

Chairman of the Board of Directors
Andrej Zaťko

Member of the Board of Directors
Ladislav Korec

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

EUR'000	Notes	2022	2021
Statement of profit or loss			
Net interest income	21	134 094	148 882
Interest income	*21*	*141 905*	*154 006*
Interest expenses	*21*	*(7 811)*	*(5 124)*
Net fee and commission income	22	69 604	59 640
Fee and commission income	*22*	*96 819*	*90 209*
Fee and commission expenses	*22*	*(27 215)*	*(30 569)*
Dividend income	23	8 355	24 415
Net gains/(losses) from sale of subsidiaries and other financial transactions	24	22 468	(10 611)
Other operating income and expenses	25	4 372	6 195
Staff expenses	26	(59 649)	(56 294)
Other administrative expenses	26	(46 812)	(48 882)
Depreciation	27	(24 847)	(28 359)
Net earned premium	28	-	8 915
Claim costs	29	-	(2 588)
Release/(creation) of provisions	30	(1 840)	1 860
Net impairment of financial assets not valued at fair value through profit and loss	30	7 139	(29 009)
Net impairment on non-financial assets	30	780	84
Share of the profit of investments in joint ventures and associates	10	243	430
Profit before tax		**113 907**	**74 678**
Income tax	31	(22 150)	(17 792)
Profit after tax		**91 757**	**56 886**
Profit after tax attributable to ordinary shareholders		91 757	56 455
Profit after tax attributable to non-controlling interest		-	431
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		(23 561)	3 233
Revaluation of debt securities at fair value through other comprehensive income		*(29 700)*	*(3 939)*
Impairment losses for debt securities at fair value through other comprehensive income		*(183)*	*8 137*
Deferred tax related to items that may be reclassified to profit or loss		*6 322*	*(967)*
Foreign currency translation		*-*	*2*
Total other comprehensive income		**(23 561)**	**3 233**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**68 196**	**60 119**
Total comprehensive income attributable to ordinary shareholders		68 196	59 688
Total comprehensive income attributable to non-controlling interest		-	431

The notes on pages 15-73 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 2022	**366 305**	**738**	**63 426**	**10 668**	**-**	**297 821**	**738 958**	**116**	**739 074**
Total comprehensive income	**-**	**-**	**-**	**(23 561)**	**-**	**91 757**	**68 196**	**-**	**68 196**
Profit after tax	-	-	-	-	-	91 757	91 757	-	91 757
Other comprehensive income	-	-	-	(23 561)	-	-	(23 561)	-	(23 561)
Other transactions	**-**	**-**	**4 737**	**-**	**-**	**(54 748)**	**(50 011)**	**(116)**	**(50 127)**
Transfer to legal reserve fund	-	-	4 737	-	-	(4 737)	-	-	-
Dividends	-	-	-	-	-	(50 000)	(50 000)	-	(50 000)
Change in non-controlling interests without change in control	-	-	-	-	-	143	143	(116)	27
Other	-	-	-	-	-	(154)	(154)	-	(154)
Closing balance as of 31 December 2022	**366 305**	**738**	**68 163**	**(12 893)**	**-**	**334 830**	**757 143**	**-**	**757 143**

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**

The notes on pages 15-73 are an integral part of these consolidated financial statements.

D. Consolidated statement of cash-flows

EUR'000	Notes	31.12.2022	31.12.2021
Profit before tax		**113 907**	**74 678**
Adjustments:		-	
Net interest income	21	(134 094)	(148 882)
Dividend income	23	(8 355)	(24 415)
Depreciation	27	24 847	28 359
Release/(creation) of provisions	30	1 840	(1 860)
Creation of insurance provisions		-	217
Gains/(losses) on derecognition of non-financial assets, net	25	223	216
Gain from sale of subsidiaries		(19 582)	-
Net impairment of financial assets not valued at fair value through profit and loss	30	(7 139)	29 009
Net impairment on non-financial assets	30	(780)	(84)
Share of profit in jointly controlled entities and associates		(243)	(430)
Cash flows from/(used in) operating activities before changes in working capital		**(29 376)**	**(43 192)**
(Increase)/decrease in operating assets:			
Cash balances at central banks	4	372 455	(161 795)
Financial assets held for trading	5	(14)	2 646
Non-trading financial assets mandatorily at fair value through profit or loss	6	131 206	21 191
Financial assets at amortised cost		169 544	(389 120)
Loans and advances		*183 746*	*(401 122)*
Other financial assets		*(14 202)*	*12 002*
Derivatives – Hedge accounting	9	(6 998)	-
Other assets	14	(3 714)	1 424
Increase/(decrease) in operating liabilities:			
Financial liabilities held for trading		(1 593)	2 949
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		(239 574)	346 246
Deposits		*(237 527)*	*346 656*
Other financial liabilities		*(2 047)*	*(410)*
Derivatives – Hedge accounting		6 875	(5 341)
Other liabilities	17	(1 012)	(764)
Cash flows from operating activities before interest and income tax		**397 799**	**(225 756)**
Interest received		144 459	164 501
Dividends received	23	*8 352*	*24 415*
Interest paid		(10 126)	(13 045)
Income tax paid		(20 694)	(14 943)
Net cash flows from/(used in) operating activities		***519 790***	***(64 828)***
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(157 511)	(39 652)
Proceeds from sale and maturity		22 576	23 951
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		(15 676)	(67 827)
Proceeds from sale and maturity		134 125	107 872
Investments in subsidiaries, joint ventures and associates		-	
Proceeds from disposal of subsidiary, net of cash held by subsidiary		24 672	-
Tangible and intangible assets			
Purchase	11,12	(19 819)	(23 726)
Proceeds from sale		814	722
Net cash flows from/(used in) investing activities		***(10 819)***	***1 340***
Cash flows from financing activities			
Dividends paid		(49 229)	-
Owners of the parent		(49 229)	-
Debt securities issued			
Proceeds from issue of debt securities		60 000	65 000
Financial liabilities at amortised cost - received loans			
Loan received		10 035	-
Loan repayments		(10 100)	-
Financial liabilities at amortised cost - lease liabilities			
Lease payments		(6 059)	(5 982)
Net cash flows from/(used in) financing activities		***4 647***	***59 018***
Net increase/(decrease) in cash and cash equivalents	4	**513 618**	**(4 470)**
Cash and cash equivalents at the beginning of the period	4	**48 723**	**53 193**
Cash and cash equivalents at the end of the period	4	**562 341**	**48 723**

The notes on pages 15-73 are an integral part of these consolidated financial statements.

E. Notes to the consolidated financial statements

1. General information

365.bank, 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 nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2022294221 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 as at 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:

		31 December 2022		31 December 2021	
Name of shareholder	**Address**	**Number of shares**	**Ownership in %**	**Number of shares**	**Ownership in %**
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech republic	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%**

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 2021 were approved by the Board of Directors on 9 March 2022.

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 2022 the Bank held significant direct shares in the following subsidiaries, joint ventures and associates:

Company name	Share in %	
	31.12.2022	31.12.2021
Subsidiaries		
365.invest, správ. spol., a. s.	100,00%	100,00%
365.life, d. s. s., a. s.	x	100,00%
Ahoj, a. s.	100,00%	100,00%
PB Servis, a. s.	100,00%	100,00%
PB Finančné služby, a. s.	100,00%	100,00%
365.fintech, a. s.	100,00%	100,00%
Cards&Co, a. s.	100,00%	100,00%
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	100,00%	87,99%
Joint ventures		
SKPAY, a. s.	40,00%	40,00%
Monilogi, s. r. o.	8,00%	x

In 2022, the bank made a contribution to the share capital of Monilogi, a. s., which is under common control. During 2021, the bank purchased shares in ART FOND – Stredoeurópsky fond súčasného umenia, a. s., thereby gaining control in the company. On 28 December 2022, the Bank sold its entire share in the subsidiary 365.life, a. s.

365.nadácia is not included in the consolidated financial statements.

2.3 Changes in accounting policies

The application of other accounting standards since 1 January 2022 had no significant impact on the financial statements of the Bank.

2.4 Significant accounting policies

(a) Basis for consolidation

Consolidated financial statements include the financial statements of the Bank and its subsidiaries.

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. On the basis of the prepared 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.

i. *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.

ii. *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 ventures are consolidated in accordance with IFRS 11 by the equivalence method.

Company name	Share in %		Method of consolidation
	31.12.2022	31.12.2021	
Subsidiaries			
365.invest, správ. spol., a. s.	100,00%	100,00%	full consolidation
365.life, d. s. s., a. s.	x	100,00%	full consolidation
Ahoj, a. s.	100,00%	100,00%	full consolidation
PB Servis, a. s.	100,00%	100,00%	full consolidation
PB Finančné služby, a. s.	100,00%	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.	100,00%	87,99%	full consolidation
Joint ventures			
SKPAY, a. s.	40,00%	40,00%	equity method
Monilogi, s. r. o.	8,00%	x	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. When deciding on the timing and amount of recognised income, the Group follows the IFRS 15 standard.

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 customer contracts are measured by consideration stipulated in the contract The Group recognises revenue upon delivery of the service to the customer. The following paragraphs provide information on the nature and timing of the fulfilment of obligations arising from contracts and related revenue recognition principles.

The Group provides services to retail and corporate clients, which include account management fees, provision of overdraft and credit facilities, provision of loan commitments and financial guarantees, execution of foreign currency transactions and service fees.

Transaction-based fees such as service fees, investment management fees, sales commissions, placement fees and syndicated product fees are recognised when the related services are rendered.

Fee and commission income and all expenses which form an integral part of the EIR financial asset or liability are included in the EIR calculation. Revenue from accounting services and service fees are recognized over time as the services are rendered. Loan provision fees are recognised on a pro rata basis over the commitment period.

Fees related to services provided over time are accrued. These include commitment fees, guarantee fees and other fees arising from the provision of loans, income from asset management commissions, custody and other management and advisory fees. Payment services include, in part, service fees that are settled over time such as recurring card fees.

Income from fees for the provision of transaction services, such as collateral of the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as income from commissions for services such as the sale of collective investments and insurance products, are recognised after the completion of the transaction. Payment services include, in part, transaction-based fees, such as withdrawal fees.

The Group also provides asset management services. The management fees are based on a fixed percentage of the managed assets and are deducted from the client's asset account. Income from these fees is recognised when the related services are rendered.

(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 and in the area of macro hedging derivatives, it decided to continue to apply IAS 39 standard.
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.

