Annual report

365 bank

2021

Annual report

365 bank

2021

Contents

1. Foreword of the Managing Director 6
2. General information about the Bank 8
3. Bank structure 10
4. Main events 14
5. Outlook for 2022 18
6. Corporate social responsibility 20
7. Personnel policy 28
8. Description of macroeconomic and competitive environments 32
9. Report on business activities and financial position for 2021 34
10. Key indicators 38
11. Statement of responsible persons 40
12. Independent auditors' report on annual report 42
13. Separate financial statements 44
14. Consolidated financial statements 150
15. Branches 260

1. Foreword of the Managing Director

Respected Shareholders, Business Partners, and Colleagues,

2021 flew by. A year which will be remembered as a period full of challenges and hard work, but mainly for successes that we can be proud of. Our banking group reached a historic milestone, during one of the most watched banking events on the market. After more than two years of preparations, our efforts culminated with both banks in our portfolio undergoing strategic transformations. Poštová banka, as a traditional bank with a history of 28 years was replaced by the younger, and originally purely digital 365.bank, which became the main brand while also taking over the network of physical branches. Poštová banka has meanwhile strengthened its position at Slovenská pošta's sites and continues to operate as the most affordable bank across the regions.

After these changes, 365.bank became a full format bank with a complete range of products, including those linked to personal contact. During the summer we managed the demanding transition and migration of banking systems, technically connected the existing online environment with the offline space, and rebranded and modernised all 62 points of sale. We have created a new positioning of 365.bank as a digital bank with branches, which reflects the expansion of client target groups, as well as the product range.

As part of the transformation, Poštová banka has strengthened its regional concept and will operate as perceived by its clients. That is, like a bank at the post office. It will continue to be the most available bank on the market in order to bring its clients practical and fair products and services, as well as close personal contact. From the new strategic direction of both brands in our banking group, we expect the acceleration of further growth, as well as a clearer focus on target groups and their requirements.

However, 2021 also meant another 12 months of life with a coronavirus pandemic for us and our clients. We continued to help our clients overcome this challenging period. In addition, we have been able to grow while introducing new technologies. We established Innohub, a centre for technological development and customer experience, in which we see the future of banking. We have entered a strategic partnership with prestigious foreign suppliers of digital banking platforms such as Mambu, Backbase and Amazon Web Services. Our next strategic milestone is moving this new digital infrastructure to the cloud. This means that we will be able to implement innovations faster while continuing to provide the best user experience for the client.

The pandemic has accelerated digitisation across society and shifted even more processes to the digital space. We reflected this situation by launching the first digital mortgage in the market via a mobile application. By the end of the year, we managed to reach a historically important trade milestone, exceeding EUR 1 billion in mortgage loans. In addition, we were the first bank to introduce the SMARTIE children's banking application for parents and their children aged from 8 to 15 years. Its goal is to teach children to manage money and thus increase their financial literacy. Within the framework of education we continued to cooperate with the Comenius Institute, and we implemented a series of webinars for schoolteachers.

Even in 2021, as a bank, we continued to develop our ecological principles.

Our plastic-free account with digital card was a leading product in the first part of the year, highlighting the need to reduce plastic waste in the Company. We became a partner of the civic association Ružínska priehrada, helping to solve one of the largest plastic problems in Slovakia. By installing a submerged wall, funded by Nadácia 365, we could prevent plastic waste from getting into the water supply. Thanks to a nationwide media campaign, we helped to make this one of the top priorities of the Ministry of the Environment of the Slovak Republic, which made us very proud. In the second part of the year, we expanded our offer of organic products with an eco-mortgage, giving the reduced interest rates starting at 0.365% p.a. We will continue with ecological and sustainable banking. We have committed to becoming the first carbon-neutral bank in Slovakia by 2025. For this purpose, we have undergone a comprehensive audit of our activities and are taking actions to minimise our impact on the environment and meet the goal of carbon neutrality. As a bank, we have become a signatory to the Memorandum on Sustainable Development in cooperation with the Slovak Banking Association.

2021 also brought new events to our subsidiaries. We managed to successfully complete the sale of Poštová poisťovňa. Poštová banka, in turn, continued to develop the concept of being the most affordable bank on the market. As a result of digitisation, bank clients can apply for a digital loan via telephone or internet banking, from the comfort of their home. In autumn a new savings product with a guaranteed interest rate of 5.5% p.a. was launched. Last year the bank focused on improving and simplifying its post office services, as well as personal contact with clients. Even after the transformation of the banking group, clients are still able to visit physical branches outside the post office to manage their existing products. We will serve them under the 365.bank brand.

Our management companies also operate under the 365 brand. Prvá penzijná správcovská spoločnosť changed its name to 365.invest, and Dôchodková správcovská spoločnosť is now called 365.life. Both have undergone a strategic transformation under 365 brand values, especially in terms of environmental principles and new digitisation technologies. At the beginning of 2021, 365.invest enabled its clients to invest in a more convenient and simpler way thanks to a new online investment tool. In the autumn it added a blockchain fund, focusing on companies using these types of technology, and a new ecological fund that invests in sustainable companies.

New products have also been added to the portfolio of the subsidiary Ahoj, which deals with consumer finance. It was the first company in Slovakia to introduce a method of payment online using the "buy now, pay later" method. In the spring it launched a deferred payment, which was extended later in the year to include a deferred payment with a purchase in thirds.

The 365.bank banking group experienced a challenging year full of changes, and was nevertheless successful. At the end of the year, due to regulatory requirements, we successfully listed the historic first issue of MREL bonds in the amount of EUR 65 million on foreign markets.

Our banking activities, most especially strategic transformation, but also management, new products, technologies, sustainability and ecology were also admired by experts abroad. According to the prestigious British magazine The Banker, 365.bank became the Bank of the Year in Slovakia. For us, this award was a successful end to 2021 and a commitment to maintain this pace in the future as well. We would like to thank our clients and colleagues in 365.bank, as well as our shareholders, for their trust in what we do. We are entering the next year with enthusiasm, expectation and determination to face new challenges awaiting us.

Ing. Andrej Zaťko
CEO and Chairman of the Board
of Directors of 365.bank, a. s.

2. General information about the Bank

Business name: 365.bank, a. s.
Registered office: Dvořákovo nábrežie 4, 811 02 Bratislava
Identification number (IČO): 31 340 890
Date of incorporation: 31. 12. 1992
Legal form: joint stock company

company Scope of activities:

a) Pursuant to Article 2 (1) and (2) of the Act on Banks:

1. Acceptance of deposits
2. Provision of loans
3. Provision of payment services and clearing
4. Provision of investment services, investment activities and ancillary services pursuant to the Act on Securities, to the extent referred to in Section (b) of this point, and investment in securities on own account
5. Trading on own account in
   a) financial money market instruments in euros and foreign currency, including exchange activities
   b) financial capital market instruments in euros and foreign currency
   c) the markets of precious metal coins, commemorative bank notes and commemorative coins, bank note sheets, and sets of coins in circulation
6. Administration of clients' receivables in their accounts, including related consultancy
7. Financial leasing
8. Provision of guarantees, opening and certification of letters of credit
9. Provision of consulting services in entrepreneurship
10. Issuance of securities, participation in issuance of securities, and provision of related services
11. Financial intermediation
12. Safe custody of assets
13. Renting of safe deposit boxes
14. Provision of bank information
15. Activities as a depository
16. Handling of banknotes, coins, commemorative banknotes and commemorative coins
17. Issuance and administration of electronic money
18. Financial intermediation according to special legislation as an independent financial agent in the sector of insurance and reinsurance
19. Financial intermediation according to special legislation as an independent financial agent in the sector of old-age pension savings
20. Financial intermediation according to special legislation as an independent financial agent in the sector of provision of loans, mortgages and consumer loans

b) Pursuant to Article 79a (1) in conjunction with Article 6 (1) and (2) of the Act on Securities:

1. Acceptance and forwarding of client's instruction concerning one or several financial instruments in relation to the following financial instruments:
   a) negotiable securities
   b) money market instruments
   c) securities and ownership interests of entities of collective investment
   d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
2. Execution of client's instruction on their account in relation to the following financial instruments:
   a) negotiable securities
   b) money market instruments
   c) securities and ownership interests of entities of collective investment
   d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
3. Trading on own account in relation to the following financial instruments:
   a) negotiable securities
   b) money market instruments
   c) securities and ownership interests of entities of collective investment
   d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
4. Investment consulting in relation to the following financial instruments:
   a) negotiable securities
   b) money market instruments
   c) securities and ownership interests of entities of collective investment
   d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
5. Subscription and placement of financial instruments on the basis of fixed commitment in relation to the following financial instruments:
   a) negotiable securities
   b) securities and ownership interests of entities of collective investment
6. Placement of financial instruments with fixed commitment in relation to the following financial instruments:
   a) negotiable securities
   b) securities and ownership interests of entities of collective investment
7. Custody and administration of financial instruments on the client's account, including custodianship and related services, in particular administration of cash and financial collateral, in relation to the following financial instruments:
   a) negotiable securities
   b) money market instruments
   c) securities and ownership interests of entities of collective investment
8. Provision of loans and borrowings to investors to facilitate the realisation of transactions involving one or several financial instruments, in cases where the lender is involved in such transactions
9. Realisation of transactions in foreign exchange assets if these are connected with the provision of investment services
10. Execution of investment survey and financial analysis, or another form of general recommendation concerning trading in financial instruments

Share capital: EUR 366 305 193
Paid share capital: EUR 366 305 193

3. Bank structure

Board of Directors

Ing. Andrej Zaťko

Chairman of the Board of Directors and managing Director

Chairman of the Board of Directors
Graduated from the Department of Economic Informatics at the University of Economics in Bratislava, where he specialized in information technology. From 2011, he was a member of the Board of Directors of J & T BANKA, a.s. (Czech Republic). From November 2012, he held the position of Director and Head of the organizational unit in J & T BANKA, a.s. in the Slovak Republic - J & T BANKA, a.s., branch of a foreign bank. On 12 August 2015, he became Chairman of the Board of Directors of 365.bank, a. s. He also holds the position of Managing Director of 365.bank, a. s.

Ing. Peter Hajko

Member of the Board of Directors

Member of the Board of Directors
Graduated from the Department of Economic Informatics at the University of Economics in Bratislava. He was active in the banking sector in 1997–2000, working for Všeobecná úverová banka, a.s. and then in several positions at Tatra banka, a.s. in 2000-2015, lastly as director of a regional branch, where he was responsible for management of the branch network in the regions of Bratislava-West and Nitra, in the areas of sales, servicing, and service quality for retail clients. He joined Poštová banka a.s. in 2015 as Director of the Retail Banking Division. From 3 December 2015 he is a member of the Board of Directors of the 365.bank, a. s.

RNDr. Zuzana Žemlová

Member of the Board of Directors

Member of the Board of Directors
Graduated from the Comenius University Department of Mathematics and Physics in Bratislava. She has been active in the banking sector since 1995. In 1995-2009, she worked for Citibank (Slovakia) a.s. where she held several management positions in the area of audit, independent control and management of risks. She was a member of the Board of Directors of UniCredit Bank Slovakia, a. s. from 2010 to 2013, and a member of the Board of Directors of Sberbank Slovakia from 2013 to 2016. As a member of the Board of Directors in both institutions, she was responsible for all risk management areas, including credit, market, and operational risks. From 20 June 2017, she assumed responsibility for risk management, finance and back office as a Member of the Board of Directors of 365.bank, a. s.

Ladislav Korec, MBA, FCCA

Member of the Board of Directors

Member of the Board of Directors
Member of the Board of Directors
Graduated from City University of Seattle specialising in business management including MBA programme. He has been working in the finance area since 2004. He worked in 2005 at OTP Bank Slovensko as a corporate credit advisor, and since 2006 has held various management positions within the global consulting company EY Slovensko. From August 2015 to 2021 he held the position of division director in 365.bank, a. s. As part of his activities at the bank, he focused mainly on the area of finance and back-office. Since 2 July 2021, he has held the position of a member of the Board of Directors of 365.bank, a. s.

Supervisory Board

Ing. Jozef Tkáč // Chairman of the Supervisory Board – in office from 30 November 2018
Ing. Vladimír Ohlídal, CSc. // Member of the Supervisory Board – in office from 16 June 2015
Ing. Jan Kotek // Member of the Supervisory Board – in office from 4 May 2018

As at 31 December 2021, the Bank had an interest in the following subsidiaries and associates:

Name of the company	Activity	Share in%
Subsidiaries		
365.invest, správ. spol., a. s.	Asset management	100,00 %
365.life, d. s. s., a. s.	Pension funds management	100,00 %
Ahoj, a. s.	Provision of consumer loans	100,00 %
PB Servis, a. s.	Real estate	100,00 %
PB Finančné služby, a. s.	Operational, financial leasing and factoring	100,00 %
PB PARTNER, a. s., v likvidácii	Financial intermediation	100,00 %
365.fintech, a. s.	Start-up support	100,00 %
Cards&Co, a. s.	IT services	100,00 %
365.nadácia	Charity	X
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Trade and art	87,99 %
Joint ventures		
SKPAY, a. s.	Payment system services	40,00 %

On 2 July 2021, Poštová poisťovňa, a. s. was sold.
On 19 October 2021, PB PARTNER, a. s., v likvidácii, was deleted from the Commercial Register on the basis of voluntary liquidation.
.

365 bank

poštová banka

365 invest

365 life

365 fintech

365 nadácia

365 cards&co

ahoj®

pb servis

4. Main events

January

Every school matters
2021 saw continuation in the joint project of 365.bank (formerly Poštová banka) and the Comenius Institute, called Every School. In the Prešov region we organised a series of webinars for teachers, providing education in financial literacy, media literacy, critical thinking and so on. At the same time, the implementation of projects from the previous year continued in the Nitra Region. The aim of this activity is to improve education in the regions and to point out the benefits of continuous learning.

February

Vaccination support
With the continuing pandemic situation, 365.bank took a clear stance on vaccination and launched a campaign to support it. We see vaccination as the only effective way to get back to normal. The Bank is an institution and an authority, and its brand can also convey values and attitudes. We see it as our social responsibility to express our views on vaccination, which is why we were one of the first companies to support this stance.

Solution for crisis period
Poštová banka gave its clients the opportunity of online consultations, where they could verify the conditions for mortgage application. A favourable mortgage, also suitable for refinancing a loan, with an interest rate as low as 0.5% per annum and up to 70% LTV, was one of the cheapest housing loans on the market.

March

Plastic-free account
365.bank launched a plastic-free account, including a digital card. This meets the philosophy of ecological banking in terms of product and communication, further developing the necessity to reduce plastic use. It was the first bank in the Slovak market to offer a digital card as part of its product portfolio. At the same time, CSR activities in the vicinity of Ružínska priehrada, along with the collection of expired payment and loyalty plastic cards, continues to promote our plastic-free philosophy.

April

Partner of the civic association Ružínska priehrada
365.bank has entered a partnership with the civic association of Ružínska priehrada, as part of its commitment to reduce plastics. This water reservoir is a symbol of the problems with plastic waste in eastern Slovakia. Through our foundation, we have financed the installation of a submerged wall to prevent the waste from reaching the dam. The captured plastics and sediments are then collected and used for other purposes.

June

Strategic transformation and repositioning of banks
In June 2021 the banking group announced a historic milestone with the planned transformation of both banks within its portfolio. They exchanged positions, with the main brand of the group becoming 365.bank, which in addition to the post offices also took over the bank branches of Poštová banka in the summer.

Poštová banka continues to operate as a post office bank and is the most accessible bank in Slovakia thanks to more than 1,450 points of sale. It offers practical and advantageous products for clients whilst providing close personal contact at its points of sale. Melinda Burdanová became its executive director.

July

365.bank takes over the branches of Poštová banka
During the summer of 2021, 365.bank took over the branches of Poštová banka under its own brand. The points of sale have undergone a rebranding along with a change in the style of communication and client service, adapting the interior of the branches, partner seating and the overall approach to the client. Uniquely at present, we offer a completely paperless process for opening an account in a branch, emphasising our ecological direction.

Innohub Innovation Centre
365.bank established the Innohub innovation centre, which aims to support and develop technologies, innovations, customer experience and partner digital solutions. The ambition of 365.bank within Innohub is to create and transition to a new digital banking infrastructure in the cloud. The bank has therefore entered partnerships with prestigious foreign suppliers of digital banking platforms such as Mambu, Backbase and Amazon Web Services. 365.bank also opened several professional positions to build an internal development team.

Declaration on carbon neutrality
In order to become carbon neutral, 365.bank underwent a comprehensive audit of its activities at headquarters and at branches, which resulted in a Greenhouse Gas Verification Report from TÜV SÜD Slovakia. The analysis identified specific areas and steps for the Bank to become carbon neutral by 2025. The Bank shared the results with its clients, the public and employees in July 2021 and introduced the Ten, ten steps to sustainability which the Bank will follow in order to achieve its ambitious goal.

August

Campaign to support new positioning
The process of 365.bank transformation into a full-format banking institution culminated in a launch campaign during the second half of the summer. 365 is building a new position as a digital bank with branches. It also expanded its services into the physical world, which it is building alongside the digital one. This strategic shift of brand is reflected in the change to communications, which aim to address a wider target group.

September

The first children's banking application in the market
At the beginning of September, 365.bank launched a novelty in the Slovak market, the SMARTIE children's banking application. Its goal is to teach children to manage money and increase their financial literacy. The application is available in two versions, for

children and for parents, and is intended for schoolchildren aged from 8 to 15 years. Children receive a payment card and a bracelet for the SMARTIE application. They can also save or take knowledge quizzes.

A good loan with interest starting at 3.9% per year
Since September Dobrá pôžička has been available to Poštová banka's clients with the historically lowest interest rate of 3.9% per annum. It is a consumer loan that fully reflects the client's needs and offers a flexible loan amount as well as repayment period. The same conditions applied during the campaign for the consolidation loan Lepšia splátka.

Loan from 3.65% per annum. Digital loan also available in branch
365.bank reduced the rate on digital loans, with an interest rate of 3.65% per annum as part of their autumn offer to clients. This offer was supplemented with a classic loan, available in branches, with the same rate of 3.65% per annum. This is the most advantageous non-purpose consumer loan on the market. Both the digital loan and the classic consumer loan were part of the Bank's autumn communication, in which it developed its position as a digital bank with branches.

New savings product
In September Poštová banka introduced a completely new savings product called Užitočné sporenie with a guaranteed interest rate of 5.5% per annum for everyone who added regular savings to their account Užitočný účet. The Bank's ambition is to help clients learn to save regularly and thus create a financial reserve. Improving clients' financial literacy on a regular basis is one of the objectives of Poštová banka.

Nápad pre 3 generácie
The successful grant project Nápad pre 3 generácie launched for the 6th year in late September. We received 422 grant applications from all over Slovakia, which was the highest number historically. The projects supported by Poštová banka connect not only people but also generations, developing original and meaningful projects every year. Since the creation of the project we have supported 107 projects with a total amount of EUR 170,000.

October

Ekohypotéka with a lower interest rate option
In the autumn, 365.bank launched a campaign offering an advantageous eco-mortgage for clients who own properties with energy class A or B certificates. This offer can also be used to refinance existing housing loans. This is another product in the portfolio of 365.bank that reflects sustainable and environmentally friendly banking services, and its goal is to bring eco-solutions to the banking environment, while also motivating clients to think greener. Since October, thanks to Ekohypotéka, clients were provided interest starting at 0.365% per annum.

Signing of a Memorandum on Sustainable Entrepreneurship and Development
365.bank signed the Memorandum of the Slovak Banking Association on sustainable business and development. Among other things, it undertakes to search for new ways to minimise the environmental impact of its activities. It will continue to digitise, reduce its carbon footprint, while supporting public sector projects, citizens' initiatives and volunteering.

Digital mortgage
365.bank's portfolio of digital products was also expanded in October. In addition to a fully digital account, a plastic-free digital card or a digital loan, the Bank also offered a digital mortgage. Clients can apply via mobile application or internet banking. We were the first bank on the market to offer this solution to clients. As part of the process clients can also choose their preferred branch in the application, where they complete the approved loan. The Bank offered the loan at a lower interest rate starting at 0.365% per annum.

We became friends with ecology
Banking activities aimed at reducing plastic waste were also covered by 365.bank during the autumn campaign We became friends with ecology. The campaign challenged schools to collect plastic waste in their area, in order to win benches made of upcycled plastic. They would remind pupils of a more ecological way of life.

BIB 2021 for the third time thanks to Poštová banka
Despite the pandemic situation, the 28th year of the prestigious exhibition of the Bratislava Biennial of Illustrations took place. Poštová banka has supported this unique showcase of the world's best children's illustrations for the third time as the main partner. Jana Kiselová Siteková, who illustrates books of popular children's and youth literature, became the winner of the 28th year BIB Award from Poštová banka.

November

Extension of cooperation with the Radošinské naivné divadlo
For Poštová banka, November was a month of supporting culture. Poštová banka has been the general partner of the Radošinské naivné divadlo for nine seasons, extending its cooperation until December 2022.

Christmas Post in cooperation with Slovenská pošta
Poštová banka, which has been a partner of this unique project of Slovenská pošta for ten years, again helped to ensure that all letters to Baby Jesus were sent to the correct address. As part of the 23rd year of Christmas Post, 73,570 children wrote a letter to Baby Jesus and another 32,000 sent a postcard online. The reward for them was a book with a Christmas fairy tale.

December

Bank of the Year in Slovakia
In the prestigious international competition Bank of the Year Awards 2021, announced by the British finance magazine The Banker, 365.bank won the award for Best Bank in Slovakia in 2021. This was for its successful banking transformation, helping clients during the pandemic, as well as for economic solutions, new products, innovation and sustainable banking.

The first issue of MREL bonds in history
At the end of the year, and in accordance with regulatory requirements applying to all systemically important banks in our market, we successfully listed the historic first issue of MREL bonds on foreign markets, in the amount of EUR 65 million. For the first time in history, we managed to issue and sell bonds on foreign markets.

Internal communication award
During the transformation of our banking group, communication within our company was very important. The 365 Days to the New Three-Six Five project won an award in the FEIEA Grand Prix 2021 international competition of the European Association of Internal Communication. It was an award in the category of Best Overall IC Strategy / Campaign. We were thus recognised as one of the top internal communication projects in Europe.

One billion in mortgages
By the end of the year, we managed to reach a historically important business milestone. We exceeded EUR 1 billion in mortgage loans. In bank market share, we are growing twice as fast in our new mortgage business as our current market share.

5. Outlook for 2022

365.bank became a full-fledged bank in 2021, when the branch network available at 62 locations throughout Slovakia was added to the purely digital bank.

365. bank will focus mainly on digitising processes so that clients can handle their day-to-day banking from the comfort of their home, without having to visit a physical branch. Meanwhile, the branch will be there for the client who needs to consult and resolve more complex products.

As a bank we want to further enhance the customer experience, which is an important tool for us to differentiate ourselves in banking services. This will include adding new branches, improving sales service quality and digitisation, plus further development of electronic banking and contact centres to become fully-fledged sales and service channels.

In retail strategy, we will continue to focus on new clients and to sell personal accounts in order to become the main bank for new clients.
For existing clients one of the most important goals will be to increase client activity and encourage use of a comprehensive product portfolio
We focus on promoting regular savings, credit, investment and insurance products. We also want to introduce our new SMARTIE product to our clients in more detail, which we launched at the beginning of autumn 2021. In 2022 we also want to continue to bring new and interesting products and solutions to the market.

In consumer finance, we will continue in the development of distribution channels, making loans available to a wide range of retail clients.
For clients who prefer digital solutions, we will follow the pilot processes introduced in 2021 and further develop them, so that clients can choose their preferred method of loan provision - call centre, mobile application or internet banking. The motivation for digitising our processes, both internally and in relation to the client, is ecologically driven. The objective is to reduce "paperwork" and gradually digitise as many processes as possible.

In digital channels, we aim to launch new products in 2022 and develop progressive solutions in digital mortgages. We want to continually improve the digital application process, whether it's a consumer loan or a mortgage loan. We will bring our clients a better experience with a faster and simpler process. At the same time, we want to focus on educating clients about loans - how to navigate offers and which to reach for in any given situation.

For clients who prefer personal contact, we want to speed up the loan provision process in branches. When financing clients with a mortgage, we will continue to support green mortgages by financing ecological properties. Our goal is to speed up the mortgage administration process, as well as automating our clients' existing products.
We wish to grow and increase our market share of housing loans.

Simplicity remains a priority for us. Simple and understandable products lead to a better customer experience. In 2022 we will continue to systematically build and improve the customer experience. A customer retention dimension will be added in line with our CX focus.

The gradual modernisation and "cloudification" of IT systems is also a part of the Bank's entire digitisation strategy. This change is also associated with agile methods of implementing and managing new product improvements, which in 2023, our existing and future customers who use the Bank's digital solutions will be able to see.

Over the course of the year, Poštová banka will follow the trends started by the transformation of the 365 Group last year. As a bank at the post office, it is a leader in accessibility for clients, thanks to more than 1,400 points of sale in all regions of Slovakia. This year will be dedicated to further development of the concept of being the most accessible bank in the market. Closely related to this will be the ongoing reorganisation of the sales network, whose primary task is to improve services with an emphasis on closer personal contact with clients. Poštová banka will focus on becoming the bank of choice for clients in the regions.

As part of the reorganisation, Poštová banka will also focus on effectiveness of the sales concept, clarifying and simplifying its services and products for customers. The Bank's product portfolio will follow the philosophy that products must be practical, meaningful and advantageous for clients. Poštová banka will concentrate on accounts, consumer loans and saving product offers. These will be modernised to reflect the needs of clients as much as possible while considering market developments. In addition to Poštová banka's classic products, we will expand our offer with products and services from our business partners, thus increasing our competitiveness while also being able to meet the needs of our clients and target their requirements more precisely.

Thanks to this strategy, the Bank plans to gradually increase the number of clients who will actively use its comprehensive product portfolio, and at the same time, address a wide range of clients from different regions of Slovakia, to whom we can provide a complete banking service in the immediate locality.

Poštová banka will continue to develop its digital services, as the trend and the pandemic have both shown that this is a meaningful solution. Both internet banking and the phone application allow clients to use the most common services from the comfort of their home and have control of their account. One of our goals is to continue to develop our digital services so that they maintain practicality, simplicity and an intuitive user environment, making them accessible to all clients regardless of age and IT experience.
The bank will continue marketing communication with the help of a new communication strategy, which was implemented at the beginning of the year and will bring new and interesting projects.

The success of these steps is closely related to active and effective cooperation with Slovenská pošta, which we will strengthen and improve by suitable activities to both support sales and improve the motivation system for its employees. This will increase the retention within the existing client base and the acquisition of new ones. Slovenská pošta continues to be our vital strategic partner with whom we will increase the quality of the services we offer.

In 2022 we will focus on maintaining the quality of the corporate portfolio, keeping in mind the economic impact of the pandemic on companies and rising input prices in various segments of the economy. From the total portfolio point of view, we assume a gradual decline in the corporate portfolio in accordance with the strategy. In addition to classic products (bank loans, bank guarantees), we will continue to provide active products such as structured transactions, syndicated loans and participations.

From the segments point of view, we will continue the strategy of allocating resources primarily to the large corporate portfolio. Within the SME segment, we will focus on the client portfolio in order to support cross-selling and other selected banking products (e.g. POS, mortgages, etc.).

6. Corporate social responsibility

2021 was marked by fundamental changes in our banking group. However, within both banks of the group we continued activities that were in symbiosis with our values, strategy and target groups. Environmental issues dominated our projects last year, and we brought several products to our product portfolio that reflected our commitment to motivate and lead by example in sustainability and environmental protection. Eco-activities also penetrated other social topics that we consider important, and in cooperation with 365.nadácia we enabled the implementation of quality projects. We continue to realise that our role as a financial institution is to support the public through interesting projects with civic associations, non-profit organisations or active individuals, at the national and local level, both in 365.bank and Poštová banka.

Information pursuant to Commission Delegated Regulation (EU) 2021/2178 (Taxonomy Regulation)

Since 2022, disclosures in accordance with the Taxonomy Regulation have become mandatory and we are therefore required to disclose the ratio of taxonomic and non-taxonomic economic activities for the reporting period 2021. During the reporting period 2021, we assessed taxonomy eligibility for the first time.

In the following section, we provide the disclosures required for credit institutions under Art. 8 of the delegated regulation: the ratio of economic activities authorised in taxonomy to total assets, the ratio of economic activities not authorised in taxonomy to total assets, the ratio of exposures to central governments, central banks, international institutions and derivatives to total assets, the ratio of exposures to companies which are not required to disclose non-financial information to total assets, the ratio of the trading book to on-demand interbank loans to total assets, and related qualitative information. The economic activities eligible under the taxonomy illustrate the level of the Bank's activities in the non-trading portfolio vis-à-vis the sectors covered by the taxonomy regulation.

[1] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 amending Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings covered by Article 19a or 29a of Directive 2013 / 34 / EU as regards environmentally sustainable economic activities and specifying the methodology for fulfilling that disclosure obligation.

Economic activities eligible under taxonomy as a ratio to total assets	23 %
Economic activities not authorised within the taxonomy as a ratio to total assets	48 %
Exposures to sovereigns as a ratio to total assets	13 %
Derivatives as a ratio to total assets	0 %
Exposures to companies that are not subject to the NFRD disclosure obligation as a ratio to total assets	1 %
Trading book as a ratio to total assets	0 %
Interbank loans repayable on demand as a ratio to total assets	0 %
Total consolidated assets *	EUR 4,9 billion

* Voluntary disclosure to increase the transparency of prescribed metrics

In calculation of the share of the Bank's exposures to taxonomically eligible and ineligible economic activities, the Bank first excluded on-demand interbank loans, non-trading derivative exposures, exposures to central governments, central banks and multinational issuers and exposures to companies which are not required to disclose non-financial information in accordance with Articles 19a or 29a of Directive 2013/34/EU. The Bank considers its deposits in current accounts with other banks intended primarily for correspondent banking as interbank loans payable on demand. Exposures to central governments, central banks and multinational issuers in the investment portfolio comprise mainly government bonds of the Slovak Republic and, to a lesser extent, government bonds of other members of the European Union. Exposures to companies which are not required to disclose non-financial information under Articles 19a or 29a of Directive 2013/34/EU have been determined by the Bank based on available information. The Bank determined the exposure based on the latest available data on the number of employees of the company and whether it is a public interest entity, and whether the entity issued a security listed on a European regulated market. The Bank has thus assessed eligibility for the taxonomy in the case of exposures to individuals and companies required to disclose non-financial information pursuant to Articles 19a or 29a of Directive 2013/34/EU in the investment portfolio. The Bank designates exposures from corporate loans and bonds as eligible for taxonomy according to the fund purpose under the loan agreement or prospectus, or according to the prevailing economic activity of the group of the security issuer. If the counterparty's activity is divided into several sectors, then the eligibility for the taxonomy of the given corporate loan exposure was evaluated by the turnover indicators or the counterparty's capital expenditure. If the information was not available at the time of assessing the eligibility of the loan exposure, the exposure is considered ineligible for the taxonomy. The Bank proceeded similarly with equity exposures. The Bank considers exposures from mortgage bonds to be eligible for taxonomy. For unit certificates, the Bank determined the eligibility for the taxonomy based on the analysis of the underlying assets. The Bank designates exposures to individuals as eligible for taxonomy in respect of loans for the purchase or renovation of property and loans for the purchase of cars; other loans to individuals are considered exposures unfit for taxonomy.
The calculation of ratios for economic activities eligible within the taxonomy is based on the prudential consolidation of the Bank Group.

Data restrictions
When assessing the economic activities eligible under the taxonomy for financial and non-financial companies, direct information from these counterparties is required. Companies required to disclose information under the NFRD2 must disclose their taxonomic activities under the Taxonomy Regulation from 2022. As at the end of 2021, we have therefore included the most up-to-date information on taxonomic activities for financial and non-financial companies.

[2] Directive 2014/95 / EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34 / EU related to Disclosure of non-financial and diversity information by certain large companies and groups

The rules for the division of companies into those that are and are not required to disclose information under the NFRD are based on internal data. The actual implementation of the NFRD may vary among EU Member States and the classification may change over time.

In accordance with the regulations, our disclosures are limited to "legitimacy", not to "harmonisation" because the investee companies were not yet required to report compliance with the Taxonomy Regulation. Assets in our balance sheet eligible for taxonomy have been marked as "potentially green" because they help limit or mitigate the effects of climate change. To improve our disclosures on the eligibility of taxonomic assets, as well as to align those assets with taxonomy and to improve risk management, we will collect additional data on the energy efficiency of the residential properties we fund. We will also gather more information on the size and activities of the businesses and companies we finance, to collect data on eligibility within the taxonomy and to reconcile with the taxonomy of the entities in which our funds are located.

We continuously incorporate sustainability considerations into our products and services. We are constantly working to improve the sustainability profile of our products (e.g. eco-mortgages, support for digital solutions, account benefits focused on sustainability, payment card renewal). Over time this should be reflected in an increase in taxonomy-authorised and taxonomic-matched assets. This also contributes to our goal of reducing indirect CO_2 emissions related to our mortgage portfolio.

Environmental responsibility

ESG (Environment – Social aspects – Governance)
The Bank's constant ambition is to be a provider of services with an individual approach to our clients, partners and counterparties at the highest level, which in today's world also means meeting the changing lifestyle preferences and needs of these parties. Considering socially responsible investment, or ESG criteria is also increasingly important to clients when choosing products. The Bank understands its position, in which it must actively participate in changes in our environment without negative consequences, to achieve appreciation. We believe that responsible investment does not have to be at the expense of performance, and that both financial and non-financial factors should be considered.

From the environmental point of view, the Bank closely monitors the ESG criteria and assesses the most appropriate and advantageous approach in relation to environmentally sustainable economic activities, to ensure compliance with the regulation and the Bank's strategy, which is also reflected in product design processes. The Bank's strategic steps don't only affect the Bank's activities. Any changes are also reflected in the establishment and management of relationships with the Bank's clients and counterparties. In assessing appropriate ESG strategies, the Bank plans to favour products that sufficiently meet environmental criteria. After a thorough assessment, the introduction of qualitative or quantitative criteria in relation to the share of environmentally sustainable activities and the evaluation methodology is also considered.

The Bank's approach to social values is also described in Section 7, Personnel policy. The Bank pays close attention to the observance and continuous improvement of working conditions, with zero tolerance of discrimination at any level. Social relations are assessed and built between employees, and work is also being done to deepen relations between employees and middle or senior management. The Bank considers respect for human rights to be one of our key values. The Bank carefully monitors and enforces international sanctions related to the provision of services or relationships with specific individuals and adheres to strict principles in the fight against corruption and bribery.

Responsible corporate governance considers the Bank's conduct in terms of compliance with legal regulations and the code of ethics in its day-to-day operations. Emphasis is also placed on the fight against corruption, along with adequate risk management, and internal and external audit activities.

The Bank's business strategy is to constantly monitor and analyse global trends (which, especially regarding ongoing COVID-19 pandemic, have proved to be unpredictable) and geopolitical situation, as the goal is a real-time strategy and the world is constantly changing. The Bank prefers to react flexibly, evaluating trends and long-term changes, over a rigid approach which could result in a loss of performance by following outdated trends.

As the Bank has already stated, ESG world trends are increasingly resonating among both professionals and public. The role and preference for environmentally and ethically relevant products is increasing. The importance of ESG criteria is increasing not only in products, but also in counterparties and other entities cooperating with the Bank. These trends are gradually being incorporated into the Bank's business objectives.

In the Bank's policy, the ESG criteria are also visible within the functioning of the internal institution, where the areas of environmental protection are increasingly being promoted(more on the topic in the ecology section).

Ecology in the Bank's DNA
In 2021 we continued our commitment to ecology, which is an integral part of us. We focused our environmental activities primarily on the customer environment, and on building products that emphasise our environmental principles based on a paperless and plastic-free approach. Our ambition is to defend the title of the most environmentally friendly bank, which we received in 2021 from the Financial Chart portal. The Eco Agile team, with several ongoing projects, should also help us achieve this goal. As part of our social responsibility, we engaged in eco-activities through 365. nadácia. We wanted to lead by example, to motivate not only our clients, but also our internal colleagues. We continued to focus on an ecological way of life and tried to mitigate negative effects on the environment through vigorous action. This is evidenced by the signing of the Memorandum of the Slovak Banking Association on Sustainable Business and Development, as well as our commitment to become the first carbon-neutral bank in Slovakia by 2025.

Carbon neutrality by 2025
In order to become carbon neutral, 365.bank underwent a comprehensive audit of its activities at both headquarters and at branches, which resulted in the Greenhouse Gas Verification Report from TÜV SÜD Slovakia. The analysis identified specific areas and steps for the Bank to become carbon neutral by 2025. It introduced the Ten, that is, ten steps to sustainability which the Bank can follow in order to achieve this ambitious goal. During 2021 we entered negotiations with electricity suppliers on renewable energy sources (so-called RES). Compared to 2020, i.e. as at 1 January 2021, we managed to utilise most of our electricity from RES, increasing from 19% to 72% as of 1 January 2022. In addition to optimising energy purchases, the action plan also includes other activities such as waste reduction, motivation and education of employees, to and from work means of travel, optimization and reduction of energy consumption or reduction of carbon footprint of products. We plan to specify, determine, assess and recalculate these goals every year based on the pace and results of the previous year. The assumption is to reduce the carbon footprint by about 30% by 2025, bringing us into a state of carbon neutrality.

Plastic-free account
365.bank created a novel plastic-free account which includes a digital card, thus continuing the philosophy of ecological banking. In both product and communication, this develops and complements the necessity of reducing plastics. We introduced a plastic-free account with a digital card, making an account in 365.bank even more ecological thanks to the option to perform regular banking operations simply via a mobile app. Since the launch of the digital card in 2020, all new clients have activated a digital card in addition to the plastic card; up to 40% of clients use the account exclusively with a digital card. Also, 41% of 365.bank's active clients use mobile payments, which only confirms the public interest in the development of digital banking. We also strengthened our support for the plastic-free philosophy by joining the Priceless Planet Coalition, participating in tree planting when creating accounts online. Another motivating element in ecology is old card collection in physical branches, enabling recycling and transformation into ecological benches.

Partner of the civic association Ružínska priehrada
365.bank is aware that the surplus of plastics is a societal problem that needs to be addressed and therefore entered a partnership with the civic association Ružínska priehrada. This water reservoir is a symbol of the problem of plastic waste in eastern Slovakia. Through our foundation, we have financed the installation of a submerged wall to prevent plastic waste from reaching the dam. With the growing public interest in this issue, and in cooperation with 365.nadácia, we have helped the civic association to put greater pressure on the responsible institutions to bring sustainable solutions to the reservoir and its surroundings. As part of the project, we also committed ourselves to improving the dam area and installing new furniture made of recycled plastics.