The hedged item in the case of macro-hedging is a part of consumer and mortgage loans with a fixed rate denominated in EUR, excluding loans overdue for more than 90 days. The volume of the hedged item and derivative changes continuously based on the development of the loan portfolio.Individual loans are assigned to time baskets according to their repayment schedule (when fixed to maturity) or according to refixation (currently mainly mortgage loans). For that reason, it is subject to the same risk, namely the risk of changing the swap curve in EUR. The Group uses 3M time baskets for portfolio hedging purposes. The mapping methodology is identical to the approved methodology for mapping interest time baskets, which take into account early repayment and loans in arrears of more than 90 days.The purpose of the hedging is to minimize the interest risk resulting from the movement of market interest rates in EUR and to eliminate the "accounting discrepancy" between the accounting of the fair value of the IRS (hedging instrument) through the P&L and the regular accounting of the portfolio of consumer and mortgage loans (hedged item).

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 *10. 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.

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	2 – 8 years	straight line
Fittings and other equipment	2 – 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 the 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 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) Financial guarantees and loan commitments

Financial guarantees are contracts based on which the Group undertakes to make a payment in favour of the creditor in order to compensate the incurred loss, if the debtor fails to pay at the due date under the original terms of the instrument.

Loan commitments are the Group's commitments to provide loan under predetermined conditions.

Provided financial guarantees and loan commitments are initially measured at fair value. Subsequently, they are measured at the higher of the originally recognised amount less impairment allowance in compliance with IFRS 9 and the initially recognised amount less cumulative revenue recognised in accordance with IFRS 15. Other loan commitments are measured as the total of impairment allowances in accordance with IFRS 9 and the amounts of all fees received less cumulative income, if it is unlikely that the obligation would result in a specific loan agreement.

(o) 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.

(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.

i. 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.

ii. 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 and organisers of the network of SDS brokers.

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

As at the date of approval of these financial statements, the IASB has issued and the EU has adopted the following amendments to existing standards which are not yet effective:

- "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. The Company does not expect the amendments to have a material impact on its financial statements when initially applied. (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)

- Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction - The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities.
  For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The Group has decided not to adopt the new standard and amendments to existing standards before the effective date. According to the Group's estimates, compliance with these standards and amendments to existing standards in the period when they are initially applied will not have any significant impact on the Group's financial statements

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, 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 *33. 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	31.12.2022	31.12.2021
Cash on hand	30 750	29 835
Cash balances at central banks	520 399	404 800
Other demand deposits	43 537	18 888
Total	**594 686**	**453 523**

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	31.12.2022	31.12.2021	31.12.2020
Cash on hand	30 750	29 835	25 880
Other demand deposits	520 399	-	-
Other demand deposits	43 537	18 888	27 313
Total	**594 686**	**48 723**	**53 193**

5. Financial assets and liabilities held for trading

EUR'000	31.12.2022	31.12.2021
Derivatives	**16**	**2**
Foreign exchange and gold	16	2
Total	**16**	**2**

Derivatives	**2 102**	**3 695**
Foreign exchange	2 102	3 695
Total	**2 102**	**3 695**

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

	31 December 2022			31 December 2021		
EUR'000	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	65 909	16	2 102	143 237	2	3 695
Total	**65 909**	**16**	**2 102**	**143 237**	**2**	**3 695**

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

EUR'000	31.12.2022	31.12.2021
Equity instruments	**186 523**	**317 729**
Share certificates	186 523	317 729
Total	**186 523**	**317 729**

7. Financial assets at fair value through other comprehensive income

EUR'000	31.12.2022	31.12.2021
Equity instruments	**65**	**65**
Shares	65	65
Debt securities	**232 350**	**385 437**
General governments	146 152	266 897
Credit institutions	27 114	28 346
Other financial corporations	26 248	29 180
Non-financial corporations	32 836	61 014
Total	**232 415**	**385 502**
Impairment allowances to debt securities in OCI	(8 432)	(8 615)

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 2022	**(355)**	**(8 260)**	**-**	**-**	**(8 615)**
Increases due to origination and acquisition	(3)	-	-	-	(3)
Decreases due to derecognition	80	-	-	-	80
Changes due to change in credit risk (net)	160	(54)	-	-	106
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 2022	**(118)**	**(8 314)**	**-**	**-**	**(8 432)**

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)**

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities	**520 283**	**388 188**	**(7 593)**	**(7 612)**	**512 690**	**380 576**
Central banks	-	-	-	-	-	-
General governments	441 973	307 533	(151)	(96)	441 822	307 437
Credit institutions	32 758	30 990	-	(2)	32 758	30 988
Other financial corporations	1 362	3 038	-	-	1 362	3 038
Non-financial corporations	44 190	46 627	(7 442)	(7 514)	36 748	39 113
Loans and advances	**3 170 905**	**3 401 114**	**(177 370)**	**(227 121)**	**2 993 535**	**3 173 993**
Central banks	-	-	-	-	-	-
General governments	60 206	60 000	(20)	(19)	60 186	59 981
Credit institutions	35 821	23 571	(8)	(18)	35 813	23 553
Other financial corporations	260 030	491 554	(8 514)	(15 454)	251 516	476 100
Non-financial corporations	497 089	865 689	(55 138)	(73 650)	441 951	792 039
Households	2 317 759	1 960 300	(113 690)	(137 980)	2 204 069	1 822 320
Lending for house purchase	*1 418 682*	*1 028 687*	*(890)*	*(787)*	*1 417 792*	*1 027 900*
Credit for consumption	*890 756*	*918 543*	*(110 745)*	*(134 571)*	*780 011*	*783 972*
Other	*8 321*	*13 070*	*(2 055)*	*(2 622)*	*6 266*	*10 448*
Other financial assets	**40 413**	**24 954**	**(1 540)**	**(283)**	**38 873**	**24 671**
Total	**3 731 601**	**3 814 256**	**(186 503)**	**(235 016)**	**3 545 098**	**3 579 240**

Loans and advances include finance lease receivables:

EUR'000	31.12.2022	31.12.2021
Minimum value of leasing payments		
Receivables from leasing	18 480	19 056
Up to 1 year	6 451	*5 733*
1-5 years	11 817	*12 591*
Over 5 years	212	*732*
Unrealized income on finance leases	(1 680)	(1 977)
Present value of future lease payments	**16 800**	**17 079**
Impairment allowances	(208)	(164)
Total	**16 592**	**16 915**

EUR'000	31.12.2022	31.12.2021
Present value of future lease payments		
Receivables from leasing	16 800	17 079
Up to 1 year	*5 358*	*4 944*
1-5 years	*11 233*	*11 420*
Over 5 years	*209*	*715*
Present value of future lease payments	**16 800**	**17 079**
Impairment allowances	(208)	(164)
Total	**16 592**	**16 915**

Other financial assets comprise the following:

EUR'000	31.12.2022	31.12.2021
Other financial assets, gross	**40 413**	**24 954**
Clearing and settlement items	15 277	3 227
Cash collateral	7 164	6 750
Tax receivables	7	55
Dividends from investments in subsidiaries, joint ventures and associates	-	-
Receivables from disposal of subsidiaries, joint ventures and associates	-	-
Trade receivables	10 427	9 687
Other	7 538	5 235
Impairment allowances	(1 540)	(283)
Total	**38 873**	**24 671**

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

31.12.2022	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**476 093**	**44 190**	**-**	**-**	**520 283**	**(151)**	**(7 442)**	**-**	**-**	**(7 593)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	441 973	-	-	-	441 973	(151)	-	-	-	(151)
Credit institutions	32 758	-	-	-	32 758	-	-	-	-	-
Other financial corporations	1 362	-	-	-	1 362	-	-	-	-	-
Non-financial corporations	-	44 190	-	-	44 190	-	(7 442)	-	-	(7 442)
Loans and advances	**2 780 077**	**207 759**	**170 832**	**12 237**	**3 170 905**	**(16 334)**	**(20 527)**	**(131 950)**	**(8 559)**	**(177 370)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	60 202	4	-	-	60 206	(20)	-	-	-	(20)
Credit institutions	35 821	-	-	-	35 821	(8)	-	-	-	(8)
Other financial corporations	252 256	-	1	7 773	260 030	(740)	-	(1)	(7 773)	(8 514)
Non-financial corporations	309 615	131 855	51 155	4 464	497 089	(8 350)	(11 341)	(34 661)	(786)	(55 138)
Households	2 122 183	75 900	119 676	-	2 317 759	(7 216)	(9 186)	(97 288)	-	(113 690)
Lending for house purchase	*1 395 895*	*18 242*	*4 545*	-	*1 418 682*	*(34)*	*(99)*	*(757)*	-	*(890)*
Credit for consumption	*720 338*	*57 519*	*112 899*	-	*890 756*	*(7 124)*	*(9 052)*	*(94 569)*	-	*(110 745)*
Other	*5 950*	*139*	*2 232*	-	*8 321*	*(58)*	*(35)*	*(1 962)*	-	*(2 055)*
Other financial assets	**-**	**40 413**	**-**	**-**	**40 413**	**-**	**(1 540)**	**-**	**-**	**(1 540)**
Total	**3 256 170**	**292 362**	**170 832**	**12 237**	**3 731 601**	**(16 485)**	**(29 509)**	**(131 950)**	**(8 559)**	**(186 503)**

31.12.2021	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**341 561**	**46 627**	**-**	**-**	**388 188**	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	307 533	(96)	-	-	-	(96)
Credit institutions	30 990	-	-	-	30 990	(2)	-	-	-	(2)
Other financial corporations	3 038	-	-	-	3 038	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	46 627	-	(7 514)	-	-	(7 514)
Loans and advances	**2 757 081**	**437 705**	**193 448**	**12 880**	**3 401 114**	**(21 360)**	**(35 099)**	**(161 716)**	**(8 946)**	**(227 121)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	60 000	-	-	-	60 000	(19)	-	-	-	(19)
Credit institutions	23 571	-	-	-	23 571	(18)	-	-	-	(18)
Other financial corporations	437 367	45 976	11	8 200	491 554	(1 504)	(5 730)	(10)	(8 210)	(15 454)
Non-financial corporations	613 922	196 006	51 124	4 637	865 689	(14 886)	(16 909)	(41 144)	(711)	(73 650)
Households	1 622 221	195 723	142 313	43	1 960 300	(4 933)	(12 460)	(120 562)	(25)	(137 980)
Lending for house purchase	*972 781*	*52 988*	*2 918*	-	*1 028 687*	*(107)*	*(155)*	*(525)*	-	*(787)*
Credit for consumption	*643 182*	*138 614*	*136 704*	*43*	*918 543*	*(4 755)*	*(12 286)*	*(117 505)*	*(25)*	*(134 571)*
Other	*6 258*	*4 121*	*2 691*	-	*13 070*	*(71)*	*(19)*	*(2 532)*	-	*(2 622)*
Other financial assets	**-**	**24 954**	**-**	**-**	**24 954**	**-**	**(283)**	**-**	**-**	**(283)**
Total	**3 098 642**	**509 286**	**193 448**	**12 880**	**3 814 256**	**(21 458)**	**(42 896)**	**(161 716)**	**(8 946)**	**(235 016)**