Signing of a Memorandum on Sustainable Entrepreneurship and Development
In October 2021, 365.bank signed the Memorandum of the Slovak Banking Association on sustainable business and development. This commitment reflects our ecological thinking, which has been part of the DNA of our brand since its inception. Among other things, we undertake to look for new ways to eliminate the environmental impact of our activities. We will continue to digitise, reduce our carbon footprint and support public sector projects, citizens' initiatives and volunteering. The document also includes the creation of a sectoral standard for ESG certification of corporate clients, suppliers and partners. Thus, companies that emphasise socially responsible, environmental management should have easier access to funds.

Ekohypotéka with a lower interest rate option
In the autumn 365.bank launched a product with an emphasis on environmental responsibility. We offered an advantageous eco-mortgage for clients who own properties with energy class A or B certificates. This offer can also be used to refinance existing housing loans. This mortgage reflects sustainable and environmentally friendly banking services in the digital space. In October 2021 we were the first to offer clients the opportunity to apply via a mobile application or internet banking. The eco-mortgage expanded the portfolio of digital products, which includes a digital account, digital card and a digital loan.

Ecological investments in 365.Invest
In October, as part of the new strategic direction, our subsidiary 365.invest introduced an offer of new equity funds for advanced or daring investors, which aim to follow global trends while offering them on the Slovak market. It also gave clients the opportunity to invest in socially responsible companies through Ekofond, which contains shares of carefully selected ecological companies. With this mutual fund, we are expanding the range of ecological products within the group. It also follows the predictions of professionals, who expect that only ESG funds will be available on the market in the long run. Among clients, 365.Invest also became one of the most requested funds in 2021.

We became friends with ecology
Banking activities aimed at reducing plastic waste were also embraced by 365.bank during the autumn campaign We became friends with ecology in cooperation with the Upracme Slovensko initiative, with whom we are a long-term partner. The campaign challenged schools to collect plastic waste in their area, and to win benches made of upcycled plastic. They can remind pupils of a more ecological way of life.

Education and financial literacy

At 365 Bank, we know that education is a lifelong pursuit. Our surveys show that Slovaks are around average in the area of financial literacy. It is this area that we, as a financial institution, have decided to pay more attention to. We focus not only on adult clients, but also on children, for whom financial management will be an integral part of life, especially in the digital age. We were also able to develop this topic outside of our banking channels through valuable collaborations with inspirational projects and associations.

Every school matters
The project Every School Matters brings the inspiration, support and concrete steps that accompany schools in minor school reforms directly to the regions. Because every student and school matters. The project has two basic goals. The first is to provide teachers with four quality one-day workshops from the Comenius Institute programme in the selected region. The second goal is to support the introduction of innovations in 5-6 schools in the region through a grant round and annual systematic mentoring.

Both goals support each other. The condition for application for a grant and a mentor is the previous participation of the school in at least 2 workshops. This ensures that the school understands the meaning of innovation and has the ability to set clear goals and content for innovation. The school will be accompanied by a mentor from the Comenius Institute team or an expert in the field of innovation. The project has been running in each region for two years:
In the first year, educational seminars, project creation, commenting and selection take place.
In the second year projects are implemented, supported by the grant round and the mentoring of schools.

In 2021, the project Every School Matters was implemented in two regions, Nitra and Prešov.

- Nitra region
  The 2nd year of the project took place in the Nitra Region with the implementation of six selected projects. Each school also received a mentor - an experienced and qualified pedagogue, who accompanied the school through the implementation process. They offered advice and tips, while accompanying and supervising the project implementation. Within the Nitra Region, 87 teachers and 631 pupils were involved in the activities of the Comenius Institute.

- Prešov region
  In Prešov region the 1st year of the project took place. Five educational workshops for teachers of elementary and highs schools were implemented. Due to pandemic measures, education was performed via 4-hour interactive webinars. A record number of 111 teachers participated.

365.nadácia activities

The employees of our bank group have once again proved that helping others is their thing, and they are happy to lend a helping hand with the support of the foundation. During 2021, we helped together through internal activities, such as the purchase of school supplies or Christmas gifts, which have already become more or less a tradition in our bank. Volunteering activities of colleagues from the 365.bank form a significant part of the overall activities that the foundation carries out during the year.

Employee grant programme "10 Good Deeds"
Every year, the grant scheme of our foundation also includes an internal grant for our colleagues - employees. This was the 10th year. The programme objective is to provide the group's staff funds for projects they volunteer for outside working hours or help an organisation of their choice. They can also apply for funds to help someone in need. It can be a family member, acquaintance, neighbour, or family. In 2021, we set aside EUR 10 000 to support employee projects. In total, we supported 14 of them and mainly concerning health care, social assistance or support for sports and the arts. We supported families in need for rehabilitation for their children, we supported sport clubs and children's folk dance group. We supported activities in social service homes in the public library in Banská Bystrica.

Christmas tree of wishes come true
Christmas activity Christmas tree of wishes come true is one of our most beautiful and popular projects. Dozens of bank employees participate every year with one goal: to make children from socially disadvantaged families happy at Christmas and to buy them their dream gifts under the Christmas tree. This year, 55 children and their families were involved in the project. Based on the children's wishes, the employees bought gifts and the foundation delivered them to the families before Christmas. To make the Christmas truly generous and merry, 365.nadácia provided a financial gift for food and decorations.

Hooray to School
The Hooray to school with 365.bank project has been an integral part of the summer period in our Bank for several years now. Every year, we involve dozens of children from socially disadvantaged families in this project. It was no different this year either. More than 25 children received all the necessary school supplies before the start of the school year. The purchase of school supplies is a significant item in the budgets of socially disadvantaged families. Therefore, our goal is to make this financially demanding period easier for them.

Grant programme Idea for 3 Generations
Grant programme Idea for 3 Generations is our most successful program, to which we receive many applications every year. The same thing for 2021: 422 applications. This grant was created to support activities in which children, adults and seniors will participate together – i.e. groups of people with different views and attitudes. The project was to unite them for a good cause - a meaningful project for the benefit of the community. We perceive that intergenerational relations and their support are important today. The number of accepted as well as supported projects only confirms our opinion. Every year, we set aside an amount of EUR 30 000 to support community projects within the grant programme. This year, the funds were distributed among 15 best projects for art, culture, sports, and education support.

Financial Literacy Project
The area of education is very important for 365.bank and 365.nadácia, and especially financial literacy. In 2021 we organised a series of workshops for socially disadvantaged families, large families and young adults from orphanages. The workshops were focused on savings, and the participants got acquainted with financial concepts, such as managing family budgets. In the second part of the workshops, they covered topics related to finding a job, preparing for an interview, and writing a CV. We also included inheritance and legal advice. This project, among many others, could only take place with the help of our colleagues, the bank's employees. Our bank trainers, lawyers and HR partners devoted their time and energy freely. In addition to covering the workshops, they prepared brochures with all essential information related to financial literacy for the participants.

Support for organisations and individuals
In addition to long-term activities and foundation projects, we also support certain organisations whose activities are in line with the foundation's activities. In 2021 we supported among others, the educational project Embassy of Youth, the scientific conference of the Slovak University of Technology, the Children's Cardiac Centre Foundation and various community centres. We also did not forget to help individuals. During 2021, we primarily helped socially disadvantaged families or single parent families. In total, we set aside almost EUR 25,000 in 2021 to help organisations and families in need.

7. Personnel policy

As at 31 December 2021, the number of employees was 1 517, out of which 66% were women and 34% were men. Individual subsidiaries had 247 employees, out of which:

- 365.invest, správ. spol., a. s. 45 employees,
- 365.life, d. s. s., a. s. 39 employees,
- Ahoj, a. s. 83 employees,
- PB Servis, a. s. 63 employees,
- PB finančné služby, a. s. 17 employees,

The 365.bank Group is an organisation with an average employee age of 39 years, in which we employ different generations represented in all age categories with different needs and expectations. We are aware of this fact and therefore we apply our policy in offered benefits.

Compared to 2020, the number of employees at 365.bank increased by 2.71%. The increase in the number of employees was primarily due to expansion of the retail network this year by a total of 6 branches in different parts of Slovakia, and the development of Innovation Hub. For the entire 365.bank group, the increase in the number of employees represents a total of 0.86%. On the other hand, 365.bank group was separated from Poštová poisťovňa, a. s.

Employer branding

Due to the challenging situation on the labour market, the Bank began to build Employer branding more intensively in 2021, with the aim of building the image of an attractive and competitive employer in the labour market. In addition, the Bank implemented and supported various activities focused on the bank's values, strategy and vision.

365.bank ranked 1st in the Banking, Finance and Insurance category in the 10th year of the competition for the most attractive employers in the Slovak labour market, organised by Profesia, known as the Best employer.

Recruitment and selection process

The number of employees in the Bank increased by 2.71% in 2021. When choosing employees, we introduced the use of simulated diagnostic games examining the work and managerial profile, and a chatbot focused on a culture-fit candidate for both team and corporate culture.

We continued to work intensively with the candidate through personalised management, and through our internal referral system WORK-NET we acquired several dozen new employees for 365.bank. In 2021, we evaluated WORK-NET as one of the most reliable tools for candidates.

Development and training of employees

In the Internal University program, we continued to focus on three main areas divided into pillars, in which colleagues have the chance to study traditional topics of personal and managerial development, as well as new interesting topics devoted to professional or technological development, ecology, or topics such as agility, mental health and work-life balance. To support non-formal learning, which serves to share good practice and interesting information, we implemented the Engage module within our Learning Management System, with 126 posts with a total of 6,322 views in April.

We also paid increased attention to other Internal University programmes, such as the Leadership Academy, Talent Programme and Be Balanced. We recorded 913 participants in live activities of the Internal University. We focused on the development of managerial skills with a link to application within teams, and we expanded the offer of terms in the Leadership of the Basic Academy to non-management colleagues. We have also paid equal attention to mental health. In addition to these activities, we have developed 38 new e-courses in our Learning Management System, focussed on internal processes, products and effective adaptation.

Colleagues spent 47,205 man-hours in sales networks, adaptation and product training with our lecturers. The huge increase was due to the transformation of the Bank, as colleagues underwent numerous trainings related to the change. Up to 200 colleagues participated in external professional development activities.

Leadership Academy

We successfully continued the Leadership Academy programme for lower and middle management development. The main theme in 2021 was change management. Our colleagues spent a total of 1,000 man-hours, mostly online, on topics devoted to basic skills in change management, through self-knowledge and awareness of the importance of their attitude in a time of change, to creating successful teams.

Programme Be Balanced

We paid equal attention to mental health and work life balance under a programme called Be Balanced. We regularly publish articles and give lectures with professionals. We prepare short calls to draw attention to the mental health. We became proud members of the League for Mental Health Coalition and participated on 12 streamlined lectures on mental health with 474 users. We also provided our employees with time and space for individual consultations with psychologists, who proved to be a very suitable and necessary in facing epidemiological situation. The capacity of the offered dates was filled within a few hours of the publication.

Talent programme

In 2021, we launched another year of the Talent Programme for Business Networks. The programme focuses on preparing talented individuals for managerial positions. Practical task application was supervised by direct superiors and intensive support from regional directors. At the end of the program, they completed online gamified diagnostics, where we purposefully perceived their individual shift in managerial competencies.

Remuneration and benefits

As 2021 continued with the COVID-19 pandemic, 365.bank group also supported work from home where possible. In response to the current situation and to support the vaccination rate, the 365.bank Group launched a new benefit for its employees - a day off after vaccination. Employees could take advantage of this one-day benefit for recovery after vaccination, after either the first or second dose of the vaccine. In total, almost 49% of employees of the 365.bank group took time off after vaccination.

Last year, a new concept of benefits was introduced, which brought 10 days of paid leave in excess of the Labour Code for rest and regeneration. This benefit is currently the most popular and almost 54% of the group's employees have made use of at least one day. Other benefits include child birth leave for fathers and many others.

Employee benefits are also used by employees of the 365.bank Group through the online Cafeteria benefit system, with the most popular category this year being Health. In this category, employees can access above-standard medical examinations, various forms of preventive health care, medical exercises and rehabilitation, and purchases at pharmacies. Through the MultiSport card, the 365.bank Group offers benefits to its employees by supporting sports and relaxation.

The obligation to provide a legal benefit through recreational voucher arose in 2021 for 365.bank, a. s., PB Servis, a. s., and Ahoj, a. s.

8. Description of macroeconomic and competitive environments

2021 was marked by a pandemic and a commodity crisis, which affected both the world and Slovak economies. In the second half of the year, global energy prices soared and inflation began to rise as well. The effects of these factors have slowed our economic recovery and hampered economic growth.

For 2021, according to preliminary data from the Statistical Office of the Slovak Republic, the year-on-year growth of GDP reached the level of 3.0%. Economic growth accelerated in the first half of last year, but in the second half of the year the situation reversed and slowed under the weight of the second wave of the pandemic and the commodity crisis. According to an estimate by the Statistical Office of the Slovak Republic, GDP growth reached 1.4% in the final quarter of last year. Last year, our economy was driven by domestic consumption. Although this was affected by the Corona crisis, it remained relatively resilient at the end of the year and the pandemic did not significantly shrink it thanks to wage growth. Industry and exports were subdued by the commodity crisis in the second half of last year, which slowed down economic recovery. Industry struggled with a lack of materials and components, and their high prices. Due to this difficult situation, investments were not very attractive, and companies approached investment activity cautiously.

Over the past year, we have witnessed a gradual acceleration in the price growth of goods and services in our stores. Consumer prices, according to the National Consumer Price Index (CPI) for 2021, increased by an average of 3.2% year-on-year. At the beginning of the year, inflation was only 0.7%, but since then it has risen month on month, reaching 5.8% in December. From a full-year perspective, the most significant increase, by as much as 8.9%, was seen in transport, reflecting soaring oil prices on the world market. The second most significant price increase occurred in alcoholic beverages and tobacco (by 6.9%), due to an increase in the excise duty. Postal-communication services, restaurants and hotels also recorded an average year-on-year growth of over 6% last year.

The acceleration of inflation over the past year has been due to several factors. From the beginning of 2021 it was mainly oil price increases, which were reflected in higher transport prices and subsequently the prices of most goods and services. Since the summer, rapidly rising food prices have further pushed inflation up, rising by as much as 5.8% year-on-year by the end of the year. Around this time, the commodity crisis began, resulting in sharply rising prices for scarce materials and components. This crisis was also reflected in a significant increase in building material prices, meaning higher cost of construction and repair for apartments and houses. Since the autumn of last year, we have also seen double-digit price increases in restaurants and hotels, not only as a result of more expensive food, but also due to higher prices for lunches in school canteens.

Numbers of unemployed at Labour Offices lessened during 2021, as the labour market faced the pandemic better. The registered unemployment rate decreased from 7.81% in January to 6.76% in December, which corresponds to more than 182 000 unemployed at the end of the year, able to start work immediately.

Last year the state's economy was affected by the coronavirus pandemic, which put pressure on public finances. The state budget for 2021 rose to almost EUR -7.0 billion deficit. Compared to 2020 the deficit was lowered by almost a tenth. Budget revenue increased by 9% and budget expenditures increased by as much as 3%. This caused a year-on-year lessening of the state budget deficit.

The entire Eurozone had to cope with the coronavirus pandemic in 2021, which brought pandemic measures, lockdowns and economic slowdown. The first quarter of 2021 was highly demanding when we fought against the delta variant, and again with the omicron variant in the last quarter. In addition, Europe was hit by a commodity crisis last year, resulting in lack of materials and components in the market, leading to rising prices. The European Central Bank (ECB) kept its key interest rate unchanged at zero to support economic recovery. In 2020, the ECB introduced currency policy measures to fight the pandemic. One of the most important measures was the launch of a pandemic asset purchase program in the amount of EUR 1 850 billion to support lending activity across the eurozone.

The exchange rate of the euro against the dollar during 2021 was most significantly affected by the pandemic and the commodity crisis. Towards the end of the year, inflation and market expectations of the ECB response contributed as well. At the beginning of the year, the Eurodollar rate fluctuated around EURUSD 1.20 to 1.22. In this period the Euro reached its last year's maximum of EURUSD 1.2327. After the second wave the euro weakened and in May/April reached EURUSD 1.17. It subsequently recovered again at EURUSD 1.20 for a short time. Since summer, the euro currency has remained under this level. During summer it reached EURUSD 1.17-1.19, but over autumn and winter it has continued to weaken and reached its minimum of EURUSD 1.1199 at the end of November.

As at 31 December 2021, there were 11 banks based in the Slovak Republic (of which 2 banks have no foreign financial involvement, and 9 are foreign-owned banks), 15 branches of foreign banks and one central bank. As at the end of 2021, the total number of banks decreased by 1 foreign-owned bank compared to 2020. During the year, the number of branches and lower organisational units in the banking sector decreased by -88 to 984. At the end of 2021 the Slovak banking sector employed 18,829 employees, which is -4.4% lower compared to the end of 2020. Last year the banking sector reached a total asset value of EUR 104.8 billion, according to preliminary results. As at the end of 2021, the volume of household deposits was reported in the amount of EUR 43.1 billion. This represents a year-on-year increase of 6%. Compared to 2020, loans to households increased by 9% to EUR 44.3 billion. According to preliminary data, net profit of the banking sector was more than EUR 727 million.

9. Report on business activities and financial position for 2021

In 2021 the Bank's net profit amounted to EUR 58.3 million, which is 31% higher than 2020.

The retail loan portfolio grew, but the continuing trend of low interest rates translated into a year-on-year decline in interest rates. Net interest income for 2021 totalled EUR 133.7 mil. Net fee and commission income reached EUR 35.6 mil., slightly exceeding the level of the previous year.

In 2021 we established Innohub as a centre for technological development and customer experience, in which we see the future of banking, and we launched the first digital mortgage in the market with application via a mobile application. In addition, we were the first bank to introduce the SMARTIE children's banking application for parents and their children aged from 8 to 15 years.

Year-on-year increases in other administrative expenses by EUR 5 mil. was due to the transformation into 365.bank, with the launch of a project focused on the transition of the bank's systems to a new digital banking platform, which aims to offer our clients modern and innovative solutions.

Subsidiaries, which paid dividends of EUR 14.8 million in 2021, also had a positive impact on the Bank's finances. During 2021, we completed the sale of Poštová poisťovňa, acquired a controlling share in ART FOND and increased our share to 100% in Ahoj, a. s.

The balance sheet total of 365.bank increased by EUR 467 mil. and reached EUR 4.9 billion. The increase in assets was mainly due to the growth of the loan portfolio, with loans to customers increasing by EUR 373 mil., primarily as retail loans. We have managed to exceed EUR 1 billion for mortgage loans.

On the liabilities side, household deposits increased to EUR 3.4 billion at the end of 2021. Total deposits, including bank deposits, grew by 9% and exceeded EUR 4 billion at the end of 2021, also thanks to successful participation in the ECB's longer-term refinancing operations program (TLTRO). In accordance with regulatory requirements, we successfully listed the historic first issue of senior unsecured and non-subordinated bonds (MREL) on foreign markets in the amount of EUR 65 mil.

Year-on-year capital adequacy increased – capital Tier 1 as a percentage from risk-weighted assets. Capital adequacy increased year-on-year from 17.63% to 18.92% and significantly exceeds the level of minimum required capital. Capital adequacy increased mainly because no dividends in 2019 and 2021 were paid to shareholders.

Research and development activities

Also in 2021, Poštová banka continued to introduce new products and innovate technologies. The development of existing or new IT systems required new requirements arising from legislation.

In 2021 we introduced a novel plastic-free account which includes a digital card. We are the first bank in the Slovak market to offer a digital card as part of our product portfolio. We also launched a Digital Mortgage, an Eco-Mortgage with benefits for green real estate and a Digital (consumer) loan.