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 2022	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Increases due to origination and acquisition	(23)	-	-	-	(23)
Decreases due to derecognition	-	-	-	-	-
Changes due to change in credit risk (net)	(30)	72	-	-	42
Transfers:	-	-	-	-	-
to/(from) Stage 1	*x*	-	-	-	-
to/(from) Stage 2	-	*x*	-	-	-
to/(from) Stage 3	-	-	*x*	-	-
Other adjustments	-	-	-	-	-
As of 31 December 2022	**(151)**	**(7 442)**	**-**	**-**	**(7 593)**

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*	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2021	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(21 360)**	**(35 099)**	**(161 716)**	**(8 946)**	**(227 121)**
Increases due to origination and acquisition	(7 456)	-	-	-	(7 456)
Decreases due to derecognition	3 462	7 237	53 576	7	64 282
Changes due to change in credit risk (net)	20 050	(9 282)	(18 097)	380	(6 949)
Transfers:	(11 020)	16 617	(5 597)	-	-
to/(from) Stage 1	*x*	*10 936*	*84*	-	*11 020*
to/(from) Stage 2	*(10 936)*	*x*	*(5 681)*	-	*(16 617)*
to/(from) Stage 3	*(84)*	*5 681*	*x*	-	*5 597*
Decrease in allowance account due to write-offs	-	-	-	-	-
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	**(16 334)**	**(20 527)**	**(131 950)**	**(8 559)**	**(177 370)**

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(4 933)**	**(12 460)**	**(120 562)**	**(25)**	**(137 980)**
Increases due to origination and acquisition	(5 623)	-	-	-	(5 623)
Decreases due to derecognition	2 153	1 202	47 159	7	50 521
Changes due to change in credit risk (net)	5 855	(7 311)	(19 170)	18	(20 608)
Transfers:	(4 668)	9 383	(4 715)	-	-
(to)/from Stage 1	*x*	*4 410*	*258*	-	*4 668*
(to)/from Stage 2	*(4 410)*	*x*	*(4 973)*	-	*(9 383)*
(to)/from Stage 3	*(258)*	*4 973*	*x*	-	*4 715*
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2022	**(7 216)**	**(9 186)**	**(97 288)**	**-**	**(113 690)**

In 2022, the Group sold a portfolio of retail receivables in the gross amount of EUR 39.3 million., for which impairment allowances were created in the amount of EUR 38.4 million.

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(16 390)**	**(22 639)**	**(41 154)**	**(8 921)**	**(89 104)**
Increases due to origination and acquisition	(1 756)	-	-	-	(1 756)
Decreases due to derecognition	4 133	6 016	6 417	-	16 566
Changes due to change in credit risk (net)	11 285	(1 952)	1 073	362	10 768
Transfers:	(6 352)	7 234	(882)	-	-
(to)/from Stage 1	*x*	*6 526*	*(174)*	-	*6 352*
(to)/from Stage 2	*(6 526)*	*x*	*(708)*	-	*(7 234)*
(to)/from Stage 3	*174*	*708*	*x*	-	*882*
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	**(9 090)**	**(11 341)**	**(34 662)**	**(8 559)**	**(63 652)**

The positive development of the creation of impairment allowances in the corporate portfolio was caused by significant decrease in corporate exposure and low impacts of pandemic on customers compared to estimates.

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)**

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. Macro hedging derivatives are in accordance with IAS 39 standards and micro hedging derivatives follow the IFRS 9 standard.

EUR'000	31 December 2022			31 December 2021		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives – Hedge accounting	**90 366**	**9 081**	**37**	**134 476**	**-**	**3 549**
Interest rate	90 366	9 081	37	134 476	-	3 549
Portfolio fair value hedges of interest rate risk	**396 400**	**5 148**	**-**	**93 400**	**-**	**1 428**
Total	**486 766**	**14 229**	**37**	**227 876**	**-**	**4 977**

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
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	
Fair value hedges					
Portfolio hedge of interest rate risk	396 400	200 037	-7 232	1 091	Financial assets at amortised cost
Interest rate	76 225	145 078	(11 814)	(2 260)	Financial assets at fair value through OCI

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

EUR'000	2022	2021
Fair value changes of the hedging instrument	18 601	4 616
Fair value changes of the hedged item attributable to the hedged risk	(19 046)	(4 663)
Gains/(losses) from hedge accounting, net	**(445)**	**(47)**

Net profit/(loss) from hedge accounting is part of the line Net profit/(loss) from financial operations in the Statement of profit or loss.

10. Investments in joint ventures and associates

EUR'000	SKPAY 31.12.2022	SKPAY 31.12.2021
Statement on financial position		
Total assets	**76 272**	**4 173**
Total liabilities	**73 936**	**1 830**
Net assets	**2 336**	**2 343**
Group share on net assets	**934**	**937**

	SKPAY 31.12.2022	SKPAY 31.12.2021
Statement of profit or loss		
Profit before tax	**1 426**	**1 391**
Profit after tax	**1 126**	**1 075**
Total comprehensive income for the year	**1 126**	**1 075**
Group share of profit/(loss) after tax	**450**	**430**

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

EUR'000	31.12.2022	31.12.2021
Net assets		
SKPAY, a.s.	934	937
MONILOGI, a.s.	172	-
Total	**1 106**	**937**

EUR'000	2022	2021
Profit after tax		
SKPAY, a.s.	450	430
MONILOGI, a.s.	(207)	-
Total	**243**	**430**

The Group sold the subsidiary 365.life, d. s. s., a. s. The net assets and liabilities of 365.life, d. s. s., a. s. as at the sale date 28 December 2022 were as follows:

EUR'000	Carrying amount
Assets	
Cash, cash balances at central banks and other demand deposits	8 328
Non-trading financial assets mandatorily at fair value through profit or loss	1 627
Financial assets at amortised cost	295
Tangible assets	170
Intangible assets	3 118
Current tax assets	352
Deferred tax assets	39
Other assets	29
Total assets	**13 958**
Liabilities	
Financial liabilities measured at amortised cost	(283)
Other liabilities	(257)
Total liabilities	**(540)**
Purchase price received	**33 000**
Profit on sale	**19 582**

The profit from the sale of the company is shown in chapter 24 (Net profit/(loss) from financial operations.

11. Tangible assets

EUR'000	31.12.2022	31.12.2021
Tangible assets owned	24 603	28 357
Property, plant and equipment	*24 603*	*28 357*
Right of use assets	35 492	39 724
Total	**60 095**	**68 081**

EUR'000	Tangible assets owned Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	Investment property	Total
Cost							
As of 1 January 2022	24 859	12 400	23 420	1 794	879	-	63 352
Additions	1	-	149	223	2 236	-	2 609
Transfers	1 054	1 012	724	-	(2 790)	-	-
Disposals	(2 611)	(1 343)	(671)	(309)	(272)	-	(5 206)
Disposals	(46)	(2)	(35)	-	-	-	(83)
As of 31 December 2022	**23 257**	**12 067**	**23 587**	**1 708**	**53**	**-**	**60 672**
Accumulated depreciation							
As of 1 January 2022	(11 957)	(8 848)	(12 900)	(649)	-	-	(34 354)
Depreciation for the year	(1 521)	(1 663)	(2 068)	(308)	-	-	(5 560)
Disposals	1 361	1 317	1 082	188	-	-	3 948
Disposals	23	-	29	-	-	-	52
As of 31 December 2022	**(12 094)**	**(9 194)**	**(13 857)**	**(769)**	**-**	**-**	**(35 914)**
Accumulated impairment losses	**(154)**	**-**	**-**	**-**	**-**	**-**	**(154)**
Carrying amount as at 31.12.2022	**11 009**	**2 873**	**9 729**	**939**	**53**	**-**	**24 603**

EUR'000	Tangible assets owned Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	Investment property	Total
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)
Additions from business combinations	-	-	-	-	-	-	-
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	Righ of use assets Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Total
Cost					
As of 1 January 2022	50 376	211	4 058	-	54 645
Additions	476	-	109	-	585
Loan modifications	1 481	-	-	-	1 481
Disposals	(497)	-	(105)	-	(602)
As of 31 December 2022	**51 836**	**211**	**4 062**	**-**	**56 109**
Accumulated depreciation					
As of 1 January 2022	(13 237)	(159)	(1 525)	-	(14 921)
Depreciation for the year	(5 408)	(53)	(598)	-	(6 059)
Disposals	272	-	90	-	362
As of 31 December 2022	**(18 373)**	**(211)**	**(2 033)**	**-**	**(20 617)**
Accumulated impairment losses	**-**	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2022	**33 463**	**-**	**2 029**	**-**	**35 492**

EUR'000	Righ of use assets Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Total
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**

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

EUR'000	31.12.2022	31.12.2021
Opening balance as at 1 January	(642)	(940)
Net creation/(release) of impairment losses	488	298
Closing balance	**(154)**	**(642)**

As at 31 December, the Group used fully depreciated tangible assets with an acquisition cost in the amount of EUR 15 152 thousand and as at 31 December 2021 in the amount of EUR 13 801 thousand.

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	31.12.2022	31.12.2021
Insurance amount of fixed assets	48 743	54 079

12. Intangible assets

EUR'000	Goodwill	DAC	Software	Other intangible assets	Assets not yet in use	Total
Cost						
As of 1 January 2022	14 024	3 406	101 619	410	7 291	126 750
Additions	-	43	1 307	-	15 860	17 210
Transfers	-	-	9 109	15	(9 124)	-
Disposals	-	-	(2 875)	(1)	(2 168)	(5 044)
Disposals	-	(3 449)	(234)	-	-	(3 683)
As of 31 December 2022	**14 024**	**-**	**108 926**	**424**	**11 859**	**135 233**
Accumulated amortisation						
As of 1 January 2022	-	-	(65 565)	(187)	-	(65 752)
Amortisation for the year	-	-	(13 192)	(36)	-	(13 228)
Disposals	-	-	2 437	(25)	-	2 412
Disposals	-	-	565	-	-	565
As of 31 December 2022	**-**	**-**	**(75 755)**	**(248)**	**-**	**(76 003)**
Accumulated impairment losses	**(3 221)**	**-**	**-**	**-**	**-**	**(3 221)**
Carrying amount as at 31.12.2022	**10 803**	**-**	**33 171**	**176**	**11 859**	**56 009**

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
Additions from acquisition of the business						
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)
Additions from business combinations	-	-	-	-	-	-
Additions from acquisition of the business						
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**

As at 31 December, the Group used fully depreciated tangible assets with an acquisition cost in the amount of EUR 30 765 thousand and as at 31 December 2021 in the amount of EUR 29 063 thousand.

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:

	31.12.2022	31.12.2021
365.invest, správ. spol., a. s.	10,14%	9,49%
Cards&Co, a. s.	10,14%	9,49%
Ahoj, a. s.	10,49%	10,49%
PB Finančné služby, a. s.	10,14%	9.49%

13. Deferred tax assets and liabilities

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

	31.12.2022	31.12.2021
Companies in SK	21%	21%

EUR'000	31.12.2022	31.12.2021
SK		
Impairment allowances - financial assets at AC	19 212	22 176
Impairment allowances - other	8	2
Provisions for off-balance sheet exposures	123	160
Revaluation of financial assets at FVOCI - debt securities	5 494	(3 199)
Revaluation of financial assets at FVOCI - derivatives	(2 006)	475
Tangible assets	469	306
Other	3 991	4 303
Total	**27 291**	**24 223**

Movements in deferred tax were as follows:

EUR'000	1.1.2022	Profit or loss	OCI	Sale of subsidiary	31.12.2022
Impairment on financial assets at AC	22 176	(2 964)	-	-	19 212
Impairment on other assets	2	6	-	-	8
Provisions for off-balance sheet exposures	160	(64)	-	27	123
Revaluation of financial assets at FVOCI	(2 724)	-	6 322	(110)	3 488
Tangible assets	306	163	-	-	469
Other	4 303	(312)	-	-	3 991
Total	**24 223**	**(3 171)**	**6 322**	**(83)**	**27 291**

EUR'000	1.1.2021	Profit or loss	OCI	Sale of subsidiary	31.12.2021
Impairment on financial assets at amortised cost	22 782	(606)	-	-	22 176
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**

14. Other assets

EUR'000	31.12.2022	31.12.2021
Deferred expenses	9 830	9 085
Accrued income	3 567	3 595
Inventories	301	543
Prepayments	6 099	2 863
Total	**19 798**	**16 086**

15. Financial liabilities measured at amortised cost

EUR'000	31.12.2022	31.12.2021
Deposits	**3 769 899**	**4 007 447**
Central banks	249 040	249 931
General governments	3 532	3 613
Credit institutions	35 123	92 601
Credit institutions excluding subordinated debt	27 104	84 587
Credit institutions - subordinated debt	8 019	8 014
Other financial corporations	127 128	148 645
Non-financial corporations	125 245	146 302
Households	3 229 831	3 366 355
Debt securities issued	**124 981**	**64 794**
Non-convertible debt securities issued	124 981	64 794
Other financial liabilities	**58 485**	**64 542**
Clearing and settlement items	7 616	5 930
Liabilities to employees	3 778	3 633
Liabilities from social and health insurance and social fund	2 129	1 955
Tax liabilities	1 310	1 232
Received prepayments	4 596	5 116
Liabilities from dividends	799	28
Lease liabilities	36 257	40 267
Other creditors	2 000	6 381
Total	**3 953 365**	**4 136 783**

In November and December 2021 and December 2022, the Group issued senior unsecured and non-subordinated debt securities. The detail of the issue is in the table:

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	31.12.2022	31.12.2021
Debt securities issued	22.11.2021	22.11.2024	3,50%	15	1 000	EUR	15 009	14 984
Debt securities issued	22.12.2021	22.12.2024	3,50%	500	100	EUR	49 832	49 810
Debt securities issued	19.12.2022	19.12.2026	7,04%	60	1 000	EUR	60 140	-
Total							**124 981**	**64 794**

The interest rate for first two security issues 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 15 mil. EUR is private, the second issue comprises debt securities in the amount of 50 mil. deposited on the Luxembourg Stock Exchange.
The security issue from 2022 has a fixed interest rate of 7.04% per annum and was placed privately.

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

EUR'000	31.12.2022	31.12.2021
Subordinated debt	8 019	8 014
Other received loans	10 035	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.	8 019	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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Opening balance as at 1 January	64 794	-	8 014	8 014	10 100	10 100
Proceeds from issue of debt securities	60 000	65 000	-	-	-	-
Loans received	-	-	-	-	10 035	-
Loan repayments	-	-	-	-	(10 100)	-
Interest expenses	2 548	104	506	480	193	222
Interest paid	(2 361)	(310)	(501)	(480)	(193)	(222)
Closing balance	**124 981**	**64 794**	**8 019**	**8 014**	**10 035**	**10 100**

In December 2021, the group received a loan from the ECB in the amount of EUR 250 million as part of the long-term targeted financial operation TLTRO. This loan is recognised as a received deposit from the central bank. As collateral, the Group provided held Slovak government bonds at fair value through other comprehensive income (EUR 113 000 thousand) and Slovak government bonds valued at amortised cost (EUR 351 644 thousand).

16. Provision

EUR'000	31.12.2022	31.12.2021
Commitments and guarantees given	577	730
Loan commitments	*568*	*541*
Guarantees given	*9*	*189*
Other provisions	2 000	6
Total	**2 577**	**736**

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 2022	**378**	**351**	**1**	**-**	**730**
Increases due to origination and acquisition	599	-	-	-	599
Decreases due to derecognition	(661)	(638)	-	-	(1 299)
Changes due to change in credit risk (net)	(90)	629	5	-	544
Transfers:	(82)	82	-	-	-
(to)/from Stage 1	*x*	*82*	-	-	*82*
(to)/from Stage 2	*(82)*	*x*	-	-	*(82)*
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	3	-	-	-	3
As of 31 December 2022	**147**	**424**	**6**	**-**	**577**

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
Unwinding of discount	-	-	-	-	-
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**

Movements in the insurance provisions were as follows:

EUR'000	Life insurance	Unearned premium	Provision for claims	Total
As of 1 January 2021	**24 307**	**454**	**1 285**	**26 046**
Additions, including increases in existing provisions	2 714	401	3 872	6 987
(-) Amounts used	-	-	-	-
(-) Unused amounts reversed during the period	(2 690)	(382)	(3 710)	(6 782)
Unwinding and effect of any change in the discount rate	-	-	-	-
Other movements	(24 331)	(473)	(1 447)	(26 251)
As of 31 December 2021	**-**	**-**	**-**	**-**

Other movements in the table of movement of insurance reserves relate to the sale of the subsidiary Poštová poisťovňa, a. s.

17. Other liabilities

EUR'000	31.12.2022	31.12.2021
Estimated payables (PEREX, OPEX)	12 385	14 545
Deferred income	393	(545)
Accrued expenses	267	284
Other non-financial liabilities	-	-
Total	**13 045**	**14 284**

18. Equity

a) Share capital

	31.12.2022	31.12.2021
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 of 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	31.12.2022	31.12.2021
Loan commitments given	159 599	264 432
Financial guarantees given	8 128	16 507
Total	**167 727**	**280 939**

b) Assets‘ management and custody

EUR'000	31.12.2022	31.12.2021
Asset management	2 179 623	2 784 880
Custody assets	106 811	104 068
Total	**2 286 434**	**2 888 948**

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	31.12.2022	31.12.2021
Financial assets at fair value through other comprehensive income	97 657	185 995
Financial assets at amortised cost	361 079	270 682
Total	**458 736**	**456 677**

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):

				Possible effect of master offsetting			Net values
31.12.2022	Values, gross	Offset values, gross	Presented values, net	Financial instruments	Cash collateral	Non-cash financial collateral	after possible offsetting
Financial assets							
Derivatives	16	-	16	16	-	-	-
Hedging derivatives	14 229	-	14 229	-	15 514	-	(1 285)
Total assets	**14 245**	**-**	**14 245**	**16**	**15 514**	**-**	**(1 285)**
Financial liabilities							
Derivatives	2 102	-	2 102	16	2 023	-	63
Hedging derivatives	37	-	37	-	-	-	37
Total liabilities	**2 139**	**-**	**2 139**	**16**	**2 023**	**-**	**100**

				Possible effect of master offsetting			Net values
31.12.2021	Values, gross	Offset values, gross	Presented values, net	Financial instruments	Cash collateral	Non-cash financial collateral	after possible offsetting
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**

21. Net interest income

EUR'000	2022	2021
Interest income		
Financial assets at fair value through other comprehensive income	4 498	5 762
Financial assets at amortised cost	136 762	150 416
Debt securities	*6 224*	*5 803*
Loans and advances	*130 538*	*144 613*
Derivatives - Hedge accounting, interest rate risk	(1 830)	(2 286)
Other assets	1 583	45
Cash balances at central banks	*1 475*	-
Other demand deposits	*108*	*40*
Other	-	*5*
Interest income on liabilities	892	69
Total interest income	**141 905**	**154 006**
Interest expenses		
Financial liabilities measured at amortised cost	(7 726)	(5 001)
thereof: lease liabilities	(541)	(572)
Other liabilities	(2)	-
Interest expense on assets	(83)	(123)
Total interest expense	**(7 811)**	**(5 124)**
Net interest income	**134 094**	**148 882**

EUR'000	2022	2021
Interest income calculated on an EIR	141 537	153 206
Other interest income	368	800
Total interest income	**141 905**	**154 006**

The „*Interest income on liabilities*“ line presents the negative interest expense from the long-term targeted financial operation TLTRO with the ECB. As at 31 December 2021, the Group considered the original interest rate specified in the contract and also the assumption that the conditions for obtaining a favourable negative interest rate will be met.

22. Net fee and commission income

EUR'000	2022	2021
Fee and commission income		
Securities	-	61
Clearing and settlement	16 182	14 231
Asset management	29 321	30 784
Custody	3 617	3 517
Payment services	31 251	29 537
Current accounts	*24 627*	*24 382*
Debit cards and other card payments	*292*	*355*
Transfers and other payment orders	*2 129*	*1 975*
Other fee and commission income in relation to payment services	*4 203*	*2 825*
Loan servicing activities	2 542	2 487
Loan commitments given	148	653
Financial guarantees given	181	303
Commissions for brokerage	4 230	4 100
Other	9 347	4 536
Total fee and commission income	**96 819**	**90 209**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	96 490	89 253
Fee and commission expenses		
Securities	(165)	(372)
Clearing and settlement	(20 152)	(18 767)
Custody	(500)	(500)
Loan servicing activities	(1 190)	(2 005)
Financial guarantees received	-	(61)
Other	(5 208)	(8 864)
Total fee and commission expenses	**(27 215)**	**(30 569)**
Net fee and commission income	**69 604**	**59 640**

23. Dividend income

EUR'000	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss	8 352	24 415
Financial assets at fair value through other comprehensive income	3	-
Total	**8 355**	**24 415**

24. Net gains/(losses) from financial transactions

EUR'000	2022	2021
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**19 566**	**1 129**
Other	19 582	1 129
Financial assets at fair value through other comprehensive income	(16)	-
Gains/(losses) on financial assets and liabilities held for trading, net	**(6 273)**	**(9 257)**
Derivatives	(6 273)	(9 257)
Exchange differences, net	**4 679**	**9 859**
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	**4 941**	**(12 340)**
Revaluation gains/(losses)	3 438	(12 340)
Trading gains/(losses)	1 503	-
Gains/(losses) on financial assets and liabilities designated at FVPL, net	**-**	**46**
Gains/(losses) from hedge accounting, net	**(445)**	**(48)**
Fair value changes of the hedging instrument	18 601	4 616
Fair value changes of the hedged item attributable to the hedged risk	(19 046)	(4 663)
Total	**22 468**	**(10 611)**

As at 28 December 2022, the Group sold the subsidiary 365.life, d. s. s., a. s. for EUR 33 million with a profit of EUR 19.6 million. Details of the property are given in Chapter 10.