June 2021 marked a historic milestone - the planned transformation of both banks from the 365.bank Group's portfolio. They exchanged previous positions, the main brand of the group became 365.bank, which in the summer also took over the bank branches of Poštová banka, in addition to the post offices. Poštová banka continues to operate as a post office bank and is the most accessible bank in Slovakia thanks to more than 1,400 points of sale.

In 2021 we established the Innohub innovation centre, whose ambition is to create and transition to a new digital banking infrastructure based on the technologies of prestigious foreign suppliers of digital banking platforms such as Mambu, Backbase and Amazon Web Services. 365.bank has also opened several professional positions in order to build an internal development team.

At the beginning of September 2021 the bank launched the SMARTIE children's banking application to teach children to work with money and increase their financial literacy. The application is intended for schoolchildren aged from 8 to 15 years, and the child will receive a payment card and a bracelet. They can also save or take several knowledge quizzes.

Activities of specific subsidiaries

365.invest
365.invest achieved the historically highest profit after tax in the amount of EUR 13.3 mil., a year-on-year increase of 9.3%. Managed assets at the end of 2021 were in the amount of EUR 1,869 mil., which represents an increase of 14.2% compared to the previous year and EUR 233 mil. in absolute terms compared to 2020.

As at 31 December 2021, the Bank achieved a 15% market share, thus ranking among the Top 3 management companies on the market.

365.life
In 2021 the company's distribution brought a total of 6,730 savers. In total, the company had 125,709 savers at the end of 2021, which is 2,926 more than in 2020 and a market share of 7.4%. At the end of the year, the managed assets in pension funds were in the amount of EUR 589 mil., which is EUR 29 mil. more than the previous year. Managed assets represent a 4.9% market share.

Profit after tax was EUR 2.8 mil. The positive result was mainly affected by income from fees for the appreciation of assets in the pension fund, and income from fees and commissions at a sustainable amount of operating costs.

Ahoj, a. s.

The subsidiary Ahoj, a. s. changed its management in 2021 and, as part of a change in business strategy, decided to limit the provision of special-purpose instalment products. Despite this reduction to a portion of the activities, in 2021 it recorded a year-on-year growth of production by around 11%, to almost EUR 59 mil. Within its main product of non-purpose consumer loans the amount of new production reached almost EUR 40 mil., a growth of 24.5%.

In 2021 it was the first company in Slovakia to introduce a “buy now, pay later” (BNPL) online payment method. In the spring, it launched a deferred payment, which it extended at the end of the year with payment with a purchase to thirds.

Ahoj, a. s., also optimised its operating costs and for the first time in its existence it generated a profit.

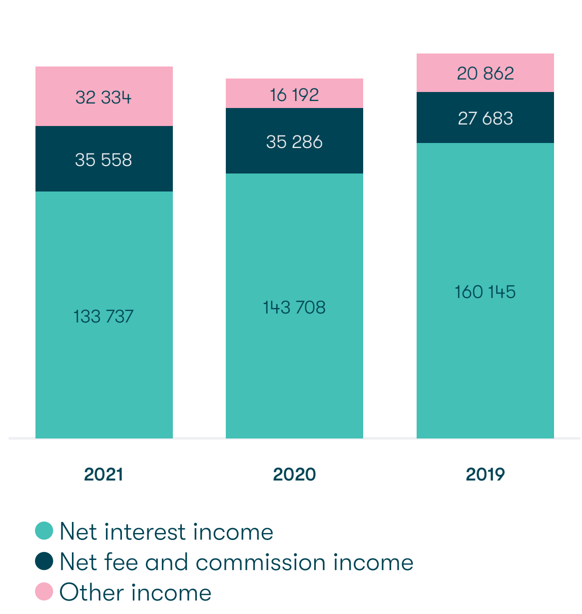
10. Key indicators

in thousands of EUR	Separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union			Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union		
	2021	2020	2019	2021	2020	2019
Loans and advances to customers	3,140,202	2,767,063	2,431,899	3,150,440	2,780,835	2,459,382
Customer accounts	3,673,914	3,645,060	3,638,191	3,664,915	3,632,278	3,625,733
Equity	749,064	687,351	642,699	739,074	682,730	642,500
Total assets	**4,904,886**	**4,437,906**	**4,370,090**	**4,903,895**	**4,466,152**	**4,411,256**
Operating profit before impairment and provisions	88,728	90,553	89,937	101,313	94,335	91,947
Net profit after tax	58,298	44,358	45,728	56,886	40,599	37,919

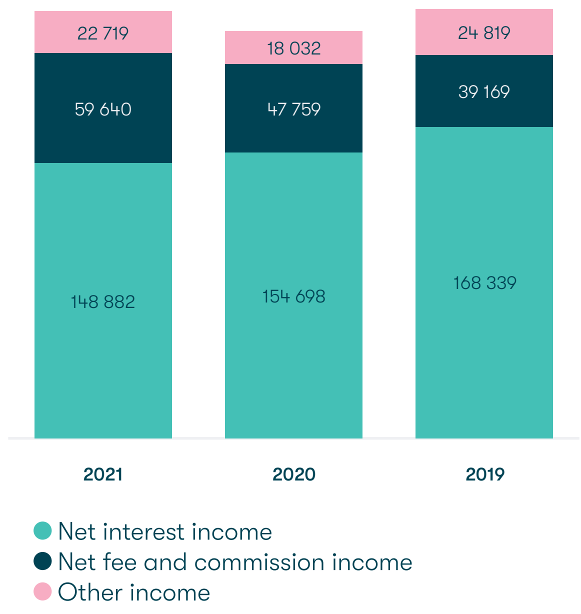
Commercial indicators	2021	2020	2019	2021	2020	2019
Housing loans (gross)	**1,028,687**	**547,615**	**403,566**	**1,028,687**	**547,615**	**403,566**
Consumer loans (gross)	849,215	898,235	911,195	918,543	964,420	978,158
Number of employees	1,211	1,178	1,303	1,517	1,456	1,569
Number of branches and points of sale	thanks to an exclusive contract with Slovenská pošta, more than 1,400 points of sale					

Performance	**2021**	**2020**	**2019**	2021	2020	2019
Tier I capital	670,036	630,161	593,723	644,274	609,754	584,830
Total capital (percentage of risk exposure)	**19.14 %**	**17.85 %**	**17.04 %**	**18.06 %**	**17.10 %**	**16.67 %**

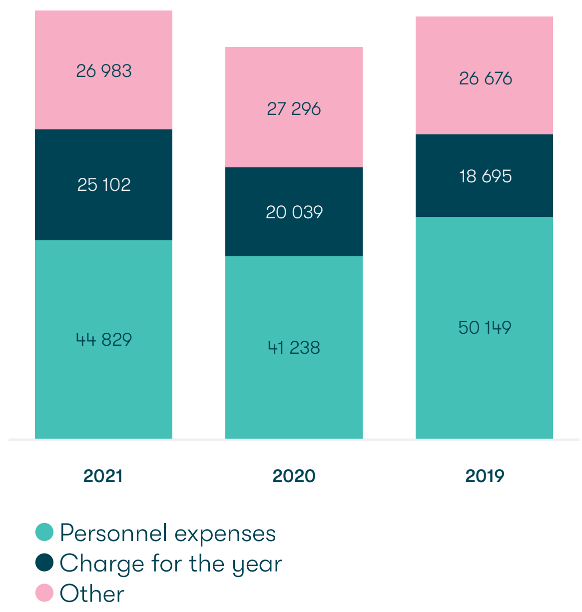
Structure of separate income



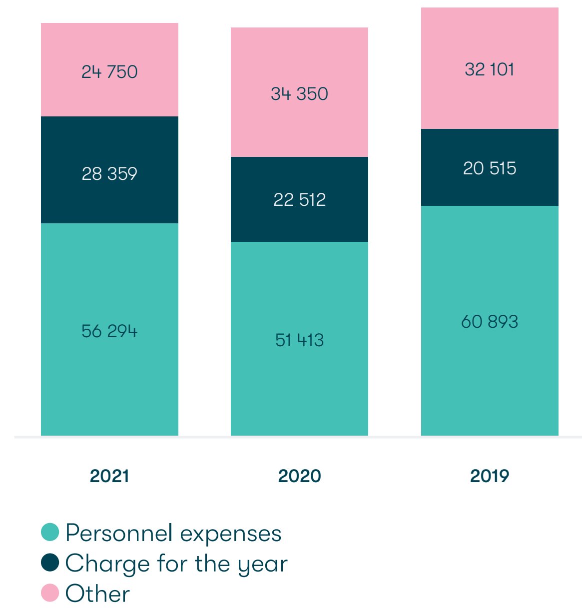
Structure of consolidated income



Structure of separate expenses



Structure of consolidated expenses



11. Statement of responsible persons

Responsible persons of 365.bank, a. s., with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, registered in the Commercial Register of the District Court Bratislava I, section: Sa, file No.: 501/B, ID number: 31 340 890, Ing. Andrej Zaťko, Chairman of the Board of Directors and managing Directors, and Ladislav Korec, MBA, FCCA, Member of the Board of Directors, hereby declare to the best of their knowledge that the annual financial statements contained in this Annual Report provide a true and fair view of assets, liabilities, financial situation and operating result of 365.bank, a. s., and the companies included in its consolidation, and that this management report as well as the annual report as a whole contain a true and fair view of the development and results of the business activities and position of 365.bank, a. s., for 2021 together with a description of the main risks and uncertainties it faces in connection with its business activities.

No other events of particular significance have occurred after the end of the accounting period for which this Annual Report is prepared.

12. Independent auditors' report on annual report

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

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

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

Appendix to the Independent Auditors' Report issued on 11 March 2022 (this Appendix is issued in respect of the Consolidated Annual Report ("Annual Report"))

pursuant to Article 27 (6) 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")

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

We have audited the separate financial statements of 365.bank, a. s. ("the Bank") as of 31 December 2021 presented on pages 56 – 149 of the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the separate financial statements on 11 March 2022.

At the same time, we audited the consolidated financial statements of 365.bank, a. s. and its subsidiaries ("the Group") as of 31 December 2021 presented on pages 162 – 259 of the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the consolidated financial statements on 11 March 2022.

This Appendix supplements the aforementioned auditor's report solely in respect of the following information:

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act on Accounting but does not include the separate and consolidated financial statements and our auditors' report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the separate and consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate and consolidated financial statements or our knowledge obtained in the audit of the separate and 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 Annual Report was not available to us as of the date of the auditors' report on the audit of the separate and consolidated financial statements.

With respect to the Annual Report, once obtained, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the separate and consolidated financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the separate and consolidated financial statements, in our opinion, in all material respects:

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

In addition to this, in light of the knowledge of the Bank or Group and its environment obtained in the course of the audit of the separate and consolidated financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Presentation of the consolidated financial statements in compliance with the requirements of the European Single Electronic Format ("ESEF")

The management is responsible for the presentation of the consolidated financial statements for the year ended 31 December 2021 included in the Annual Financial Report that complies with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The presentation of the consolidated financial statements for the year ended 31 December 2021 in electronic XHTML format marked up using the XBRL markup language is expected to be made available to us after the date of this auditor's report.

Our Appendix to the Independent Auditor's Report does not cover the compliance of the presentation of the accompanying consolidated financial statements with the requirements of the ESEF Regulation.

After management provides us with the electronic XHTML format of the accompanying consolidated financial statements marked up using the XBRL markup language, our responsibility will be to perform an engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits and Reviews of Historical Financial Information, with the objective to obtain reasonable assurance on the compliance of the consolidated financial statements with the requirements of the ESEF Regulation. Our updated auditor's report will either state that based on the procedures performed, the presentation of the consolidated financial statements complies, in all material respects, with the requirements of the ESEF Regulation, or we will describe any material non-compliance that we would identify in this respect.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Bratislava, 27 April 2022

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

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

Annual report

365.bank, a. s.

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

for the year ended 31 December 2021

365 bank

2021

Contents

Independent auditors' report 48
Separate statement of financial position 56
Separate statement of profit or loss and other comprehensive income 58
Separate statement of changes in equity 60
Separate statement of cash flows 62
Notes to the separate financial statements 65

Independent auditors’ report

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

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

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

Independent Auditors' Report

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of 365.bank, a. s. (the "Bank"), which comprise:

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

and, for the period then ended:

— the separate statement of profit or loss and other comprehensive income;
— the separate statement of changes in equity;
— the separate statement of cash flows;

and

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

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

Basis for Opinion

We conducted our audit in accordance with 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 Separate Financial Statements section of our report. We are independent of the Bank 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2021: € 3 290 294 thousand; impairment loss recognized in 2021: € 14 263 thousand; total impairment loss as at 31 December 2021: € 210 073 thousand.

Refer to Note 2 (Accounting policies), Note 8 (Financial assets at amortised cost: Loans and advances) and Note 28 (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	Our audit procedures in this area, performed assisted by our own information technology (IT) specialists, included, among others: • Updating our understanding of the Bank'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 Bank's risk management, internal audit and IT personnel, in order to update our understanding of the provisioning process, IT applications used therein, key data sources and assumptions used

management judgment are incorporated into the model assumptions.

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

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

in the ECL model. Also, assessing and testing the Bank's IT control environment for data security and access;

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

Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2021: € 683 733 thousand; negative change in fair value recognized in profit or loss for the year ended 31 December 2021: € 12 846 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2021: € 3 777 thousand.

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

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 Bank determines their respective fair values based on either quoted prices of identical or similar instruments, or valuation techniques, such as discounted cash flows, using market observable and unobservable inputs, such as credit spread or liquidity premium. Due to the magnitude of the amounts involved, as well as the complexity involved and judgment required in measuring the fair value of certain of these instruments, their valuation was a key area of focus during our audit.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others: • Updating our understanding of the Bank's fair value measurement methods and assessing their compliance with the requirements of relevant financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate in the context of said requirements; • Independently assessing the Bank's assignment of financial instruments into fair value hierarchy levels, considering underlying market activity, including volume traded and number of executable quotes, and assessment of bid-ask spread of those quotes; • Testing the Bank's market-based (level 1 in the fair value hierarchy of the financial reporting standards) valuations of financial instruments by tracing those

KPMG

amounts to independently sourced publicly available quoted prices;

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 financial statements.

KPMG

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

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 separate 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.

KPMG

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the 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 separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the audit of the separate 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 Annual Report of the Bank was not available to us as of the date of this auditors' report on the audit of the separate financial statements.

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

— the other information given in the Annual Report for the year ended 31 December 2021 is consistent with the separate financial statements prepared for the same financial year; and
— the 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 Annual Report in light of the knowledge and understanding of the Bank and its environment that we have acquired during the course of the audit of the separate financial statements.

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

Appointment and approval of an auditor

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

Consistency with the additional report to the audit committee

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

KPMG

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 Bank in conducting the audit.

In addition to the statutory audit services and services disclosed in the separate financial statements of the Bank, we did not provide any other services to the Bank or accounting entities controlled by the Bank.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU č. 96

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

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

Bratislava, 11 March 2022

A. Separate statement of financial position

	Note	31. 12. 2021 EUR '000	31. 12. 2020 EUR '000
Assets			
Cash, cash balances at central banks and other demand deposits	4	450 029	293 661
Financial assets held for trading	5	2	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	6	298 231	309 513
Financial assets at fair value through other comprehensive income	7	385 502	437 064
Financial assets at amortised cost	8	3 563 599	3 177 481
Debt securities	8	378 962	364 764
Loans and advances	8	3 163 454	2 780 170
thereof: Loans and advances to financial institutions	8	23 252	13 107
thereof: Loans and advances to customers	8	3 140 202	2 767 063
Other financial assets	8	21 183	32 547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	9	1 091	2 276
Investments in subsidiaries, joint ventures and associates	10	68 662	78 579
Tangible assets	11	64 532	58 134
Intangible assets	12	33 446	35 348
Deferred tax assets	14	23 008	24 688
Other assets	14	16 784	18 514
Total assets		**4 904 886**	**4 437 906**

	Note	31. 12. 2021 EUR '000	31. 12. 2020 EUR '000
Liabilities			
Financial liabilities held for trading	5	3 695	746
Financial liabilities at amortised cost	15	4 129 781	3 723 793
Deposits	15	4 006 346	3 671 084
thereof: Subordinated debt	15	8 014	8 014
Debt securities issued	15	64 794	-
Other financial liabilities	15	58 641	52 709
Derivatives – Hedge accounting	9	4 977	10 318
Provisions	16	769	2 594
Current tax liabilities		2 766	1 552
Other liabilities	17	13 834	11 552
Total liabilities		**4 155 822**	**3 750 555**
Share capital and share premium	18	367 043	367 043
Retained earnings	18	307 948	254 082
Other equity	18	74 073	66 226
Total equity	**18**	**749 064**	**687 351**
Total equity and liabilities		**4 904 886**	**4 437 906**

These separate financial statements, which include the notes on pages 65 - 149, were approved by the Board of Directors on 9 March 2022.

Chairman of the Board of Directors
Andrej Zatko

Member of the Board of Directors
Ladislav Korec

B. Separate statement of comprehensive income

Statement of profit or loss	Note	2021 EUR '000	2020 EUR '000
Net interest income	21	133 737	143 708
Interest income	21	138 613	151 781
Interest expenses	21	(4 876)	(8 073)
Net fee and commission income	22	35 558	35 286
Fee and commission income	22	62 868	61 564
Fee and commission expenses	22	(27 310)	(26 278)
Dividend income	23	39 184	15 758
Net gains/(losses) from financial transactions	24	(6 850)	434
Net other operating expenses	25	(1 881)	(7 257)
Other operating income	25	4 569	2 474
Other operating expenses	25	(5 895)	(9 507)
Gains/(losses) on derecognition of non-financial assets, net	25	(555)	(224)
Staff expenses	26	(44 829)	(41 238)
Other administrative expenses	26	(41 089)	(36 099)
Depreciation	27	(25 102)	(20 039)
Operating profit before impairment losses and provisions		**88 728**	**90 553**
Release/(creation) of provisions	28	1 834	707
Net impairment of financial assets not valued at fair value through profit and loss	28	(22 125)	(38 705)
Net impairment of investments in subsidiaries, joint ventures and associates	28	2 142	(4 013)
Net impairment on non-financial assets	28	398	(619)
Profit before tax		**70 977**	**47 923**
Income tax	29	(12 679)	(3 565)
Profit after tax		**58 298**	**44 358**

Statement of other comprehensive income	2021 EUR '000	2020 EUR '000
Items that may be reclassified to profit or loss	3 411	1 669
Revaluation of debt securities at fair value through other comprehensive income	(3 775)	2 871
Impairment losses for debt securities at fair value through other comprehensive income	8 138	(741)
Deferred tax related to items that may be reclassified to profit or loss	(954)	(452)
Foreign currency translation	2	(9)
Items that may not be reclassified to profit or loss	-	(1 375)
Revaluation of equity instruments at fair value through other comprehensive income	(2)	(1 745)
Deferred tax related to items that may not be reclassified to profit or loss	2	370
Total other comprehensive income	**3 411**	**294**
Total comprehensive income for the year	**61 709**	**44 652**
Earnings per share		
Profit after tax	58 298	44 358
Weighted-average number of ordinary shares	330 899	330 899
Basic and diluted earnings per share in EUR	**176**	**134**

The notes on pages 65 - 149 are an integral part of these separate financial statements.