25. Net other operating expenses income/(expenses)

EUR'000	2022	2021
Other expenses	**(5 435)**	**(5 889)**
Bank and insurance companies specific fees	(3 402)	(3 222)
Resolution fund	(315)	(312)
Deposit protection fund	(3 087)	(2 830)
Special levy for insurance companies	-	(80)
Other	(2 033)	(2 667)
Other income	**10 030**	**12 300**
Operating leases other than investment property	1 277	1 184
Other	8 753	11 116
Gains/(losses) on derecognition of non-financial assets, net	**(223)**	**(216)**
Total net other operating expense	**4 372**	**6 195**

Other operating income - comprises income from other payment services, contractual fines and other operating income.

26. Administrative expenses

EUR'000	2022	2021
Staff expenses	**(59 422)**	**(56 294)**
Wages and salaries (including bonuses)	(42 469)	(40 939)
Social expenses	(16 953)	(15 355)
Other administrative expenses	**(46 812)**	**(48 882)**
Rental expenses	(3 142)	(3 853)
Short-term lease contracts	*(953)*	(679)
Leases of low-value assets	*(1)*	-
Variable lease payments not included in the lease liabilities	*(1 887)*	(2 945)
Other	*(301)*	(229)
Real estate expenses	(1 625)	(1 594)
IT expenses	(14 480)	(11 682)
Marketing and advertisement	(8 929)	(8 273)
Legal and consulting services	(2 131)	(4 129)
Post and telecommunication	(4 075)	(4 649)
Material consumption	(1 206)	(1 336)
Repair and maintenance	(3 287)	(3 226)
Other admininstrative expenses - Rest	(7 937)	(10 140)
Total	**(106 234)**	**(105 176)**

	2022	2021
Number of employees as of balance sheet date	1 493	1 517
Average number of employees for the period	1 478	1 468
thereof, key management	46	51

Management consists of Board of Directors members and managers directly responsible to the Board of Directors (B-1 positions) throughout the group.
The cost of services provided by the statutory auditor were as follows:

EUR'000	2022	2021
Audit of the financial statements	(423)	(421)
Non-audit services required by EU legislation	(31)	(79)
Other assurance services	(30)	(48)
Other non-audit services	-	(8)
Total	**(484)**	**(556)**

27. Depreciation

EUR'000	2022	2021
Property, plant and equipment	**(5 560)**	**(5 899)**
Buildings	(1 521)	(1 581)
Hardware	(1 663)	(1 642)
Fittings and other equipment	(2 068)	(2 319)
Operating lease assets	(308)	(357)
Right of use assets	**(6 059)**	**(5 982)**
Buildings	(5 408)	(5 200)
Hardware	(53)	(53)
Fittings and other equipment	(598)	(729)
Intangible assets	**(13 228)**	**(16 478)**
Software	(13 192)	(16 446)
Other intangible assets	(36)	(32)
Total	**(24 847)**	**(28 359)**

28. Net earned premium

EUR'000	2022	2021
Gross written premium	-	9 254
Written premium ceded	-	(312)
Change in unearned premium provision	-	(19)
Change in unearned premium provision	-	(8)
Total	**-**	**8 915**

29. Claim costs

EUR'000	2022	2021
Claims paid	-	(2 433)
Claims paid ceded	-	54
Change in life insurance provision	-	(24)
Change in claim provisions	-	(162)
Change in claim provisions ceded	-	(23)
Total	**-**	**(2 588)**

30. Impairment losses and provisions

EUR'000	2022	2021
Modification gains/(losses), net	**-**	**-**
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	-	-
Net impairment of financial assets not valued at fair value through profit or loss	**7 139**	**(29 009)**
Financial assets at fair value through other comprehensive income	183	(8 138)
Debt securities	*183*	*(8 138)*
Loans and advances	*-*	*-*
Financial assets at amortised cost	6 956	(20 871)
Debt securities	*18*	*109*
Loans and advances	*7 093*	*(21 085)*
Other financial assets	*(155)*	*105*
Impairment losses of investments in subsidiaries, joint ventures and associates	**-**	**-**
Subsidiaries	-	-
Joint ventures	-	-
Associates	-	-
Release/(creation) of provisions	**(1 840)**	**1 860**
Net impairment on non-financial assets	**780**	**84**
Total	**6 079**	**(27 065)**

The positive development of impairment losses and provisions was primarily caused by a significant reduction in corporate exposure, the successful sale of impaired retail loans and the smaller impact of the pandemic crisis on clients compared to expectations. For more details, please see Financial assets valued at amortized cost.

31. Income tax

EUR'000	2022	2021
Current income tax	**(18 979)**	**(17 596)**
Current year	(18 713)	(18 169)
Correction of prior period	(214)	667
Withholding tax	(52)	(94)
Deferred tax	**(3 170)**	**(196)**
Total	**(22 150)**	**(17 792)**

Reconciliation of the effective tax rate is as follows:

EUR'000	2022	2021
Profit before tax	113 907	74 678
Income tax rate	21%	21%
Theoretical income tax	**(23 920)**	**(15 682)**
Non - tax expenses	(1 985)	(9 028)
Other	*(1 985)*	*(9 028)*
Non - taxable income	1 092	5 621
Dividends	*1 108*	*49*
Impairment allowances	*(44)*	*898*
Other	*28*	*4 674*
Deferred tax	877	(196)
Correction of prior period	(214)	667
Withholding tax	(52)	(94)
Other		
Total	**(22 150)**	**(17 792)**
Effective tax rate	**19,45%**	**23,82%**

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:

(a) 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;
(b) Affiliated entities in which the parent company has significant influence, and which are not a subsidiary, nor a joint venture;
(c) 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;
(d) 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;
(e) 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.

31.12.2022	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key management and related parties	Others
Assets	**-**	**119 309**	**1 416**	**-**	**2 445**	**17 741**
Other demand deposits	-	10 102	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100 065	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	-	8 812	-	-	-	-
Financial assets at amortised cost	-	330	1 416	-	2 445	17 741
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	*2 445*	*17 741*
Other financial assets	-	*330*	*1 416*	-	-	-
Liabilities	**41**	**26 066**	**7 679**	**-**	**1 776**	**5 667**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	41	26 066	7 679	-	1 776	5 667
Deposits	*41*	*26 054*	*7 679*	-	*1 776*	*5 655*
Other financial liabilities	-	*12*	-	-	-	*12*
Derivatives – Hedge accounting	-	-	-	-	-	-

Income/expenses	**-**	**-**	**-**	**-**	**-**	**-**
Net interest income	460	(111)	-	-	16	760
Net fee and commission income	42	751	7 022	-	1	146
Net gains/(losses) from financial transactions	-	3 087	-	-	-	-
Net other operating expenses	-	61	90	-	-	-
Administrative expenses	-	(52)	(807)	-	-	(1 662)

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
Debt securities	-	-	-	-	-	-
Loans and advances	*59 990*	*8 662*	-	-	*1887*	*142 027*
Other financial assets	-	*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
Deposits	-	*17 147*	*3 799*	-	*1 499*	*1 724*
Other financial liabilities	-	*7*	-	-	-	*15*
Derivatives – Hedge accounting	-	-	-	-	-	-

2021						
Income/expenses	**-**	**-**	**-**	**-**	**-**	**-**
Net interest income	381	191	-	-	4	1 798
Net fee and commission income	16	158	4 658	-	1	280
Net gains/(losses) from financial transactions	-	671	-	-	-	-
Net other operating expenses	-	31	46	-	-	-
Administrative expenses	-	(32)	-	-	-	-

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 2022 is in the amount of EUR 3 308 thousand. EUR (2021: EUR 2 271 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.

The Group estimates future cash flows from financial instruments based on contractual maturities, and in the case of deposit products without a contractual maturity, the maturity is estimated by a qualified estimate.

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
ASSETS								
Financial assets held for trading	**-**	**-**	**16**	**2**	**-**	**-**	**16**	**2**
Derivatives	-	-	16	2	-	-	16	2
Non-trading financial assets mandatorily at FVPL	**6 739**	**16 753**	**179 784**	**300 976**	**-**	**-**	**186 523**	**317 729**
Equity instruments	6 739	16 753	179 784	300 976	-	-	186 523	317 729
Financial assets at FVOCI	**182 977**	**337 413**	**14 646**	**-**	**34 792**	**48 089**	**232 415**	**385 502**
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	182 977	337 413	14 646	-	34 727	48 024	232 350	385 437
Derivatives – Hedge accounting	-	-	8 089	1 091	-	-	8 089	1 091
Total assets	**189 716**	**354 166**	**202 535**	**302 069**	**34 792**	**48 089**	**427 043**	**704 324**

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
LIABILITIES								
Financial liabilities held for trading	**-**	**-**	**2 102**	**3 695**	**-**	**-**	**2 102**	**3 695**
Derivatives	-	-	2 102	3 695	-	-	2 102	3 695
Derivatives – Hedge accounting	**-**	**-**	**37**	**4 977**	**-**	**-**	**37**	**4 977**
Total liabilities	**-**	**-**	**2 139**	**8 672**	**-**	**-**	**2 139**	**8 672**

Changes in unobservable inputs (surcharge for liquidity and/or credit risk) by +200 bp would change the real value of financial instruments by EUR -174 thousand and at -200 bp the movements would change the real value of financial instruments by EUR 182 thousand.