C. Separate statement of changes in equity

EUR '000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2021	**366 305**	**738**	**59 561**	**6 667**	**(2)**	**254 082**	**687 351**
Total comprehensive income	-	-	-	3 409	2	58 298	61 709
Profit after tax	-	-	-	-	-	58 298	58 298
Items that may be reclassified to profit or loss	-	-	-	3 409	2	-	3 411
Other transactions	**-**	**-**	**4 436**	**-**	**-**	**(4 432)**	**4**
Transfer to legal reserve fund	-	-	4 436	-	-	(4 436)	-
Other	-	-	-	-	-	4	4
Closing balance as of 31 December 2021	**366 305**	**738**	**63 997**	**10 076**	**-**	**307 948**	**749 064**

EUR '000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2020	366 305	738	54 988	6 364	7	214 297	642 699
Total comprehensive income	-	-	-	303	(9)	44 358	44 652
Profit after tax	-	-	-	-	-	44 358	44 358
Items that may be reclassified to profit or loss	-	-	-	1 678	(9)	-	1 669
Items that may not be reclassified to profit or loss	-	-	-	(1 375)	-	-	(1 375)
Other transactions	**-**	**-**	**4 573**	**-**	**-**	**(4 573)**	**-**
Transfer to legal reserve fund	-	-	4 573	-	-	(4 573)	-
Closing balance as of 31 December 2020	**366 305**	**738**	**59 561**	**6 667**	**(2)**	**254 082**	**687 351**

The notes on pages 65 - 149 are an integral part of these separate financial statements.

D. Separate statement of cash flows

	31. 12. 2021 EUR '000	31. 12. 2020 EUR '000
Profit before tax	**70 977**	**47 923**
Adjustments:		
Net interest income	(133 737)	(143 708)
Dividend income	(39 184)	(15 758)
Depreciation	25 102	20 039
Release/(creation) of provisions	(1 834)	(707)
Gains/(losses) on derecognition of non-financial assets, net	555	224
Gains on derecognition of subsidiaries	(10 092)	-
Net impairment of financial assets not valued at fair value through profit and loss	22 125	38 705
Net impairment of investments in subsidiaries, joint ventures and associates	(2 142)	4 013
Net impairment on non-financial assets	(398)	619
Cash flows from/(used in) operating activities before changes in working capital	**(68 628)**	**(48 650)**

	31. 12. 2021 EUR '000	31. 12. 2020 EUR '000
(Increase)/decrease in operating assets:		
Cash balances at central banks	(161 795)	40 661
Financial assets held for trading	2 646	(1 627)
Non-trading financial assets mandatorily at fair value through profit or loss		
(Increase)/decrease	11 281	(40 517)
Dividends received	24 415	
Financial assets at amortised cost	(386 171)	(352 171)
Loans and advances	(397 535)	(367 655)
Other financial assets	11 364	15 484
Other assets	1 731	3 674
Increase/(decrease) in operating liabilities:		
Financial liabilities held for trading	2 949	(3 222)
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities	341 129	18 428
Deposits	342 873	16 614
Other financial liabilities	(1 744)	1 814
Derivatives – Hedge accounting	(5 341)	898
Other liabilities	2 282	(3 767)
Cash flows from operating activities before interest and income tax	**(235 502)**	**(386 293)**
Interest received	138 987	132 395
Interest paid	(11 461)	(4 898)
Income tax paid	(10 737)	(6 899)
Net cash flows from/(used in) operating activities	**(118 713)**	**(265 695)**

The notes on pages 65 - 149 are an integral part of these separate financial statements.

	Note	31. 12. 2021 EUR '000	31. 12. 2020 EUR '000
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(39 652)	(27 483)
Proceeds from sale and maturity		23 951	175 472
Interest received		5 739	14 348
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		(67 827)	(30 835)
Proceeds from sale and maturity		107 872	130 343
Interest received		10 189	13 150
Investments in subsidiaries, joint ventures and associates		32 048	1 773
Tangible and intangible assets			
Purchase		(16 977)	(24 361)
Proceeds from sale		3	6
Net cash flows from/(used in) investing activities		**55 346**	**252 413**
Cash flows from financing activities			
Debt securities issued			
Proceeds from issue of debt securities		65 000	-
Interest paid		(310)	
Financial liabilities at amortised cost - subordinated debt			
Interest paid		(480)	(481)
Financial liabilities at amortised cost - lease liabilities			
Lease payments		(5 680)	(5 494)
Interest expense		(546)	(448)
Net cash flows from/(used in) financing activities		**57 984**	**(6 423)**
Net increase/(decrease) in cash and cash equivalents	4	**(5 383)**	**(19 705)**
Cash and cash equivalents at the beginning of the period	4	**50 612**	**70 317**
Cash and cash equivalents at the end of the period	4	**45 229**	**50 612**

The notes on pages 65 - 149 are an integral part of these separate financial statements.

E. Notes to the separate financial statements

1. General information

Poštová banka, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992. The Bank commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. (hereinafter the „Bank“ The registered office of the Bank is Dvořákovo nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2021294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of 365.bank Group.

The principal activities of the Bank 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

The Bank operates in the Slovak Republic through a network of branches, and, under a contract with Slovenská Pošta, a.s., the Bank sells its products and services through post offices and financial services compartments located throughout the Slovak Republic.

On 18 November 2009, Poštová banka, a. s. pobočka Česká republika was registered in the Commercial Register of the Czech Republic. Based on the meeting of the Board of Directors dated 28 April 2021, the Bank decided to terminate the activities of its branch and to dissolve the organizational unit on 30 June 2021.

Shareholder's structure is as follows:

Name of shareholder	Address	31. 12. 2021		31. 12. 2020	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Česká republika	325 794	98,45 %	325 794	98,45 %
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovensko	4 918	1,49 %	4 918	1,49 %
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovensko	100	0,03 %	100	0,03 %
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Viedeň, Rakúsko	87	0,03 %	87	0,03 %
Spolu		**330 899**	**100,00 %**	**330 899**	**100,00 %**

On 1 January 2021, the Bank's shareholder structure changed due to merging of PBI, a.s. with its 100% parent company J&T FINANCE GROUP SE. Through this merger, J&T FINANCE GROUP SE acquired another 34% of the shares and voting rights in 365.bank, a. s., increasing its direct share in the Bank's share capital to 98.457%.

Members of the Board of Directors

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

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Jan Kotek	Board member

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

The Bank's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Sokolovská 700/113a, Karlín, 186 00 Praha 8, Prague, 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 separate financial statements

The separate 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 separate financial statements under Section 17 of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements the Bank's investments in subsidiaries are accounted for at cost, decreased by impairment losses, if any.

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

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

2.2 Subsidiaries, joint ventures and associates

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

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

Company name	Share in %		Method of consolidation
	31. 12. 2021	31. 12. 2020	
Subsidiaries			
365.invest, správ. spol., a. s.	100,00 %	100,00 %	full consolidation
Poštová poisťovňa, a. s.	x	80,00 %	full consolidation
365.life, d. s. s., a. s.	100,00 %	100,00 %	full consolidation
Ahoj, a. s.	100,00 %	95,00 %	full consolidation
PB Servis, a. s.	100,00 %	100,00 %	full consolidation
PB Finančné služby, a. s.	100,00 %	100,00 %	full consolidation
PB PARTNER, a. s. v likvidácii	x	100,00 %	full consolidation
365.fintech, a. s.	100,00 %	100,00 %	full consolidation
365.world, o.p.f.	x	100,00 %	full consolidation
Cards&Co, a. s.	100,00 %	100,00 %	full consolidation
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	87,99 %	37,13 %	full consolidation
Joint ventures			
SKPAY, a. s.	40,00 %	40,00	equity method

The Bank also prepares consolidated financial statements for the 365.bank Group. 365.nadácia is not included in the consolidated financial statements of the Bank.

2.3 Changes in accounting policies

The adoption of the new accounting standards from 1 January 2021 did not have a significant impact on the Bank.

2.4 Significant accounting methods and policies

These separate financial statements include segment reporting as the Bank fulfils the criteria under IFRS 8 Operating segments for reporting of detailed segment reporting.

(a) Foreign currency

I. Foreign currency transactions
Transactions denominated in foreign currency are translated into euro at the exchange rate valid on the date of the transaction. Financial assets and liabilities in foreign currency 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 in the translation of foreign operations are recognised in other comprehensive income as Foreign currency translation.

(b) Interest income and expenses

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

The calculation of EIR rate does not consider expected credit losses and includes all fees paid or received, transaction costs, and discounts or premiums, that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or retirement of a financial asset or liability.

Interest income and expense 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.

(c) Fee and commission income and expenses

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

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

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

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

(d) Net gains or losses from financial transactions

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

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss
- Gains/(losses) on financial assets and liabilities held for trading
- Gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss
- Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss
- Gains/(losses) from hedge accounting
- Exchange differences

(e) Dividend income

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

(f) 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.

(g) Financial assets

I. Initial recognition

The Bank 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 Bank 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 Bank 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 the assets

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank'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 Bank 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 business model for asset management is evaluated on a portfolio basis. Financial assets are classified accordingly, together with products of the same characteristics, in relation to generated cash flows.

b. Cash flow characteristics of assets

Where the business model is to hold assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank 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 Bank 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 Bank 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 only 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

These are financial assets that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or hold as part of a portfolio that is managed to achieve short-term profit or to maintaining position. These assets do not meet the criteria for amortised cost or FVOCI based on Bank'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 bases. The Bank 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 other comprehensive income ("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 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 Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank'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 on disposal.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank'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 recognised for equity instruments.

The Bank concluded that share certificates held in the Bank'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 the assets, share certificates fail to meet the solely payments of principal and interest ('SPPI') 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 Bank 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 Bank 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 Bank 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 34. Credit risk provides more detail of how the expected credit loss allowance is measured.

IV. Derecognition

The Bank 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 Bank, is recognised as a separate asset or liability.

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

V. Modifications of financial assets

If any change in the contractual terms occurs, the Bank 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 the recognition of the new financial asset at fair value.

If the modification does not result in the derecognition of a financial asset, the Bank recalculates the gross carrying amount as the present value of the changed cash flows discounted by the original EIR. The difference between the new and the original value 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.

(h) 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 Bank's strategy, hedging derivatives are designed to hedge and manage selected risks. The Bank has elected to adopt IFRS 9 for hedge accounting purposes.

The main Bank 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 Bank 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 take into account changes in value resulting from this economic relationship
  - The hedge ratio of the hedge is the same as the hedge ratio resulting from the amount of the hedging instrument used by the entity for hedging of the hedged item. However, this indication should not reflect the imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether or not recognised), that could also result in a business result inconsistent with the purpose of hedge accounting

I. Fair value hedge

The Bank uses financial derivatives to manage the level of risk in relation to interest rate risk. The Bank uses hedging derivatives to hedge the fair value of recognised assets. In the case of micro-hedging the Bank hedges the fair value of bonds with fixed coupon. In the case of macro-hedging the Bank 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 Bank, the Bank 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 a separate profit and loss statement line as Net gains/(losses) from financial transactions. For micro-hedging, changes in fair value without the interest component of the hedged items attributable to the hedged risk adjusts 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 profit and loss statement under Net interest income. The positive value of hedging instruments is recognised in the statement of financial position as an asset in Derivatives – Hedge accounting. The negative value of hedging instruments is recognised as a liability in Derivatives – Hedge accounting. A summary of hedging derivatives is presented in Note 9. Hedging derivatives.

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

II. Cash flow hedge

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

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

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

Other non-trading derivatives

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

Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Bank 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 separate 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 Bank chooses to designate the hybrid contracts at fair value through profit or loss.

(i) Investments in subsidiaries, join ventures and associates

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

These financial statements are prepared as separate financial statements under Section 17 of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements, the Bank's investments in subsidiaries are accounted for at cost decreased by impairment losses, if any.

An impairment represents the difference between the carrying amount of investment, and the present value of expected future cash-flows, discounted by the actual market rate of return of similar financial assets. The value adjustments on investments in subsidiaries are recognised in the separate statement of profit or loss and other comprehensive income as Net impairment losses for investments in subsidiaries, joint ventures and associates.

The Bank conducts an impairment test annually, based on the financing and sales budgets of subsidiaries prepared for the subsequent 5 years. The present value of cash-flows is calculated as discounted cash-flows at an interest rate resulting from the Capital Assets Pricing Model valuation. Cash-flows are calculated as a present value of perpetuity, with a particular expected growth after termination of the 5-year period. The discount rate derives from the long-term risk-free interest rate, adjusted by the risk premium and asset-specific risk factors. The model is mainly sensitive to the change of discount rate and profitability growth.

(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 as separate items (major components) or 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 Bank, 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 item of tangible and intangible assets. Land is not depreciated. Depreciation of tangible and intangible assets commences as soon as they are put into use.

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

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

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

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

The Bank 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 Bank accounts for each lease component relating to the contract separately from the non-lease components of the contract.

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

Right-of-use assets are represented mainly by the lease of headquarter and branch premises, office space in post offices, IT lease contracts, lease of cars, and lease of other devices. The Bank 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 Bank'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 Bank 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 Bank 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 valued 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 booking), 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 Bank recognises any expense incurred on the financial liability
- Financial guarantee contracts and loan commitments.

III. Derecognition

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

(n) Provisions

A provision is recognised if, as a result of a past event, the Bank 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, where appropriate, the risks specific to the liability.

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

(o) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder for a loss it incurs, because a debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument.
Loan commitments are the Bank's commitment to provide credit under pre-specified terms and conditions.
Financial guarantees issued or commitments to provide a loan are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of the loss allowance determined in accordance with IFRS 9 and the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised.

(p) Employee benefits

I. Termination benefits

Termination benefits are recognised as an expense when the Bank 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 as 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 Bank 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) Offsetting

In general, financial assets and liabilities are not offset. They are presented net in the statement of financial position only when the Bank 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 Bank's trading activity.

(r) Basic and diluted earnings per share

The Bank 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.

(s) New standards and interpretations not yet adopted

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

- *Annual improvements to IFRS Standards 2018-2020*
  Amendments to IFRS 9 Financial Instruments - The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted).
- Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted).
- *Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current*
  The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance.
  The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted).
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments*
  The amendments to IAS 1 require companies to disclose their material accounting policies and not their significant accounting policies. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted).
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
  Amendments introduce a definition of accounting estimates and involve other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The distinction is important as the changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted)

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

3. Use of estimates and judgements

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

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

Expected credit losses

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

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

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

Further information about determining ECL is included in Note 34. 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 31. 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 Bank is obliged to maintain at an average level set by requirement of the NBS.

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

EUR '000	31. 12. 2021	31. 12. 2020
Cash on hand	29 827	25 875
Cash balances at central banks	404 800	243 049
Other demand deposits	15 402	24 737
Total	**450 029**	**293 661**

The above-mentioned financial assets are not restricted.

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

EUR '000	31. 12. 2021	31. 12. 2020	31. 12. 2019
Cash on hand	29 827	25 875	27 791
Other demand deposits	15 402	24 737	42 526
Total	**45 229**	**50 612**	**70 317**

5. Financial assets and liabilities held for trading

EUR '000	31. 12. 2021	31. 12. 2020
Financial assets held for trading		
Derivatives	2	2 648
Foreign exchange	2	2 648
Total	**2**	**2 648**
Financial liabilities held for trading		
Derivatives	3 695	746
Foreign exchange	3 695	746
Total	**3 695**	**746**

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

EUR '000	31. 12. 2021			31. 12. 2020		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange	143 237	2	3 695	214 006	2 648	746
Total	**143 237**	**2**	**3 695**	**214 006**	**2 648**	**746**

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

EUR '000	31. 12. 2021	31. 12. 2020
Equity instruments	**298 231**	**309 513**
Shares	-	2 980
Share certificates	298 231	306 533
Total	**298 231**	**309 513**

7. Financial assets at fair value through other comprehensive income

EUR '000	31. 12. 2021	31. 12. 2020
Equity instruments	**65**	**65**
Shares	65	65
Debt securities	**385 437**	**436 999**
General governments	266 897	295 664
Credit institutions	28 346	48 816
Other financial corporations	29 180	19 784
Non-financial corporations	61 014	72 735
Total	**385 502**	**437 064**
Impairment allowances to debt securities in OCI	(8 615)	(477)

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

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

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

8. Financial assets at amortised cost

EUR '000	Gross value		Impairment allowances		Carrying amount	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Debt securities	**386 574**	**372 485**	**(7 612)**	**(7 721)**	**378 962**	**364 764**
Central banks	-	-	-	-	-	-
General governments	307 533	284 612	(96)	(90)	307 437	284 522
Credit institutions	30 990	30 986	(2)	(5)	30 988	30 981
Other financial corporations	1 424	1 486	-	-	1 424	1 486
Non-financial corporations	46 627	55 401	(7 514)	(7 626)	39 113	47 775
Loans and advances	**3 373 564**	**2 996 470**	**(210 110)**	**(216 300)**	**3 163 454**	**2 780 170**
Central banks	-	-	-	-	-	-
General governments	60 000	-	(19)	-	59 981	-
Credit institutions	23 270	13 123	(18)	(16)	23 252	13 107
Other financial corporations	553 697	632 621	(15 441)	(16 183)	538 256	616 438
Non-financial corporations	845 625	895 062	(71 550)	(81 693)	774 075	813 369
Households	1 890 972	1 455 664	(123 082)	(118 408)	1 767 890	1 337 256
Lending for house purchase	1 028 687	547 615	(787)	(881)	1 027 900	546 734
Credit for consumption	849 215	898 235	(119 673)	(114 855)	729 542	783 380
Other	13 070	9 814	(2 622)	(2 672)	10 448	7 142
Other financial assets	**21 301**	**32 698**	**(118)**	**(151)**	**21 183**	**32 547**
Spolu	**3 781 439**	**3 401 653**	**(217 840)**	**(224 172)**	**3 563 599**	**3 177 481**

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

Loans and advances include finance lease receivables:

EUR '000	31. 12. 2021	31. 12. 2020
Minimum value of leasing payments		
Receivables from leasing	8 083	-
Up to 1 year	2 655	-
1-5 years	5 313	-
Over 5 years	115	-
Unrealized income on finance leases	(694)	-
Present value of future lease payments	**7 389**	**-**
Impairment allowances	(31)	-
Total	**7 358**	**-**

EUR '000	31. 12. 2021	31. 12. 2020
Present value of future lease payments		
Receivables from leasing	7 389	-
Up to 1 year	2 338	-
1-5 years	4 938	-
Over 5 years	113	-
Present value of future lease payments	**7 389**	**-**
Impairment allowances	(31)	-
Total	**7 358**	**-**

Other financial assets comprise the following:

EUR '000	31. 12. 2021	31. 12. 2020
Other financial assets, gross	**21 301**	**32 698**
Clearing and settlement items	3 227	3 478
Cash collateral	6 750	6 235
Tax receivables	-	16
Trade receivables	6 563	5 775
Other	4 761	17 194
Impairment allowances	**(118)**	**(151)**
Total	**21 183**	**32 547**

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

31. 12. 2021	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**339 947**	**46 627**	**-**	**-**	**(98)**	**(7 514)**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	(96)	-	-	-
Credit institutions	30 990	-	-	-	(2)	-	-	-
Other financial corporations	1 424	-	-	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	-	(7 514)	-	-
Loans and advances	**2 758 013**	**431 069**	**171 602**	**12 880**	**(21 004)**	**(33 075)**	**(147 085)**	**(8 946)**
Central banks	-	-	-	-	-	-	-	-
General governments	60 000	-	-	-	(19)	-	-	-
Credit institutions	23 270	-	-	-	(18)	-	-	-
Other financial corporations	499 510	45 976	11	8 200	(1 491)	(5 730)	(10)	(8 210)
Non-financial corporations	597 464	198 356	45 168	4 637	(14 778)	(16 231)	(39 830)	(711)
Households	1 577 769	186 737	126 423	43	(4 698)	(11 114)	(107 245)	(25)
Lending for house purchase	972 781	52 988	2 918	-	(107)	(155)	(525)	-
Credit for consumption	598 730	129 628	120 814	43	(4 521)	(10 940)	(104 187)	(25)
Other	6 258	4 121	2 691	-	(70)	(19)	(2 533)	-
Other financial assets	**-**	**21 301**	**-**	**-**	**-**	**(118)**	**-**	**-**
Total	**3 097 960**	**498 997**	**171 602**	**12 880**	**(21 102)**	**(40 707)**	**(147 085)**	**(8 946)**

31. 12. 2020	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**317 084**	**55 401**	**-**	**-**	**(95)**	**(7 626)**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	284 612	-	-	-	(90)	-	-	-
Credit institutions	30 986	-	-	-	(5)	-	-	-
Other financial corporations	1 486	-	-	-	-	-	-	-
Non-financial corporations	-	55 401	-	-	-	(7 626)	-	-
Loans and advances	**2 355 189**	**441 163**	**169 417**	**30 701**	**(22 766)**	**(39 696)**	**(142 971)**	**(10 867)**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	13 123	-	-	-	(16)	-	-	-
Other financial corporations	574 306	49 702	7	8 606	(1 775)	(6 253)	(7)	(8 148)
Non-financial corporations	680 250	136 982	55 787	22 043	(15 077)	(11 772)	(52 148)	(2 696)
Households	1 087 510	254 479	113 623	52	(5 898)	(21 671)	(90 816)	(23)
Lending for house purchase	480 820	64 545	2 250	-	(89)	(391)	(401)	-
Credit for consumption	599 709	189 796	108 678	52	(5 698)	(21 250)	(87 884)	(23)
Other	6 981	138	2 695	-	(111)	(30)	(2 531)	-
Other financial assets	**-**	**32 698**	**-**	**-**	**-**	**(151)**	**-**	**-**
Spolu	**2 672 273**	**529 262**	**169 417**	**30 701**	**(22 861)**	**(47 473)**	**(142 971)**	**(10 867)**

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

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

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

EUR '000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	**(22 766)**	**(39 696)**	**(142 971)**	**(10 867)**	**(216 300)**
Increases due to origination and acquisition	(5 098)	-	-	(7)	(5 105)
Decreases due to derecognition	2 705	3 232	11 228	317	17 482
Changes due to change in credit risk (net)	8 746	(8 920)	(28 136)	1 632	(26 678)
Transfers:	(4 555)	12 309	(7 754)	-	-
to/(from) Stage 1	x	3 808	747	-	4 555
to/(from) Stage 2	(3 808)	x	(8 501)	-	(12 309)
to/(from) Stage 3	(747)	8 501	x	-	7 754
Decrease in allowance account due to write-offs	-	-	20 642	-	20 642
Changes due to movements in FX rates	(36)	-	(94)	(21)	(151)
As of 31 December 2021	**(21 004)**	**(33 075)**	**(147 085)**	**(8 946)**	**(210 110)**

EUR '000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	**(26 507)**	**(21 456)**	**(134 853)**	**(17 586)**	**(200 402)**
Increases due to origination and acquisition	(6 836)	-	-	-	(6 836)
Decreases due to derecognition	2 463	1 158	27 682	4	31 307
Changes due to change in credit risk (net)	12 268	(38 564)	(20 835)	6 214	(40 917)
Transfers:	(4 208)	19 166	(14 958)	-	-
to/(from) Stage 1	x	3 758	450	-	4 208
to/(from) Stage 2	(3 758)	x	(15 408)	-	(19 166)
to/(from) Stage 3	(450)	15 408	x	-	14 958
Changes due to movements in FX rates	54	-	(7)	501	548
As of 31 December 2020	**(22 766)**	**(39 696)**	**(142 971)**	**(10 867)**	**(216 300)**

9. Hedging derivatives

The Bank uses 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 Bank 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 amounts and fair value 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 associated with the market risk or credit risk of these transactions. All hedging derivatives of the Group comply with IFRS 9.

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

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

EUR '000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	
Fair value hedges					
Interest rate	200 037	197 635	1 091	2 276	Revaluation of FVOCI financial assets
Portfolio hedge of interest rate risk	145 078	191 489	(2 260)	(5 739)	Financial assets at amortised cost

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

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

10. Investments in subsidiaries, joint ventures and associates

EUR '000	31. 12. 2021	31. 12. 2020
Investments in subsidiaries	75 544	87 129
Investments in joint ventures	140	614
Investments in associates	-	-
Impairment allowances	(7 022)	(9 164)
Total	**68 662**	**78 579**

During 2021, the following significant changes occurred in investments:

- PB Partner, a.s. has been liquidated
- The Bank bought other shares in ART FOND - Stredoeurópsky fond súčasného umenia, a.s, thus acquiring control in the company with total ownership of 87,99%.
- The Bank increased its exposure to 365.fintech, a.s. by increasing other capital funds
- On 3 July 2021, the Bank sold its entire share in the subsidiary Poštová poisťovňa, a. s.
- The Bank purchased a 5% non-controlling interest in Ahoj, a. s., thus becoming 100% shareholder of the company.

During 2020, the Bank acquired a 100% share and control in Cards&Co, a. s.

During 2020, the Bank replenished other capital funds in the subsidiaries Ahoj, a.s., PB Finančné služby, a. s. and 365.fintech, a.s.

11. Tangible assets

EUR '000	31. 12. 2021	31. 12. 2020
Tangible assets owned	25 319	26 409
Property, plant and equipment	25 319	26 409
Right of use assets	39 213	31 725
Total	**64 532**	**58 134**

EUR '000	Tangible assets owned				
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	Total
Cost					
As of 1 January 2021	18 618	11 663	19 516	1 287	**51 084**
Additions	-	-	-	4 618	**4 618**
Transfers	1 628	1 937	1 465	(5 030)	-
Disposals	(536)	(1 498)	(1 499)	(110)	**(3 643)**
As of 31 December 2021	**19 710**	**12 102**	**19 482**	**765**	**52 059**
Accumulated depreciation					
As of 1 January 2021	(5 635)	(8 502)	(9 597)	-	**(23 734)**
Depreciation for the year	(1 587)	(1 615)	(2 134)	-	**(5 336)**
Disposals	221	1 493	1 258	-	**2 972**
As of 31 December 2021	**(7 001)**	**(8 624)**	**(10 473)**	**-**	**(26 098)**
Accumulated impairment losses	**(619)**	**-**	**(23)**	**-**	**(642)**
Carrying amount as at 31.12.2021	**12 090**	**3 478**	**8 986**	**765**	**25 319**

EUR '000	Tangible assets owned				
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	Total
Cost					
As of 1 January 2020	17 667	10 511	14 985	207	**43 370**
Additions from business combinations	-	-	-	10 246	**10 246**
Additions	-	-	-	-	-
Additions from acquisition of the business	-	-	-	-	-
Transfers	1 420	1 707	5 957	(9 084)	-
Disposals	(469)	(555)	(1 426)	(82)	**(2 532)**
As of 31 December 2020	**18 618**	**11 663**	**19 516**	**1 287**	**51 084**
Accumulated depreciation					
As of 1 January 2020	(4 389)	(7 406)	(8 917)	-	**(20 712)**
Additions from business combinations	-	-	-	-	-
Depreciation for the year	(1 573)	(1 654)	(2 046)	-	**(5 273)**
Disposals	327	558	1 366	-	**2 251**
As of 31 December 2020	**(5 635)**	**(8 502)**	**(9 597)**	**-**	**(23 734)**
Accumulated impairment losses	**(413)**	**-**	**(527)**	**-**	**(940)**
Carrying amount as at 31.12.2020	**12 570**	**3 161**	**9 391**	**1 287**	**26 409**

EUR '000	Right of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2021	38 016	211	4 115	**42 342**
Additions	3 692	-	382	**4 074**
Remeasurements	9 139	-	-	**9 139**
Disposals	(1 317)	-	(439)	**(1 756)**
As of 31 December 2021	**49 530**	**211**	**4 058**	**53 799**
Accumulated depreciation				
As of 1 January 2021	(9 187)	(105)	(1 324)	**(10 616)**
Depreciation for the year	(4 994)	(53)	(633)	**(5 680)**
Disposals	1 278	-	431	**1 709**
As of 31 December 2021	**(12 903)**	**(158)**	**(1 526)**	**(14 587)**
Accumulated impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2021	**36 628**	**53**	**2 532**	**39 213**

EUR '000	Right of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2020	25 291	211	4 044	**29 546**
Additions	2 316	-	71	**2 387**
Remeasurements	10 868	-	-	**10 868**
Disposals	(459)	-	-	**(459)**
As of 31 December 2020	**38 016**	**211**	**4 115**	**42 342**
Accumulated depreciation				
As of 1 January 2020	(4 688)	(53)	(644)	**(5 385)**
Depreciation for the year	(4 761)	(53)	(680)	**(5 494)**
Disposals	262	1	-	**263**
As of 31 December 2020	**(9 187)**	**(105)**	**(1 324)**	**(10 616)**
Accumulated impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2020	**28 829**	**105**	**2 791**	**31 725**

Movements in the impairment allowance for tangible assets are as follows:

EUR '000	31. 12. 2021	31. 12. 2020
Opening balance as at 1 January	(940)	(646)
Net creation/(release) of impairment losses	298	(294)
Closing balance	**(642)**	**(940)**

The Bank used fully depreciated tangible assets with an acquisition cost as follows:

EUR '000	31. 12. 2021	31. 12. 2020
Costs of fully depreciated tangible assets in use	12 448	9 780

The Bank insured its assets against natural disasters, damage caused by intentional acts, burglary and robbery. Motor vehicles are insured by compulsory motor third party liability insurance and CASCO insurance. No lien has been established on the bank's assets.

EUR '000	31. 12. 2021	31. 12. 2020
Insurance amount of fixed assets	51 109	49 500

12. Intangible assets

EUR '000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2021	74 737	88	5 082	**79 907**
Additions	-		12 359	**12 359**
Transfers	11 518	–	(11 518)	-
Disposals	(2 053)	(16)	(273)	**(2 342)**
As of 31 December 2021	**84 202**	**72**	**5 650**	**89 924**
Accumulated amortisation				
As of 1 January 2021	(44 149)	(87)	-	**(44 236)**
Amortisation for the year	(14 084)	(2)	-	**(14 086)**
Disposals	2 053	17	-	**2 070**
As of 31 December 2021	**(56 180)**	**(72)**	**-**	**(56 252)**
Accumulated impairment losses	**(226)**	**-**	**-**	**(226)**
Carrying amount as at 31.12.2021	**27 796**	**-**	**5 650**	**33 446**

EUR '000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2020	67 981	88	2 041	**70 110**
Additions	-		14 115	**14 115**
Transfers	10 947		(10 947)	-
Disposals	(4 191)	-	(127)	**(4 318)**
As of 31 December 2020	**74 737**	**88**	**5 082**	**79 907**
Accumulated amortisation				
As of 1 January 2020	(38 968)	(75)	-	**(39 043)**
Amortisation for the year	(9 260)	(12)	-	**(9 272)**
Disposals	4 079	-	-	**4 079**
As of 31 December 2020	**(44 149)**	**(87)**	**-**	**(44 236)**
Accumulated impairment losses	**(325)**	**-**	**-**	**(325)**
Carrying amount as at 31.12.2020	**30 264**	**2**	**5 082**	**35 348**

The Bank used fully depreciated intangible assets with an acquisition cost as follows:

EUR '000	31. 12. 2021	31. 12. 2020
Costs of fully amortized intangible assets in use	24 915	8 842

13. Deferred tax assets and liabilities

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

	31. 12. 2021	31. 12. 2020
Companies in SR	21 %	21 %
Companies in CR	-	19 %

EUR '000	31. 12. 2021	31. 12. 2020
SR		
Impairment on financial assets at AC	22 176	22 782
Provisions for off-balance sheet exposures	160	183
Revaluation of financial assets at FVOCI	(2 724)	(1 770)
Tangible assets	280	111
Other	3 116	3 251
Total	**23 008**	**24 557**
CR		
Provisions for off-balance sheet exposures	-	117
Tangible assets	-	(1)
Other	-	15
Total	**-**	**131**
Total deferred tax assets	**23 008**	**24 688**

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

Movements in deferred tax were as follows:

EUR '000	1. 1. 2021	Profit or loss	OCI	31. 12. 2021
Impairment on financial assets at AC	22 782	(606)	-	22 176
Provisions for off-balance sheet exposures	300	(140)	-	160
Revaluation of financial assets at FVOCI	(1 770)	(2)	(952)	(2 724)
Tangible assets	110	170	-	280
Other	3 266	(150)	-	3 116
Total	**24 688**	**(728)**	**(952)**	**23 008**

EUR '000	1. 1. 2020	Profit or loss	OCI	31. 12. 2020
Impairment on financial assets at AC	16 015	6 767	-	22 782
Provisions for off-balance sheet exposures	574	(274)	-	300
Revaluation of financial assets at FVOCI	(1 688)	-	(82)	(1 770)
Tangible assets	(104)	214	-	110
Other	3 660	(394)	-	3 266
Total	**18 457**	**6 313**	**(82)**	**24 688**

14. Other assets

EUR '000	31. 12. 2021	31. 12. 2020
Deferred expenses	8 952	9 878
Accrued income	3 773	2 394
Inventories	334	333
Prepayments	3 725	5 909
Total	**16 784**	**18 514**

15. Financial liabilities measured at amortised cost

EUR '000	31. 12. 2021	31. 12. 2020
Deposits	**4 006 346**	**3 671 084**
Central banks	249 931	-
General governments	3 613	3 390
Credit institutions excluding subordinated debt	74 487	18 010
Credit institutions - subordinated debt	8 014	8 014
Other financial corporations	157 046	202 578
Non-financial corporations	146 900	163 629
Households	3 366 355	3 275 463
Debt securities issued	**64 794**	**-**
Non-convertible debt securities issued	64 794	-
Other financial liabilities	**58 641**	**52 709**
Clearing and settlement items	5 930	11 796
Liabilities to employees	3 190	4 044
Liabilities from social and health insurance and social fund	1 516	1 423
Tax liabilities	867	847
Received prepayments	5 002	2
Liabilities from dividends	28	28
Lease liabilities	39 762	32 086
Other creditors	2 346	2 483
Total	**4 129 781**	**3 723 793**

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

EUR '000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Cur-rency	31. 12. 2021	31. 12. 2020
Debt securities issued	22. 11. 2021	22. 11. 2024	3,50 %	15	1 000	EUR	14 984	-
Debt securities issued	22. 12. 2021	22. 12. 2024	3,50 %	500	100	EUR	49 810	-
Total							**64 794**	**-**

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Subordinated debt	8 014	8 014
Other received loans	-	-

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

Veriteľ	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a.s.	365.bank, a. s.	8 014	3M EURIBOR + 6 %	31. 12. 2026

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

EUR '000	Debt securities issued		Subordinated debt	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Opening balance as at 1 January	**-**	**-**	**8 014**	**8 014**
Proceeds from issue of debt securities	65 000	-	-	
Repayment of debt securities	-	-	-	
Interest expenses	104	-	480	481
Interest paid	(310)	-	(480)	(481)
Closing balance	**64 794**	**-**	**8 014**	**8 014**

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

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

Based on the terms of this program, in comparison to market pricing for other similarly-collateralised borrowings available to the Bank, it was concluded that TLTRO III does not contain a significant benefit relative to market pricing, and accounts for financial liabilities relating to the TLTRO III program wholly as floating rate instruments under IFRS 9.

The effective interest rate of these instruments includes the special interest period, and reflects the Bank's determination at initial recognition as to the final interest amount receivable on maturity. This calculation at initial recognition also considers the Bank's expectation to meet its lending targets over the operations' life.

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

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

16. Provisions

EUR '000	31. 12. 2021	31. 12. 2020
Commitments and guarantees given	763	1 488
Loan commitments	573	799
Guarantees given	190	689
Other provisions	6	1 106
Total	**769**	**2 594**

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	Spolu
As of 1 January 2021	**429**	**439**	**620**	**-**	**1 488**
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)	(238)	671	(194)		239
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	**411**	**351**	**1**	**-**	**763**

EUR '000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Spolu
As of 1 January 2020	**1 598**	**695**	**494**	**-**	**2 787**
Increases due to origination and acquisition	2 716	-	-	-	2 716
Decreases due to derecognition	(2 695)	(789)	(511)	-	(3 995)
Changes due to change in credit risk (net)	(1 165)	511	637		(17)
Transfers:	(22)	22	-	-	-
(to)/from Stage 1	x	22	-	-	22
(to)/from Stage 2	(22)	x	-	-	(22)
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(3)	-	-	-	(3)
As of 31 December 2020	**429**	**439**	**620**	**-**	**1 488**

17. Other liabilities

EUR '000	31. 12. 2021	31. 12. 2020
Estimated payables (PEREX, OPEX)	13 705	11 406
Deferred income	129	146
Total	**13 834**	**11 552**

18. Equity

a) Share capital

	31. 12. 2021	31. 12. 2020
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR '000	**366 305**	**366 305**

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

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

c) Revaluation of financial instruments measured through other comprehensive income

This item includes the revaluation at FVOCI of financial assets after deferred tax. Since 1 January 2018, through 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.

e) Distribution of profit in the previous period

The General Meeting of shareholders decided to distribute the profit for the previous period as follows:

EUR '000	
Profit for the year	**44 358**
Dividends	-
Transfer to retained earnings	39 922
Transfer to legal reserve fund	4 436

f) Proposal of distribution of profit for current period

Profit distribution for the current period is subject to the approval of the Shareholders' meeting. As of the date of approval of the financial statements on 9 March 2022, the Bank's Board of Directors proposes the following profit distribution for 2021:

EUR '000	
Profit for the year	**58 298**
Dividends	-
Transfer to retained earnings	52 468
Transfer to legal reserve fund	5 830

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR '000	31. 12. 2021	31. 12. 2020
Loan commitments given	274 617	243 612
Financial guarantees given	16 657	18 236
Total	**291 274**	**261 848**

b) Assets involved in the services provided

EUR '000	31. 12. 2021	31. 12. 2020
Asset management	960 554	976 727
Custody assets	104 068	100 592
Total	**1 064 622**	**1 077 319**

c) Securities provided as collateral

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

EUR '000	31. 12. 2021	31. 12. 2020
Financial assets at fair value through other comprehensive income	185 995	42 291
Financial assets at amortised cost	270 682	298 644
Total	**456 677**	**340 935**

d) Transferred financial assets

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

EUR '000	Carrying amount of transferred assets		Carrying amount of associated liabilities	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Debt securities	456 677	-	319 930	-
Collateral given in repurchase agreements	**456 677**	**-**	**319 930**	**-**

20. Offsetting of financial assets and liabilities

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

31. 12. 2021	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2	-	2	2	-	-	-
Total assets	**2**	**-**	**2**	**2**	**-**	**-**	**-**
Financial liabilities							
Derivatives	3 695	-	3 695	2	3 693	-	-
Hedging derivatives	4 977	-	4 977	-	4 895	-	82
Total liabilities	**8 672**	**-**	**8 672**	**2**	**8 588**	**-**	**82**

31. 12. 2020	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2 648	-	2 648	746	1 881	-	21
Total assets	**2 648**	**-**	**2 648**	**746**	**1 881**	**-**	**21**
Financial liabilities							
Derivatives	746	-	746	746	-	-	-
Hedging derivatives	10 318	-	10 318	-	6 472	-	3 846
Total liabilities	**11 064**	**-**	**11 064**	**746**	**6 472**	**-**	**3 846**