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

EUR'000	1.1.2022	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31.12.2022
Financial assets at fair value through OCI	48 089	95	(3 336)	-	-	-	(10 056)	34 792
Total	**48 089**	**95**	**(3 336)**	**-**	**-**	**-**	**(10 056)**	**34 792**

An unobservable input for the valuation of the portfolio included in L3 is the idiosyncratic credit spread with the following effect on the securities portfolio:

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	Fair value	Price	Idiosyncratic CS	Price with 1% growth	Fair value with 1% growth of CS	Sensitivity on 1% growth of CS
Client no. 1	32 759	91%	3%	89%	31 877	(882)
Client no. 2	44 137	100%	3%	98%	42 993	(1 144)

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

EUR'000	31 December 2022			31 December 2021		
	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	-	14 646	-	-	-	18 110
Transfers out of the category	(5 834)	-	(8 812)	-	(18 110)	-
Total assets	**(5 834)**	**14 646**	**(8 812)**	**1 567**	**(19 677)**	**18 110**

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

31 December 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	**594 686**	**594 686**	**-**	**594 686**	**-**
Financial assets at amortised cost	**3 545 098**	**3 505 305**	**440 711**	**89 250**	**2 975 344**
Debt securities	512 690	454 168	382 551	27 288	44 329
Loans and advances	2 993 535	3 015 764	58 160	26 589	2 931 015
Other financial assets	38 873	35 373	-	35 373	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	**3 953 365**	**3 789 415**	**-**	**3 789 415**	**-**
Deposits	3 769 899	3 605 949	-	3 605 949	-
Debt securities issued	124 981	124 981	-	124 981	-
Other financial liabilities	58 485	58 485	-	58 485	-

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	-

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	72 448	76 791	63 299	74 211	6 158	3 004	141 905	154 006
Interest expenses	(3 564)	(3 083)	(502)	(695)	(3 745)	(1 346)	(7 811)	(5 124)
Net interest income	**68 884**	**73 708**	**62 797**	**73 516**	**2 413**	**1 658**	**134 094**	**148 882**
Fee and commission income	55 107	48 260	14 182	14 990	27 530	26 959	96 819	90 209
Fee and commission expenses	(14 357)	(17 379)	(5 522)	(5 835)	(7 336)	(7 355)	(27 215)	(30 569)
Net fee and commission income	**40 750**	**30 881**	**8 660**	**9 155**	**20 194**	**19 604**	**69 604**	**59 640**
Net interest and fee margin	**109 634**	**104 589**	**71 457**	**82 671**	**22 607**	**21 262**	**203 698**	**208 522**
Impairment losses and provisions	(11 011)	(22 466)	19 537	(4 480)	(2 447)	(119)	6 079	(27 065)

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Assets	2 108 301	1 712 652	1 076 403	1 818 926	1 546 565	1 372 317	4 731 269	4 903 895
Liabilities	3 190 967	3 243 579	251 777	316 744	531 382	604 498	3 974 126	4 164 821

The following table shows the distribution of income from fees and commissions by segment (based on the requirements of IFRS 15):

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Fee and commission income								
Securities	-	-	-	-	-	61	-	61
Clearing and settlement	8 690	6 700	7 225	7 032	267	499	16 182	14 231
Custody	-	-	3 555	3 458	62	59	3 617	3 517
Payment services	28 646	26 629	2 467	2 876	138	32	31 251	29 537
Loan servicing activities	1 940	1 705	583	689	19	93	2 542	2 487
Loan commitments given	-	-	134	650	14	3	148	653
Financial guarantees given	-	48	181	253	-	2	181	303
Commodities	4 230	4 100	-	-	-	-	4 230	4 100
Other	9 304	4 161	37	32	6	343	9 347	4 536
Total fee and commission income	**55 107**	**48 260**	**14 182**	**14 990**	**27 530**	**26 959**	**96 819**	**90 209**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	55 107	48 212	13 867	14 087	27 516	26 954	96 490	89 253

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 favour 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				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	**441 973**	**307 533**	**60 206**	**60 000**	**146 152**	**266 897**	**-**	**-**	**-**	**-**
Credit institutions	**32 758**	**30 990**	**35 821**	**23 571**	**27 114**	**28 346**	**-**	**-**	**-**	**-**
Other financial corporations	**1 362**	**3 038**	**260 030**	**491 554**	**26 248**	**29 180**	**-**	**-**	**-**	**-**
Non-financial corporations	**44 190**	**46 627**	**497 089**	**865 689**	**32 836**	**61 014**	**58 358**	**51 842**	**8 128**	**16 507**
A Agriculture, forestry and fishing	-	-	37 838	35 943	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	39 095	60 442	-	-	44	438	76	76
D Electricity, gas, steam and air conditioning supply	-	-	27 213	67 645	-	-	-	-	-	-
E Water supply	-	-	458	385	-	-	-	-	-	-
F Construction	-	-	15 781	115 440	-	-	87	2 108	43	2 972
G Wholesale and retail trade	-	-	23 674	25 106	-	-	359	445	365	487
H Transport and storage	-	-	2 076	2 802	-	-	21	23	3	3
I Accommodation and food service activities	-	-	35 674	75 697	-	-	4 157	64	-	-
J Information and communication	-	-	79	2 534	-	-	3 000	3 000	150	-
K Financial and insurance activities	-	-	-	53 508	-	-	50 546	45 600	-	5 230
L Real estate activities	44 190	46 627	160 366	158 285	-	-	20	44	-	-
M Professional, scientific and technical activities	-	-	77 047	92 841	-	-	84	86	7 491	7 739
N Administrative and support service activities	-	-	70 801	80 360	-	-	29	30	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	3	13	-	-	-	-	-	-
Q Human health services and social work activities	-	-	24	19 246	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	1 461	69 415	32 836	61 014	-	-	-	-
S Other services	-	-	5 499	6 027	-	-	11	4	-	-
Households	**-**	**-**	**2 317 759**	**1 960 300**	**-**	**-**	**101 241**	**212 590**	**-**	**-**
Total	**520 283**	**388 188**	**3 170 905**	**3 401 114**	**232 350**	**385 437**	**159 599**	**264 432**	**8 128**	**16 507**

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	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
EUR'000	**Debt securities**		**Loans and advances**		**Debt securities**		**Loan commitments given**		**Financial guarantees given**	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Slovak Republic	473 073	320 481	2 789 414	2 508 947	173 087	247 927	109 046	218 692	443	3 600
Czech Republic	-	-	185 574	348 281	7 303	29 462	50 377	30 547	265	257
Cyprus	-	-	72 778	298 390	-	-	1	14 977	-	-
Luxemburg	1 362	1 424	107 074	133 395	9 781	11 621	-	-	-	-
Switzerland	-	-	1 038	69 171	-	-	-	2	-	-
France	-	-	12 644	1 100	-	51 375	1	1	-	5 230
Netherlands	1 603	21 614	2 000	21 991	-	-	-	-	-	-
Lithuania	2 155	-	-	-	17 243	17 663	-	-	-	-
Latvia	10 046	10 110	-	-	12 034	13 329	-	-	-	-
Poland	-	10 980	-	19 537	-	-	1			
Germany	-	2 181	1	1	12 902	14 060	1	1	-	-
	-	10 460	-	-	-	-	-	-	7 420	7 420
Other countries	32 044	10 938	382	301	-	-	172	212	-	-
Total	**520 283**	**388 188**	**3 170 905**	**3 401 114**	**232 350**	**385 437**	**159 599**	**264 432**	**8 128**	**16 507**

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 level of credit risk:

Credit risk	Exteral rating Moody´s	Internal rating corporate	Internal rating retail	1YPD
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 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2021: 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 non-fundable rating (rating E, F);
- forbearance indicator.

The following thresholds apply to corporate portfolios:
- deterioration of the internal rating to rating 7 and higher;
- 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.

Retail:
i. A receivable is considered defaulted if it is more than 90 days overdue, while the significance threshold is set at EUR 100 or 1% of the amount of the debtor's balance sheet exposure to the receivable;
ii. The loan has been repaid and at the same time meets point i.
iii. The receivable is acquired or incurred as credit impaired (POCI)
iv. A receivable is an unauthorized debit balance on a personal account with no limit of authorized overdraft in the account

Non-retail:
Assessed by 2 types of criteria:

I. Criteria, if identified by the Bank, that the receivable immediately becomes defaulted
- a receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1% of the total obligation of the borrower, for a period of 90 consecutive days
- The Borrower has declared bankruptcy or other form of reorganisation;
- The Borrower has asked the Bank 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.

II. Criteria subject to a qualified assessment at the Bank, whether the receivable is defaulted:
- The receivable is overdue (up to 90 days);
- The Bank recognises a specific 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 amount and in time, without the Bank taking any actions such as realisation of the collateral;
- Significant impairment of main 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 Bank's assessment, will result in the debtor not paying his credit commitments to the Bank in full and in time, without the bank taking steps toward loan collateral.

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 Bank 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.

In 2022, measures for the forward looking element for rating, which determines the amount of OP in connection with the current economic situation and the strong impact of several external factors such as:

• global instability
• war in Ukraine
• rising energy prices
• growing inflation and uncertain macroeconomic development

To consider the forward-looking element in the current uncertain environment applied in client monitoring, the measures are aimed at a general update of the internal ratings of corporate clients based on the industry in which the clients operate (NACE codes of transactions).

The Group regularly carries out detailed monitoring of each corporate client at least once a year. As part of this revision, all aspects of the credit relationship are re-evaluated, from assessing the business model, financial situation, re-assessing collateral, evaluating the fulfilment of contractual conditions. In 2022, the Group implemented the so-called ESG questionnaire, the completion of which is part of the Bank's information request for the client. By evaluating the ESG questionnaire, the Group assesses the client's compliance with requirements in this area, while the information serves the Bank to assess the sustainability of the client's business model and the possible impact on its PD. Currently, we do not have a client in our portfolio whose ability to fulfil its obligations to the Bank would be threatened as a result of the new requirements placed on companies due to the implementation of ESG legislation.

The Bank also regularly assesses the impact of the economic and political situation on its clients. Currently, the Bank has one client in its portfolio that is economically linked to Ukraine and no client with economic relationships with Russia. The Bank and the client took transactional measures to completely mitigate the effects of the conflict.

Last but not least, due to the current situation, the Bank implemented a forward-looking element in its rating policy. Individual branches of financing face different opportunities and importance, therefore we assess clients on an individual basis in combination with their industry in which the clients operate and adjust PD accordingly.

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 2022, the setting of FLI parameters for retail portfolio-assessed exposures is based on the assumption of a worsening of the macroeconomic situation in Slovakia. The starting point is the weighted value of three scenarios of macroeconomic development, the baseline, positive and negative scenario in the ratio of 80%, 10%, 10%. The resulting impact on the probability of failure of retail clients is a relative increase of 15% for all retail rating categories.