21. Net interest income

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

EUR '000	2021	2020
Interest income		
Financial assets at fair value through other comprehensive income	5 712	6 679
Financial assets at amortised cost	135 113	147 317
Debt securities	5 579	8 227
Loans and advances	129 534	139 090
Derivatives - Hedge accounting, interest rate risk	(2 286)	(2 324)
Other assets	5	109
Other	5	107
Interest income on liabilities	69	-
Total interest income	**138 613**	**151 781**
Interest expenses		
Financial liabilities measured at amortised cost	(4 753)	(8 064)
thereof: lease liabilities	(546)	(448)
Other liabilities	-	(9)
Interest expense on assets	(123)	-
Total interest expense	**(4 876)**	**(8 073)**
Net interest income	**133 737**	**143 708**

EUR '000	2021	2020
Interest income calculated on an EIR	138 604	151 781
Other interest income	9	-
Total interest income	**138 613**	**151 781**

22. Net fee and commission income

EUR '000	2021	2020
Fee and commission income		
Securities	61	84
Clearing and settlement	14 168	15 567
Custody	3 517	2 903
Payment services	29 689	31 584
Current accounts	24 534	26 632
Debit cards and other card payments	355	385
Transfers and other payment orders	1 975	1 885
Other fee and commission income in relation to payment services	2 825	2 682
Loan servicing activities	2 491	2 769
Loan commitments given	653	901
Financial guarantees given	304	353
Other	11 985	7 403
Total fee and commission income	**62 868**	**61 564**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	61 911	60 310
Fee and commission expenses		
Securities	(372)	-
Clearing and settlement	(21 150)	(20 929)
Custody	(423)	(418)
Loan servicing activities	(2 005)	(2 264)
Other	(3 360)	(2 667)
Total fee and commission expenses	**(27 310)**	**(26 278)**
Net fee and commission income	**35 558**	**35 286**

23. Dividend income

EUR '000	2021	2020
Non-trading financial assets mandatorily at fair value through profit or loss	24 415	-
Financial assets at fair value through other comprehensive income	-	15
Investments in subsidiaries, joint ventures and associates	14 769	15 743
Total	**39 184**	**15 758**

24. Net gains/(losses) from financial transactions

EUR '000	2021	2020
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**5 450**	**551**
Financial assets at fair value through other comprehensive income	-	551
Equity instruments	-	9
Debt securities	-	542
thereof: reclassified from other comprehensive income	-	1 086
Other	5 450	-
Gains/(losses) on financial assets and liabilities held for trading, net	**(9 257)**	**12 763**
Derivatives	(9 257)	12 763
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	**(12 846)**	**2 711**
Revaluation gains/(losses)	(12 846)	2 711
Gains/(losses) from hedge accounting, net	**(48)**	**37**
Fair value changes of the hedging instrument	4 616	(1 625)
Fair value changes of the hedged item attributable to the hedged risk	(4 663)	1 662
Exchange differences, net	**9 851**	**(15 628)**
Total	**(6 850)**	**434**

25. Other operating income and expenses

EUR '000	2021	2020
Other operating expenses	**(5 895)**	**(9 507)**
Bank and insurance companies specific fees	(3 142)	(8 131)
Special levy for banking institutions	-	(7 453)
Resolution fund	(312)	(341)
Deposit protection fund	(2 830)	(337)
Other	(2 753)	(1 376)
Other operating income	**4 569**	**2 474**
Other	4 569	2 474
Gains/(losses) on derecognition of non-financial assets, net	**(555)**	**(224)**
Total	**(1 881)**	**(7 257)**

26. Administrative expenses

EUR '000	2021	2020
Staff expenses	**(44 829)**	**(41 238)**
Wages and salaries (including bonuses)	(32 542)	(29 588)
Social expenses	(12 287)	(11 650)
Other administrative expenses	**(41 089)**	**(36 099)**
Rental expenses	(1 431)	(1 391)
Short-term lease contracts	(1 006)	(971)
Variable lease payments not included in the lease liabilities	(273)	(258)
Other	(152)	(162)
Real estate expenses	(3 089)	(2 592)
IT expenses	(9 319)	(6 829)
Marketing and advertisement	(7 585)	(7 893)
Legal and consulting services	(3 737)	(2 142)
Post and telecommunication	(3 850)	(3 878)
Material consumption	(993)	(987)
Repair and maintenance	(3 347)	(3 359)
Other admininstrative expenses - Rest	(7 738)	(7 028)
Total	**(85 918)**	**(77 337)**

	2021	2020
Number of employees as of balance sheet date	1 211	1 178
Average number of employees for the period	1 188	1 170
thereof, key management	21	20

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

EUR '000	2021	2020
Audit of the financial statements	(231)	(183)
Non-audit services required by EU legislation	(66)	(57)
Other assurance services	(48)	-
Other non-audit services	(8)	-
Total	**(353)**	**(240)**

27. Depreciation

EUR '000	2021	2020
Property, plant and equipment	**(5 336)**	**(5 273)**
Buildings	(1 587)	(1 573)
Hardware	(1 615)	(1 654)
Fittings and other equipment	(2 134)	(2 046)
Right of use assets	**(5 680)**	**(5 494)**
Buildings	(4 994)	(4 761)
Hardware	(53)	(53)
Fittings and other equipment	(633)	(680)
Intangible assets	**(14 086)**	**(9 272)**
Software	(14 084)	(9 260)
Other intangible assets	(2)	(12)
Total	**(25 102)**	**(20 039)**

28. Impairment losses and provisions

EUR '000	2021	2020
Net impairment of financial assets not valued at fair value through profit or loss	**(22 125)**	**(38 705)**
Financial assets at fair value through other comprehensive income	(8 137)	741
Debt securities	(8 137)	741
Financial assets at amortised cost	(13 988)	(39 446)
Debt securities	109	(191)
Loans and advances	(14 263)	(39 010)
Other financial assets	166	(245)
Net impairment of investments in subsidiaries, joint ventures and associates	2 142	(4 013)
Subsidiaries	2 142	(4 013)
Release/(creation) of provisions	**1 834**	**707**
Net impairment on non-financial assets	**398**	**(619)**
Total	**(17 751)**	**(42 630)**

29. Income tax

EUR '000	2021	2020
Current income tax	**(11 951)**	**(9 878)**
Deferred tax	**(728)**	**6 313**
Total	**(12 679)**	**(3 565)**

Reconciliated effective tax rate:

EUR '000	2021	2020
Profit before tax	70 977	47 923
Income tax rate	21 %	21 %
Theoretical income tax	**(14 905)**	**(10 064)**
Non - tax expenses	(5 684)	(2 995)
Impairment allowances	1 350	(539)
Other	(7 034)	(2 456)
Non - taxable income	7 888	4 663
Dividends	3 105	3 309
Other	4 783	1 354
Deferred tax	(728)	5 114
Correction of prior period	667	(336)
Other	83	53
Total	**(12 679)**	**(3 565)**
Effective tax rate	**17,86 %**	**7,44 %**

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.

30. 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) Companies 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 companies 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 Bank that gives them significant influence over the Bank, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Bank

(d) Key management personnel, i.e. persons having authority and responsibility for planning, managing and controlling the activities of the Bank, including directors and managing employees of the Bank, 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 Bank

31. 12. 2021	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiaries	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**59 990**	**158 872**	**66 164**	**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	66 164	561	-	1 887	142 027
Debt securities	-	-	-	-	-	-	-
Loans and advances	59 990	8 662	64 272	-	-	1 887	142 027
Other financial assets	-	140	1 892	561	-	-	-
Liabilities	**-**	**17 154**	**9 679**	**3 799**	**-**	**1 499**	**1 739**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	17 154	9 679	3 799	-	1 499	1 739
Deposits	-	17 147	9 124	3 799	-	1 499	1 724
Other financial liabilities	-	7	555	-	-	-	15
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2021							
Income/expenses							
Net interest income	1 488	122	1 251	-	-	8	2 692
Net fee and commission income	36	354	5 903	7 663	-	1	690
Net gains/(losses) from financial transactions	-	1 394	-	-	-	-	-
Net other operating expenses	-	61	(177)	93	-	-	-
Administrative expenses	-	(65)	(5 555)	4	-	-	(147)

31. 12. 2020	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiaries	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**14 980**	**176 359**	**89 547**	**705**	**-**	**1 071**	**34 081**
Other demand deposits	-	186	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	137 567	-	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-	-
Financial assets at amortised cost	14 980	38 606	89 547	705	-	1 071	34 081
Debt securities	-	-	-	-	-	-	-
Loans and advances	14 980	38 481	86 679	-	-	1071	34 081
Other financial assets	-	125	2 868	705	-	-	-
Liabilities	**-**	**18 754**	**13 333**	**4 392**	**-**	**1 452**	**1 608**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	18 754	13 333	4 392	-	1 452	1 608
Deposits	-	18 733	12 885	4 392	-	1 452	1 589
Other financial liabilities	-	21	449	-	-	-	19
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2020							
Income/expenses							
Net interest income	500	(478)	948	-	-	10	888
Net fee and commission income	(12)	344	6 291	7 898	-	1	68
Net gains/(losses) from financial transactions	-	(1 815)	-	-	-	-	-
Net other operating expenses	-	-	189	78	-	-	-
Administrative expenses	-	(83)	(6 450)	-	10	-	(123)

The total remuneration of the members of the Board of Directors, members of the Supervisory Board and executive officers directly supervised by the Board of Directors members of 365.bank for the year ended 31 December 2021 is in the amount of EUR 3 357 thousand (2020: EUR 2 970 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

31. 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 Bank 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 on an annual basis. Fund prices 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 Bank uses widely recognised valuation models for determining the fair value of common and the uncomplicated 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. 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 Bank uses models based on net present value. The key estimation parameter is the discount interest rate. Determination of the discount interest rate is based on the risk-free market rate, which corresponds to the incremental maturity of particular financial instruments, plus a risk premium. The risk premium is determined to be consistent with regular market practice.

For more complex instruments, the Bank 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. 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 particular levels can occur only if market activity has changed.

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

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

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Assets								
Financial assets held for trading	**-**	**-**	**2**	**2 648**	**-**	**-**	**2**	**2 648**
Derivatives	-	-	2	2 648	-	-	2	2 648
Non-trading financial assets mandatorily at FVPL	**-**	**-**	**298 231**	**309 513**	**-**	**-**	**298 231**	**309 513**
Equity instruments	-	-	298 231	309 513	-	-	298 231	309 513
Financial assets at FVOCI	**337 413**	**349 425**	**-**	**78 973**	**48 089**	**8 666**	**385 502**	**437 064**
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	337 413	349 425	-	78 973	48 024	8 601	385 437	436 999
Total assets	**337 413**	**349 425**	**298 233**	**391 134**	**48 089**	**8 666**	**683 735**	**749 225**

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Liabilities								
Financial liabilities held for trading	**-**	**-**	**3 695**	**746**	**-**	**-**	**3 695**	**746**
Derivatives	-	-	3 695	746	-	-	3 695	746
Derivatives – Hedge accounting	**-**	**-**	**4 977**	**10 318**	**-**	**-**	**4 977**	**10 318**
Total liabilities	**-**	**-**	**8 672**	**11 064**	**-**	**-**	**8 672**	**11 064**

The following table shows a reconciliation of the opening balance to the closing balance of fair values in Level 3:

EUR '000	1. 1. 2021	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2021
Financial assets at fair value through OCI	8 666	2 110	97	46 018	(26 912)	18 110	-	48 089
Total	**8 666**	**2 110**	**97**	**46 018**	**(26 912)**	**18 110**	**-**	**48 089**

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

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

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

31. december 2021	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**450 029**	**450 029**	**-**	**450 029**	**-**
Financial assets at amortised cost	**3 563 599**	**3 612 041**	**349 841**	**45 521**	**3 216 679**
Debt securities	378 962	397 345	349 841	-	47 504
Loans and advances	3 163 454	3 193 513	-	24 338	3 169 175
Other financial assets	21 183	21 183	-	21 183	-
Financial liabilities					
Financial liabilities measured at amortised cost	**4 129 781**	**4 142 831**	**-**	**4 142 831**	**-**
Deposits	4 006 346	4 019 396	-	4 019 396	-
Debt securities issued	64 794	64 794	-	64 794	-
Other financial liabilities	58 641	58 641	-	58 641	-

31. december 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**293 661**	**293 661**	**-**	**293 661**	**-**
Financial assets at amortised cost	**3 177 481**	**3 287 915**	**339 652**	**66 085**	**2 882 178**
Debt securities	364 764	387 594	339 652	-	47 942
Loans and advances	2 780 170	2 867 774	-	33 538	2 834 236
Other financial assets	32 547	32 547	-	32 547	-
Financial liabilities					
Financial liabilities measured at amortised cost	**3 723 793**	**3 739 644**	**-**	**3 739 644**	**-**
Deposits	3 671 084	3 686 935	-	3 686 935	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	52 709	52 709	-	52 709	-

32. Segment reporting

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

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

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

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

EUR '000	Retail banking		Corporate banking		Other banking		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Interest income	63 820	71 013	71 789	74 993	3 004	5 775	138 613	151 781
Interest expenses	(3 511)	(7 081)	(30)	(93)	(1 335)	(899)	(4 876)	(8 073)
Net interest income	**60 309**	**63 932**	**71 759**	**74 900**	**1 669**	**4 876**	**133 737**	**143 708**
Fee and commission income	46 801	43 834	14 975	17 197	1 092	533	62 868	61 564
Fee and commission expenses	(20 326)	(18 609)	(5 722)	(7 219)	(1 262)	(450)	(27 310)	(26 278)
Net fee and commission income	**26 475**	**25 225**	**9 253**	**9 978**	**(170)**	**83**	**35 558**	**35 286**
Net interest and fee margin	**86 784**	**89 157**	**81 012**	**84 878**	**1 499**	**4 959**	**169 295**	**178 994**
Impairment losses and provisions	(13 411)	(27 054)	(4 225)	(15 518)	(115)	(58)	(17 751)	(42 630)

EUR '000	Retail banking		Corporate banking		Other banking		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Assets	1 764 625	1 332 067	1 786 234	1 864 226	1 354 027	1 241 613	4 904 886	4 437 906
Liabilities	3 295 552	3 296 533	284 052	319 263	1 325 282	822 110	4 904 886	4 437 906

In the table below is presented disaggregated fee and commision income according to the segments (as required by IFRS 15):

EUR '000	Retail banking		Corporate banking		Other banking		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Fee and commission income								
Securities	-	-	-	-	61	84	61	84
Clearing and settlement	6 637	7 415	7 032	8 103	499	49	14 168	15 567
Custody	-	-	3 458	2 843	59	60	3 517	2 903
Payment services	26 781	27 608	2 876	3 953	32	23	29 689	31 584
Loan servicing activities	1 709	1 508	689	1 007	93	254	2 491	2 769
Loan commitments given	-	-	650	887	3	14	653	901
Financial guarantees given	49	23	253	284	2	46	304	353
Other	11 625	7 280	17	120	343	3	11 985	7 403
Total fee and commission income	**46 801**	**43 834**	**14 975**	**17 197**	**1 092**	**533**	**62 868**	**61 564**

33. 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 Bank's risk management framework. Some responsibilities are delegated to special advisory bodies (committees).

The Bank's risk management policies are based on the Risk Management Strategy, as a primary document for risk management, which is 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 Bank. For management of the risks faced by the Bank, there are defined appropriate limits, and controls for risk monitoring and adherence to those limits.

Evaluation of key performance limits defined in the Bank'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 Bank, 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.

The rights and responsibilities of the Bank'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 Bank's compliance with financial accounting standards. The Audit Committee is assisted in these functions by the Department of Internal control and audit.

The Bank has exposure to the following main risks:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Settlement risk

Settlement risk

The Bank'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 Bank 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.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty-specific approval by ALCO.

34. Credit risk

Credit risk is the risk of financial loss to the Bank if a debtor, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises from the Bank's financial assets – primarily from loans and advances, debt securities, and off-balance sheet exposures. For risk management reporting purposes, the Bank 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 within the Bank is the responsibility of the Risk Management division. The Board of Directors has delegated responsibility for the oversight of credit risk in compliance with a formal competence order.

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 Bank has various rating models depending on the type of business.

When analysing client deals the Bank 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 Bank 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 Bank's internal guidelines.

To mitigate credit risk, the Bank uses the following types of limits:
- Financial involvement limits of the client or economically connected entities (clients)
- Country limits
- Limits on banks
- Industry limits

The Bank continuously monitors and evaluates compliance with the limits and translates these into its 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 FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	307 533	284 612	60 000	-	266 897	295 664	-	-	-	-
Credit institutions	30 990	30 986	23 270	13 123	28 346	48 816	-	-	-	-
Other financial corporations	1 424	1 486	553 697	632 621	29 180	19 784	9 346	15 061	-	4 953
Non-financial corporations	46 627	55 401	845 625	895 062	61 014	72 735	52 822	98 801	16 657	13 283
A Agriculture, forestry and fishing	-	-	17 887	-	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	59 798	57 070	-	3 138	438	1 561	76	79
D Electricity, gas, steam and air conditioning supply	-	-	67 609	148 854	-	-	-	74 531	-	-
E Water supply	-	-	305	-	-	-	-	-	-	-
F Construction	-	-	113 848	106 141	-	-	2 108	2 413	2 972	3 458
G Wholesale and retail trade	-	-	25 397	31 518	-	-	446	592	487	2 079
H Transport and storage	-	-	1 097	288	-	-	23	21	3	247
I Accommodation and food service activities	-	-	75 463	54 954	-	37 950	64	197	-	-
J Information and communication	-	-	10 104	16 899	-	-	3 979	4 227	150	-
K Financial and insurance activities	-	-	53 508	28 412	-	8 601	45 600	8 678	5 230	-
L Real estate activities	46 627	55 401	157 878	167 384	-	-	44	5 898	-	-
M Professional, scientific and technical activities	-	-	92 511	99 795	-	-	87	77	7 739	7 420
N Administrative and support service activities	-	-	78 890	87 742	-	-	29	605	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	13	25	-	-	-	-	-	-
Q Human health services and social work activities	-	-	19 246	19 508	-	-	-	-		
R Arts, entertainment and recreation	-	-	69 187	76 315	61 014	23 046	-	-	-	-
S Other services	-	-	2 884	157	-	-	4	1	-	-
Households	-	-	1 890 972	1 455 664	-	-	212 449	129 750	-	-
Total	386 574	372 485	3 373 564	2 996 470	385 437	436 999	274 617	243 612	16 657	18 236

EUR '000	Financial assets at amortised cost				Financial assets FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Slovak Republic	320 481	290 779	2 481 397	2 173 211	247 927	245 587	228 877	166 756	3 750	4 408
Czech Republic	-	-	348 281	319 087	29 462	80 288	30 547	76 807	257	1 454
Cyprus	-	-	298 390	274 392	-	-	14 977	37	-	-
Luxemburg	1 424	1 486	133 395	115 421	11 621	12 374	-	-	-	-
Switzerland	-	-	69 171	76 295	-	-	2	2	-	-
France	-	-	1 100	1 845	51 375	52 914	1	1	-	-
Netherlands	20 000	20 001	21 991	30 437	-	-	-	1	5 230	-
Poland	-	15 127	1	1	14 060	14 654	1	-	-	4 954
Lithuania	10 110	10 174	-	-	13 329	13 475	-	-	-	-
Latvia	2 181	2 208	-	-	17 663	17 707	-	-	-	-
Austria	-	-	19 537	221	-	-	1	1	-	-
Other countries	32 378	32 710	301	5 560	-	-	211	7	7 420	7 420
Total	**386 574**	**372 485**	**3 373 564**	**2 996 470**	**385 437**	**436 999**	**274 617**	**243 612**	**16 657**	**18 236**

Rating system

The Bank uses a rating system to evaluate the financial performance of companies. The rating system evaluates 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 Bank. The Bank categorises clients into rating levels from best to worst, the worst level representing the highest probability of default. The Bank has established processes for creation of ratings, their regular update, and control for assigning the ratings, and these are defined in the Bank's internal guidelines.