For modelling the impact of macro variables on the probability of default, the Group uses available time series published by the Statistical Office of the Slovak Republic, the ECB and the ARDAL agency. Specifically analysed variables and their lagging equivalents: unemployment, inflation, GDP, base interest rate, average coupons of Slovak government bonds for individual years, EURIBOR rates, dummy variables. Based on the results of statistical methods, the final model contains exactly one variable unemployment. Models with multiple variables and their interactions are either insignificant or the result of the variable coefficients is uninterpretable or counterintuitive.

For the weighted average across individual scenarios, the Group used the predictions of the base scenario from the NBS published in December 2022 and internal estimates of the variables for the negative and optimistic scenario. The starting point for the negative scenario is primarily risk factors, namely the escalation of the war in Ukraine, the intensification of the energy crisis accompanied by a lack of energy commodities (mainly gas) with further price growth and a decline in economic growth.

The Group used a reference unemployment rate of 6.6%. An optimistic scenario of an improvement in unemployment by 1% would mean the reversal of impairment allowances by 2.4%, on the contrary, a pessimistic scenario of a worsening of unemployment by 1% would mean the creation of impairment allowances by 2.4%.

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

The ECL is subsequently calculated as the probability-weighted amount of expected cash flows from each scenario discounted by the original EIR.

ii. Portfolio calculation:

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula ECL = PD × EAD × 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 portfolio. 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:

31.12.2022	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 651	6,54%	(3 165)	-3,66%
Mortgage loans	840	52	6,18%	(22)	-2,57%
Corporate exposures	77 101	22 225	28,83%	(5 511)	-7,15%
Total	**164 318**	**27 928**	**17,00%**	**(8 698)**	**-5,29%**

31.12.2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	121 238	5 724	4,72%	(3 248)	-2,68%
Mortgage loans	790	249	31,50%	(129)	-16,31%
Corporate exposures	99 764	39 503	39,60%	(17 914)	-17,96%
Total	**221 792**	**45 476**	**20,50%**	**(21 291)**	**-9,60%**

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 2022					31 December 2021				
	ECL	10% increase		10% decrease		ECL	10% increase		10% decrease	
		EUR'000	in %	EUR'000	in %		EUR'000	in %	EUR'000	in %
Consumer credit	86 377	1 272	1,47%	(1 272)	-1,47%	121 238	1 413	1,17%	(1 413)	-1,17%
Mortgage loans	840	7	0,78%	(7)	-0,78%	790	31	3,95%	(31)	-3,95%
Corporate loans	77 101	1 079	1,40%	(1 660)	-2,15%	99 764	2 345	2,35%	(2 349)	-2,35%
Other	3 048	25	0,82%	(25)	-0,82%	3 692	46	1,24%	(46)	-1,24%
Total	**167 365**	**2 383**	**1,42%**	**(2 963)**	**-1,77%**	**225 484**	**3 834**	**1,70%**	**(3 838)**	**-1,70%**

A change of the LGD parameter

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

31.12.2022	ECL	LGD +5%		LGD -5%		LGD +10%		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 331	6,17%	(5 331)	-6,17%	10 647	12,33%	(10 662)	-12,34%
Mortgage loans	840	63	7,53%	(63)	-7,53%	127	15,07%	(127)	-15,07%
Corporate exposures	77 101	3 523	4,57%	(3 523)	-4,57%	7 046	9,14%	(7 046)	-9,14%
Other	3 048	10	0,32%	(10)	-0,32%	19	0,64%	(19)	-0,64%
Total	167 365	8 927	5,33%	(8 927)	-5,33%	17 840	10,66%	(17 855)	-10,67%

31.12.2021	ECL	LGD +5%		LGD -5%		LGD +10%		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	121 238	7 063	5,83%	(7 063)	-5,83%	13 647	11,26%	(14 126)	-11,65%
Mortgage loans	790	42	5,33%	(42)	-5,33%	84	10,67%	(84)	-10,67%
Corporate exposures	99 764	5 093	5,10%	(5 093)	-5,10%	10 186	10,21%	(10 186)	-10,21%
Other	3 692	10	0,27%	(10)	-0,27%	20	0,53%	(20)	-0,53%
Total	225 484	12 208	5,41%	(12 208)	-5,41%	23 937	10,62%	(24 416)	-10,83%

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets at AC - Debt securities										
Low credit risk	474 490	341 561	-	-	-	-	-	-	474 490	341 561
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	44 190	46 627	-	-	-	-	44 190	46 627
Default	-	-	-	-	-	-	-	-	-	-
Not rated	1 603	-	-	-	-	-	-	-	1 603	-
Gross amount	**476 093**	**341 561**	**44 190**	**46 627**	**-**	**-**	**-**	**-**	**520 283**	**388 188**
Impairment allowance	(151)	(98)	(7 442)	(7 514)	-	-	-	-	(7 593)	(7 612)
Carrying amount	**475 942**	**341 463**	**36 748**	**39 113**	**-**	**-**	**-**	**-**	**512 690**	**380 576**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets at AC - Loans and advances										
Low credit risk	1 165 424	954 222	11 492	55 728	285	130	-	-	1 177 201	1 010 080
Moderate credit risk	1 278 996	1 460 069	29 214	84 277	18 441	14 089	-	-	1 326 651	1 558 435
High credit risk	299 284	319 074	161 656	288 234	4 510	1 671	4 464	4 649	469 914	613 628
Default	-	-	-	-	145 645	173 793	7 773	8 226	153 418	182 019
Not rated	36 373	23 716	5 397	9 466	1 951	3 765	-	5	43 721	36 952
Gross amount	**2 780 077**	**2 757 081**	**207 759**	**437 705**	**170 832**	**193 448**	**12 237**	**12 880**	**3 170 905**	**3 401 114**
Impairment allowance	(16 334)	(21 360)	(20 527)	(35 099)	(131 950)	(161 716)	(8 559)	(8 946)	(177 370)	(227 121)
Carrying amount	**2 763 743**	**2 735 721**	**187 232**	**402 606**	**38 882**	**31 732**	**3 678**	**3 934**	**2 993 535**	**3 173 993**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets at FVOCI - Debt securities										
Low credit risk	181 508	306 864	-	-	-	-	-	-	181 508	306 864
Moderate credit risk	16 115	40 605	-	-	-	-	-	-	16 115	40 605
High credit risk	-	-	34 727	37 968	-	-	-	-	34 727	37 968
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**197 623**	**347 469**	**34 727**	**37 968**	**-**	**-**	**-**	**-**	**232 350**	**385 437**
Impairment allowance in OCI	(118)	(355)	(8 314)	(8 260)	-	-	-	-	(8 432)	(8 615)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loan and other commitments given										
Low credit risk	83 555	131 589	-	-	-	-	-	-	83 555	131 589
Moderate credit risk	68 668	121 725	-	-	-	-	-	-	68 668	121 725
High credit risk	396	1 732	4 464	1 939	-	-	-	-	4 860	3 671
Default	-	-	-	-	18	6	-	-	18	6
Not rated	-	3 000	2 498	4 441	-	-	-	-	2 498	7 441
Gross amount	**152 619**	**258 046**	**6 962**	**6 380**	**18**	**6**	**-**	**-**	**159 599**	**264 432**
Provision	**138**	**267**	**424**	**273**	**6**	**1**	**-**	**-**	**568**	**541**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial guarantees given										
Low credit risk	76	76	-	-	-	-	-	-	76	76
Moderate credit risk	518	13 184	-	-	-	-	-	-	518	13 184
High credit risk	7 534	1 618	-	1 629	-	-	-	-	7 534	3 247
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**8 128**	**14 878**	**-**	**1 629**	**-**	**-**	**-**	**-**	**8 128**	**16 507**
Provision	**9**	**111**	**-**	**78**	**-**	**-**	**-**	**-**	**9**	**189**

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	31.12.2022	31.12.2021
Real-estates	1 525 759	1 185 359
Securities	199 665	226 588
Cash	-	3
Other	68 860	164 725
Total	**1 794 284**	**1 576 675**

Collateral in default loans and advances at amortised cost:

EUR'000	31.12.2022	31.12.2021
Gross amount	178 605	201 674
Impairment allowances	(120 159)	(170 034)
Carrying amount	**58 446**	**31 640**
Collateral	**19 253**	**11 615**

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.

Mortgage classification by LTV categories:

tis. eur	31.12.2022	31.12.2021
LTV < 50%	320 376	215 093
LTV 50 - 60%	234 401	148 962
LTV 60 - 70%	407 853	257 755
LTV 70 - 80%	350 051	266 908
LTV 80 - 90%	85 474	117 133
LTV 90 - 100%	12 354	21 407
LTV > 100%	8 172	1 429
Spolu	**1 418 681**	**1 028 687**

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

EUR'000	31.12.2022	31.12.2021
Net value of assets obtained by taking possession of collateral	-	145

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.

Forbearance

The following tables show the gross amount and the amount of the impairment allowance for the financial assets to which the concession was applied:

31.12.2022	Grace period	Interest rate reduction	Extension of maturity	Rescheduled payments	Debt forgiveness	Other measures
Gross amount						
Households	22 409	6 401	31 472	1	-	2 573
Non-financial corporations	9 515	-	14 194	6 421	-	-
Total	**31 924**	**6 401**	**45 666**	**6 422**	**-**	**2 573**
Impairment allowances						
Households	(10 976)	(3 287)	(5 733)	-	-	(931)
Non-financial corporations	(1 260)	-	(7 713)	(6 421)	-	-
Total	**(12 236)**	**(3 287)**	**(13 446)**	**(6 421)**	**-**	**(931)**

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:

	2022	2021
End of the period	3,00	1,58
Average for the period	1,90	2,04
Maximum for the period	3,00	3,00
Minimum for the period	1,27	1,58

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:

	31.12.2022	31.12.2021
End of the period	1,32	1,27

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 2022			31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	594 686	-	594 686	453 523	-	453 523
Financial assets held for trading	16	-	16	2	-	2
Non-trading financial assets mandatorily at fair value through profit or loss	2 841	183 682	186 523	17 203	300 526	317 729
Financial assets at fair value through other comprehensive income	49 266	183 149	232 415	96 380	289 122	385 502
Financial assets at amortised cost	418 139	3 126 959	3 545 098	509 696	3 069 544	3 579 240
Debt securities	*24 764*	*487 926*	*512 690*	*21 613*	*358 963*	*380 576*
Loans and advances	*354 502*	*2 639 033*	*2 993 535*	*463 412*	*2 710 581*	*3 173 993*
Other financial assets	*38 873*	-	*38 873*	*24 671*	-	*24 671*
Derivatives – Hedge accounting	8 089	-	8 089	1 091	-	1 091
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	1 106	1 106	-	937	937
Tangible assets	-	60 095	60 095	-	68 081	68 081
Intangible assets	-	56 009	56 009	-	57 481	57 481
Current tax assets	142	-	142	-	-	-
Deferred tax assets	-	27 291	27 291	-	24 223	24 223
Other assets	19 798	-	19 798	16 086	-	16 086
Total assets	**1 092 977**	**3 638 291**	**4 731 268**	**1 093 981**	**3 809 914**	**4 903 895**
Liabilities						
Financial liabilities held for trading	2 102	-	2 102	3 695	-	3 695
Financial liabilities measured at amortised cost	3 189 767	763 598	3 953 365	3 511 667	625 116	4 136 783
Deposits	*3 164 014*	*605 885*	*3 769 899*	*3 481 029*	*526 418*	*4 007 447*
	-	*124 981*	*124 981*	-	*64 794*	*64 794*
Other financial liabilities	*25 753*	*32 732*	*58 485*	*30 638*	*33 904*	*64 542*
thereof: lease liabilities	*3 484*	*32 773*	*36 257*	6 363	33 904	40 267
Derivatives – Hedge accounting	37	-	37	981	3 996	4 977
Provisions	2 577	-	2 577	736	-	736
Current tax liabilities	2 773	-	2 773	4 346	-	4 346
Other liabilities	13 272	-	13 272	14 284	-	14 284
Total liabilities	**3 210 528**	**763 598**	**3 974 126**	**3 535 709**	**629 112**	**4 164 821**

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 2022	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3 089 236	165 524	727 739	49 077	4 031 576	3 953 365
Deposits	*3 067 593*	*161 384*	*584 375*	*34 222*	*3 847 574*	*3 769 899*
Debt securities issued	-	-	*124 981*	-	*124 981*	*124 981*
Other financial liabilities	*21 643*	*4 140*	*18 383*	*14 855*	*59 021*	*58 485*
thereof: lease liabilities	*695*	*2 819*	*18 383*	*14 855*	*36 752*	*36 257*
Derivatives – Hedge accounting	*37*	-	-	-	*37*	*37*
Total	**3 089 273**	**165 524**	**727 739**	**49 077**	**4 031 613**	**3 953 402**
31 December 2021						
Financial liabilities measured at amortised cost	3 293 587	229 800	566 257	74 835	4 164 479	4 136 783
Deposits	*3 267 801*	*224 549*	*480 606*	*59 357*	*4 032 313*	*4 007 447*
Debt securities issued	-	-	*64 794*	-	*64 794*	*64 794*
Other financial liabilities	*25 786*	*5 251*	*20 857*	*15 478*	*67 372*	*64 542*
thereof: lease liabilities	*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**

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 2022						
Loan and other commitments given	159 599	-	-	-	159 599	159 599
Financial guarantees given	8 128	-	-	-	8 128	8 128
Total	**167 727**	**-**	**-**	**-**	**167 727**	**167 727**
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**

The following table presents the maturity analysis of highly liquid assets that the Group uses for liquidity management:

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total
31 December 2022	-	-	-	-	-
Cash on hand	30 745	-	-	-	30 745
Cash balances at central banks	*488 072*	-	-	-	*488 072*
Assets in level 1	-	*68 123*	*205 754*	*293 144*	*567 020*
Assets in level 2A	-	*9 925*	*14 401*	-	*24 326*
Assets in level 2B	-	-	-	-	-
Total	**518 817**	**78 048**	**220 155**	**293 144**	**1 110 164**

The following tables show an analysis of the expected remaining maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives.

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 2022	-	-	-	-	-	-
Financial liabilities measured at amortised cost	339 248	651 971	1 918 556	1 058 020	3 967 794	3 953 969
Deposits	*319 612*	*584 312*	*1 840 316*	*1 043 165*	*3 787 404*	*3 774 074*
Debt securities issued	-	*64 840*	*60 141*	-	*124 981*	*124 981*
Other financial liabilities	*19 636*	*2 819*	*18 099*	*14 855*	*55 409*	*54 914*
thereof: lease liabilities	*695*	*2 819*	*18 099*	*14 855*	*36 468*	*35 973*
Derivatives – Hedge accounting	*37*	-	-	-	*37*	*37*
Total	**339 285**	**651 971**	**1 918 556**	**1 058 020**	**3 967 831**	**3 954 006**

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 2022						
Loan and other commitments given	164 695	-	-	-	164 695	164 695
Financial guarantees given	-	458	7 667	3	8 128	8 128
Total	**164 695**	**458**	**7 667**	**3**	**172 823**	**172 823**

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 specified 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	31.12.2022	Average	Maximum	Minimum
VaR trading book	1	2	43	0
VaR banking book	3 768	4 098	4 965	2 210
VaR total	3 768	4 098	4 965	2 210
Out of which interest rate risk	*3 169*	*3 745*	*4 942*	*1 446*
Out of which credit spread risk	*1 730*	*1 588*	*4 060*	*1 232*
Out of which foreign exchange risk	*1*	*2*	*43*	*0*

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
Out of which interest rate risk	*1 321*	*1 310*	*2 126*	*882*
Out of which credit spread risk	*1 549*	*2 248*	*3 782*	*1 549*
Out of which foreign exchange risk	*6*	*15*	*102*	*-*

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 capital and net interest income due to movements in interest rates:

The economic value of the equity would decrease by EUR 207 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2022 or a decrease of EUR 234 thousand as at 31 December 2021.

Net interest income would decrease by EUR 174 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2022 or a decrease of EUR 122 thousand as at 31 December 2021.

Change in the economic value of capital (ΔEVE) as a reaction to different scenarios of the development of interest rates:

BIS IRRBB Scenario	2022	2021
short up	(42 310)	(33 868)
short dow n	21 601	7 324
long up	(8 754)	(9 636)
long dow n	4 170	4 291
paralell up	(48 709)	(45 523)
paralell dow n	24 734	7 585
steepening	9 669	5 060
flattering	(27 484)	(21 368)

The economic value of capital represents the difference discounted cash flows of interest rate sensitive assets recorded in the banking book, and the cash flows of interest sensitive liabilities recorded in the banking 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, the so-called iborization. As part of the "iborization", IBOR rates will be gradually replaced by the so-called 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. Given the reform of this rate will take place in June 2023.

Regarding the financial markets, the bank does not carry out transactions linked to ending float 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). The changes are expected to affect a maximum of five more contracts.

The Group does not recognise significant exposures as at 30 June 2022, 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. During the accounting period and as at the date of preparation of the financial statements, the Group met the aforementioned regulatory requirements.

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. Capital management

The Group's objective of the capital management is to ensure healthy capital equipment in order to fulfil all regulatory requirements for capital, maintain and build investor confidence as well as support own business.

The amount of regulatory capital and the capital adequacy is calculated in accordance with Regulation of the EU Parliament and Council No. 575/2013 (hereinafter referred to as "CRR").

According to the CRR, the Group's own resources are created by Tier 1 capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital (T2). As the Group does not own AT1 capital instruments, the entire volume of Tier 1 capital consists of CET1 capital.

As at 31 December 2022, the minimum capital adequacy requirements, including buffers and the Pillar II requirements stipulated by the regulator were as follows:

- CET1: 9.85% (4.5% Pillar I, Pillar II 1.63%, capital preservation buffer 2.5%, locally systemically important Group buffer 0.25%, countercyclical buffer 0.97%)
- Tier 1: 11.90% (6% Pillar I, 2.18% Pillar II, same buffers as for CET1)
- Total capital: 14.62% (8% Pillar I, 2.9% Pillar II, same buffers as for CET1)

In addition, based on the SREP (Supervisory Review and Evaluation Process) assessment, the Group maintains the Pillar II Guidance capital reserve at 0.75%.

From 2022, when the MREL requirement is effective, this requirement for the group increases linearly during the transition period (17.90% for 2022, 19.31% for 2023) and from 1.1.2024 the final MREL requirement will be in force at the level of 20.73%.
In addition to the MREL requirement, the group also maintains a requirement for a combined capital buffer according to the Banking Act, and other internal reserves for the prudent management of the group's business strategy. As of 31.12.2022, the group fulfills all the stated limits with a reserve.
In December 2021, the group successfully issued unsecured bonds in the amount of EUR 65 million for a period of 3 years, and in December 2022 in the amount of EUR 60 million for a period of 4 years, which are eligible for MREL. In the coming years, the group plans a linear increase in emissions of instruments eligible for MREL.
The dividend policy is planned so that all regulatory capital limits, including the MREL requirement, are met.

Throughout 2022, the Group met and exceeded all regulatory capital adequacy requirements, including the requirements of Pillar I, Pillar II and the requirement for a combined capital buffer.

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

EUR'000	31.12.2022	31.12.2021
Tier I Capital	**643 060**	**644 274**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	70 004	65 076
Selected components of accumulated other comprehensive income	(12 893)	6 841
Profit or loss of previous years	240 999	237 345
Intangible assets	(29 601)	(47 860)
Additional valuation adjustments	(491)	(780)
Insufficient coverage for problematic exposures	(295)	-
Other transitional adjustments to CET1 Capital	8 294	16 609
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**651 060**	**652 274**

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

EUR'000	31.12.2022	31.12.2021
Capital required to cover:		
Credit risk	199 861	259 161
Credit value adjustment risk	578	202
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	28 545	29 598
Total capital requirements	**228 984**	**288 961**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	22,75%	18,06%
Tier I capital as a percentage of total risk weighted assets	22,47%	17,84%
Common Equity Tier I capital as a percentage of total risk weighted assets	22,47%	17,84%

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	31.12.2022	31.12.2021
Available capital (amounts)		
Common Equity Tier I (CET1) capital	643 060	644 274
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	634 766	627 665
Tier I capital	643 060	644 274
Tier I capital as if IFRS 9 transitional arrangements were not applied	634 766	627 665
Total capital	651 060	652 274
Total capital as if IFRS 9 transitional arrangements were not applied	642 766	635 665
Risk-weighted assets (amounts)		
Risk-weighted assets	2 862 304	3 612 010
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	2 853 224	3 593 371

Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	22,47%	17,84%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,25%	17,47%
Tier I capital (as a percentage of risk exposure amount)	22,47%	17,84%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,25%	17,47%
Total capital (as a percentage of risk exposure amount)	22,75%	18,06%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,53%	17,69%

The expected impact of the upcoming legislative changes related to the implementation of CRRIII (effective from 1 January 2025) is an increase in the total capital requirement by 2.5%.

The result is an expected slight decrease in capital adequacy by 0.44% and Tier I adequacy by 0.43%.

42. Post balance-sheet events

After the date of preparation of the financial statements no events with a material impact which would require an adjustment or a disclosure in the financial statements occurred.