The Bank uses internal credit risk ratings which reflect the probability of default by individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Information regarding borrower and loan, 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 expert judgement to be included in the final internal credit rating for each exposure. In addition to this, the system also allows inclusion of an expert judgement, which is information that may not be captured from other data inputs.

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

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

Credit risk	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 credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank. 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, or if information on initial credit rating is not available, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired
- **Stage 3:** If the financial instrument is credit-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 Bank 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 loss basis.

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

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

The same principles are also applied to 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 Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk

The Bank 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 residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that 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 contractual payments for more than 30 days. The Bank does not benefit from the exception of low credit risk for any financial instrument.

The following thresholds apply to retail portfolios:

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

The following thresholds apply to corporate portfolios:

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

II. Qualitative criteria:

The Bank 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 could 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 Bank 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 the financial asset.

I. Hard criteria:

- Any significant credit obligation of the borrower towards the Bank, parent company, or any of its subsidiaries is more than 90 days past due, while:
  - the materiality does not apply to real estate portfolios;
  - for corporate portfolios, the materiality is set at EUR 250 or 1% of the amount of the debtor's balance sheet exposure;
- The Borrower has declared bankruptcy or other form of reorganisation;
- The Borrower has asked the 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.

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

II. Soft criteria:

- 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.

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

Forward-looking information

Both, the assessment of SICR and the calculation of ECL 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 Bank therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Bank assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

II. Portfolio-based exposures

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

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

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

Calculation of ECL

The bank 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 exposures follows a business purpose and also considers the risk perspective. Separate portfolios are created for retail secured and unsecured loans, while the Bank also creates additional portfolios according to 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 in 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 Bank 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: The probability of default is the likelihood that the borrower does not meet its financial obligations. 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: PD is used over the lifetime, i.e. probability of default over the entire maturity of the exposure;
  - Stage 3: The PD is equal to 1 because the exposure is already defaulted;
- EAD: Unsecured Exposure at default;
- LGD: Loss given default means the ratio of credit loss in case of default to EAD.

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

ECL sensitivity analysis

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

Changes in the credit quality of clients
Scenario of deterioration of the client's rating by 1 rating for retail loans under the following assumptions:

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

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

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

ECL scenarios impact compared to the actual ECL value:

31. 12. 2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	118 309	5 724	4,84 %	(3 248)	-2,75 %
Mortgage loans	790	249	31,50 %	(129)	-16,31 %
Total	**119 099**	**5 973**	**5,02 %**	**(3 377)**	**-2,84 %**

31. 12. 2020	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	114 498	8 992	7,85 %	(5 334)	-4,66 %
Mortgage loans	959	198	20,65 %	(118)	-12,30 %
Total	**115 457**	**9 190**	**7,96 %**	**(5 452)**	**-4,72 %**

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

PD changes

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

PD change	31. december 2021				31. december 2020			
	10% increase		10% decrease		10% increase		10% decrease	
	EUR '000	in %	EUR '000	in %	EUR '000	in %	EUR '000	in %
Consumer credit	1 404	1,19 %	(1 404)	-1,19 %	2 457	2,15 %	(2 457)	-2,15 %
Mortgage loans	31	3,95 %	(31)	-3,95 %	43	4,45 %	(43)	-4,45 %
Corporate loans	2 364	2,29 %	(2 368)	-2,29 %	2 572	2,41 %	(2 572)	-2,41 %
Other	35	1,09 %	(35)	-1,09 %	38	1,22 %	(38)	-1,22 %
Total	**3 834**	**1,70 %**	**(3 838)**	**-1,70 %**	**5 110**	**2,27 %**	**(5 110)**	**-2,27 %**

Changes of the LGD parameter

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

LGD change	31. december 2021		31. december 2020	
	in %	EUR '000	in %	EUR '000
+5 %	3,16 %	7 096	3,19 %	7 153
-5 %	-3,16 %	(7 096)	-3,19 %	(7 153)
+10 %	6,10 %	13 714	6,32 %	14 160
-10 %	-6,32 %	(14 193)	-6,39 %	(14 305)

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

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

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at AC - Debt securities										
Low credit risk	339 947	317 084	-	-	-	-	-	-	339 947	317 084
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	46 627	55 401	-	-	-	-	46 627	55 401
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**339 947**	**317 084**	**46 627**	**55 401**	**-**	**-**	**-**	**-**	**386 574**	**372 485**
Impairment allowance	(98)	(95)	(7 514)	(7 626)	-	-	-	-	(7 612)	(7 721)
Carrying amount	**339 849**	**316 989**	**39 113**	**47 775**	**-**	**-**	**-**	**-**	**378 962**	**364 764**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at AC - Loans and advances										
Low credit risk	933 024	855 189	61 128	19 804	-	-	-	-	994 152	874 993
Moderate credit risk	1 493 070	1 304 850	74 907	124 811	-	-	-	4	1 567 977	1 429 665
High credit risk	308 649	183 569	285 596	277 326	-	-	4 649	22 066	598 894	482 961
Default	-	-	-	-	167 865	168 867	8 226	8 630	176 091	177 497
Not rated	23 270	11 581	9 438	19 223	3 737	550	5	-	36 450	31 354
Gross amount	**2 758 013**	**2 355 189**	**431 069**	**441 164**	**171 602**	**169 417**	**12 880**	**30 700**	**3 373 564**	**2 996 470**
Impairment allowance	(21 004)	(22 766)	(33 075)	(39 696)	(147 085)	(142 971)	(8 946)	(10 867)	(210 110)	(216 300)
Carrying amount	**2 737 009**	**2 332 423**	**397 994**	**401 468**	**24 517**	**26 446**	**3 934**	**19 833**	**3 163 454**	**2 780 170**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at FVOCI - Debt securities										
Low credit risk	306 864	356 854	-	-	-	-	-	-	306 864	356 854
Moderate credit risk	40 605	77 007	-	-	-	-	-	-	40 605	77 007
High credit risk	-	3 138	37 968	-	-	-	-	-	37 968	3 138
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**347 469**	**436 999**	**37 968**	**-**	**-**	**-**	**-**	**-**	**385 437**	**436 999**
Impairment allowance in OCI	(355)	(477)	(8 260)	-	-	-	-	-	(8 615)	(477)

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Loan and other commitments given										
Low credit risk	131 448	121 567	-	5	-	-	-	-	131 448	121 572
Moderate credit risk	132 050	103 662	-	1	-	-	-	-	132 050	103 663
High credit risk	1 733	2 133	1 939	974	-	-	-	-	3 672	3 107
Default	-	-	-	-	6	44	-	-	6	44
Not rated	3 000	3 000	4 441	12 226	-	-	-	-	7 441	15 226
Gross amount	**268 231**	**230 362**	**6 380**	**13 206**	**6**	**44**	**-**	**-**	**274 617**	**243 612**
Provision	**299**	**349**	**273**	**439**	**1**	**11**	**-**	**-**	**573**	**799**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial guarantees given										
Low credit risk	76	2 121	-	-	-	-	-	-	76	2 121
Moderate credit risk	13 334	12 973	-	-	-	-	-	-	13 334	12 973
High credit risk	1 618	1 932	1 629	-	-	-	-	-	3 247	1 932
Default	-	-	-	-	-	1 210	-	-	-	1 210
Not rated	–	-	-	-	-	-	-	-	-	-
Gross amount	**15 028**	**17 026**	**1 629**	**-**	**-**	**1 210**	**-**	**-**	**16 657**	**18 236**
Provision	**112**	**80**	**78**	**-**	**-**	**609**	**-**	**-**	**190**	**689**

Collateral

The Bank 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, which is assessed before executing the deal, and 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:

EUR '000	31. 12. 2021	31. 12. 2020
Real-estates	1 182 368	712 835
Securities	226 588	230 593
Cash	3	6
Other	139 218	167 795
Total	**1 548 177**	**1 111 229**

Collateral in default loans and advances at amortised cost:

EUR '000	31. 12. 2021	31. 12. 2020
Gross amount	179 828	178 047
Impairment allowance	(155 316)	(151 136)
Carrying amount	**24 512**	**26 911**
Collateral	**7 122**	**5 663**

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

Net value of assets acquired by ownership of the collateral as at the end of 2021 and 2020 is nil.

Recovery of receivables

The Bank takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In the case of defaulted receivables, the activities of taking possession of collateral, representing the Bank 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 Bank also uses outsourced services of collection companies.

Impact of COVID-19 pandemic

Retail portfolios

- From the credit risk point of view, the Bank distinguishes between the provision of deferred payments to deferred payments for retired clients and for non-retired clients, whereas, according to the amount of outstanding exposure as at 31 December 2021, deferred payments to non-retired clients represent 95.5% of provided deferred payments;
- Loans to non-retired clients with deferral of payments during the pandemic are included in Level 2, as the Bank is exposed to increased credit risk due to possible loss of income in the future, the Bank does not expect loss of income in retired clients;
- By the end of 2021, the FLI multiplier for retail portfolios was set uniformly at 10%, in compliance with the Bank's expectations for the following year;
- As a result of the calibration of the FLI parameter, there was a one-off decrease in impairment allowances by approx. EUR 1.9 mil.

Corporate portfolios

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

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

EUR '000 31. 12. 2021	Gross amount			Impairment allowance		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	**18 729**	**53 602**	**871**	**(147)**	**(4 189)**	**(225)**
Loans and advances	18 729	53 602	871	(147)	(4 189)	(225)
of which: Non-financial corporations	18 699	40 671	769	(147)	(3 496)	(188)
of which: Households	31	12 930	102	-	(693)	(38)

Remaining period of deferred payments is as follows:

EUR '000 31. 12. 2021	Gross amount	Residual maturity of moratoria				
		≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 12 months
Financial assets at amortised cost	**73 202**	**47 732**	**5 538**	**589**	**829**	**18 514**
Loans and advances	73 202	47 732	5 538	589	829	18 514
of which: Non-financial corporations	60 139	40 682	759	-	709	17 989
of which: Households	13 063	7 049	4 780	589	120	525

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

35. Liquidity risk

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

The Bank 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 Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

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

The Bank 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 Bank 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 Bank as a whole.

The daily liquidity position is monitored, and monthly liquidity stress testing is conducted, under a variety of scenarios covering both normal and severe market conditions. The Bank also has a contingency plan and, communication crisis plan, that 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'). A summary report, including any exceptions and remedial actions, is submitted to ALCO at least once a month.

Exposure to liquidity risk

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

- Primary liquidity ratio and Liquidity coverage ratio - tracking short-term liquidity under stress scenarios
- Net stable financing 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 Bank 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 Bank expects that they will remain in the Bank 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 negative cash outflows. The ratio must not fall below 1. The ratio was as follows:

	31. 12. 2021	31. 12. 2020
End of the period	1,58	2,15
Average for the period	2,04	1,95
Maximum for the period	3,00	2,15
Minimum for the period	1,58	1,81

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

	31. 12. 2021	31. 12. 2020
End of the period	1,27	1,22

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

EUR '000	31. december 2021			31. december 2020		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	450 029	-	450 029	293 661	-	293 661
Financial assets held for trading	2	-	2	2 648	-	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	-	298 231	298 231	-	309 513	309 513
Financial assets at fair value through other comprehensive income	96 380	289 122	385 502	102 694	334 370	437 064
Financial assets at amortised cost	560 654	3 002 945	3 563 599	704 050	2 473 431	3 177 481
Debt securities	19 999	358 963	378 962	15 123	349 641	364 764
Loans and advances	519 472	2 643 982	3 163 454	656 380	2 123 790	2 780 170
Other financial assets	21 183	-	21 183	32 547	-	32 547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 091	-	1 091	2 276	-	2 276
Investments in subsidiaries, joint ventures and associates	-	68 662	68 662	-	78 579	78 579
Tangible assets	-	64 532	64 532	-	58 134	58 134
Intangible assets	-	33 446	33 446	-	35 348	35 348
Deferred tax assets	-	23 008	23 008	-	24 688	24 688
Other assets	16 784	-	16 784	18 514	-	18 514
Total assets	**1 124 940**	**3 779 946**	**4 904 886**	**1 123 843**	**3 314 063**	**4 437 906**
Liabilities						
Financial liabilities held for trading	3 695	-	3 695	746	-	746
Financial liabilities measured at amortised cost	3 505 132	624 649	4 129 781	3 523 062	200 731	3 723 793
Deposits	3 479 928	526 418	4 006 346	3 496 928	174 156	3 671 084
Debt securities issued	-	64 794	64 794	-	-	-
Other financial liabilities	25 204	33 437	58 641	26 134	26 575	52 709
thereof: lease liabilities	6 325	33 437	39 762	5 511	26 575	32 086
Derivatives – Hedge accounting	981	3 996	4 977	916	9 402	10 318
Provisions	769	-	769	2 594	-	2 594
Current tax liabilities	2 766	-	2 766	1 552	-	1 552
Other liabilities	13 834	-	13 834	11 552	-	11 552
Total liabilities	**3 527 177**	**628 645**	**4 155 822**	**3 540 422**	**210 133**	**3 750 555**

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

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

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31. december 2021						
Financial liabilities measured at amortised cost		219 213	565 778	74 835	4 154 349	4 129 781
Deposits		214 449	480 606	59 357	4 028 445	4 006 346
Debt securities issued		-	64 794	-	64 794	64 794
Other financial liabilities		4 764	20 378	15 478	61 110	58 641
thereof: lease liabilities		4 764	20 378	15 478	42 231	39 762
Derivatives – Hedge accounting		2 053	4 110	506	6 798	4 977
Total		**219 213**	**565 778**	**74 835**	**4 154 349**	**4 129 781**
31. december 2020						
Financial liabilities measured at amortised cost		257 389	150 862	63 438	3 738 455	3 723 793
Deposits		253 278	133 317	52 141	3 683 437	3 671 084
Debt securities issued		-	-	-	-	-
Other financial liabilities		4 111	17 545	11 297	55 018	52 709
thereof: lease liabilities		4 111	17 545	11 297	34 395	32 086
Derivatives – Hedge accounting		9 612	-	-	10 318	10 318
Total		**257 389**	**150 862**	**63 438**	**3 738 455**	**3 723 793**

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31. december 2021						
Loan and other commitments given		-	-	-	274 617	274 617
Financial guarantees given		-	-	-	16 657	16 657
Total		**-**	**-**	**-**	**291 274**	**291 274**
31. december 2020						
Loan and other commitments given		-	-	-	243 612	243 612
Financial guarantees given		-	-	-	18 236	18 236
Total		**-**	**-**	**-**	**261 848**	**261 848**

36. 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 Bank'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 Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities that 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 Bank uses the following limits, indicators and methods for identifying, measuring and monitoring market risks:

- 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 Bank'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 Bank is based upon a 99 percent confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Based on market data from previous years, as well as 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 during 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. Within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Bank 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 Bank uses the Stressed VaR indicator, which considers historical scenarios with the greatest negative impact

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

A summary of the VaR position:

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	-

EUR '000	31. 12. 2020	Average	Maximum	Minimum
VaR trading book	12	6	36	0
VaR banking book	2 516	2 127	2 749	868
VaR total	2 515	2 127	2 731	870
Out of which interest rate risk	1 144	904	2 362	516
Out of which credit spread risk	2 386	2 087	5 273	1 046
Out of which foreign exchange risk	12	6	36	0

Interest rate risk

The main source of the Bank's interest rate risk results from revaluation risk, which is due to timing differences in maturity dates (fixed rate positions), and in revaluation (variable rate positions) of banking assets and liabilities, and positions in commitments, contingencies and derivative financial instruments.

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, to which active and passive transactions are attached, 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 Bank'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 Bank, 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 Bank manages its interest rate risk by providing a majority of corporate loans with variable rates. The Bank continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Bank is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Bank uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Bank 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. The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management Division in its day-to-day monitoring activities. Setting interest rates for banking products is under the responsibility of ALCO.

.

Sensitivity of economic value of capital due to movements in interest rates:

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

The Bank's Economic Value of capital represents the difference between the fair value of interest rate sensitive assets recorded in the banking book, and the fair value of interest rate 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 Bank's economic value reflect the impact of a parallel interest shock on the value of interest sensitive assets and liabilities of the Bank. 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 Bank'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 the risk of movements in the prices of equity instruments held in the Bank's portfolio, and financial derivatives derived from these instruments. The main source of the Bank's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Bank:

- Follows an investment strategy which is updated on a regular basis
- Prefers 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 Bank is exposed to foreign exchange risk when trading in foreign currency for its own account, as well as for its clients. The Bank assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e. the bank has unsecured foreign exchange positions. The Bank 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 Bank holds significant positions are CZK and USD. The amount of foreign exchange risk is shown above through the VaR indicator.

IBOR reform

Risk Management

IBOR rates ('Interbank Offered Rates') are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, so-called 'iborization'. As part of this iborization, IBOR rates will be gradually replaced by 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. 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). These changes are expected to affect a maximum of five more contracts.

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

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

Derivatives

The Bank 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 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.

37. Operational risk

Operational risk is the risk of loss, including the damage caused (by its own activities), to the Bank by inappropriate or incorrect 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 proceedings, decisions with negative impact on the Bank, and compliance risk. Operational risk arises from all of the Bank's operations and is faced by all business entities.

The Bank 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 Bank 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 Bank. Legal risk management is the responsibility of the Legal Services department.

Compliance risk

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

- Managing the risk of money laundering and terrorist financing
- Risk of legal sanctions and penalties from regulators
- Loss of the Bank'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 Bank's activities and are carried out on a contractual basis, in order to increase the efficiency of the Bank's activities.

Risk management relating to outsourcing is part of overall bank 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 Bank 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

38. Capital management

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

The Bank uses the standardised approach to credit risk, the standardised method for credit valuation adjustment, the simplified approach to trading book risks, and the standardised approach to operational risk, in accordance with The Regulation of the European Parliament and the EU Council no. 575/2013, as amended (Capital Requirement Regulation or CRR).

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

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

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

The Bank's position of own funds according to the CRR is displayed in the following table:

EUR '000	31. 12. 2021	31. 12. 2020
Tier I Capital	**670 036**	**630 161**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	63 997	59 561
Selected components of accumulated other comprehensive income	6 665	6 372
Profit or loss of previous years	249 646	209 724
Intangible assets	(33 446)	(35 348)
Additional valuation adjustments	(761)	(840)
Other transitional adjustments to CET1 Capital	16 892	23 649
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**678 036**	**638 161**

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

EUR '000	31. 12. 2021	31. 12. 2020
Capital required to cover:		
Credit risk	259 620	261 227
Credit value adjustment risk	202	105
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	23 535	24 632
Total capital requirements	**283 357**	**285 964**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	19,14 %	17,85 %
Tier I capital as a percentage of total risk weighted assets	18,92 %	17,63 %
Common Equity Tier I capital as a percentage of total risk weighted assets	18,92 %	17,63 %

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

EUR '000	31. 12. 2021	31. 12. 2020
Available capital (amounts)		
Common Equity Tier I (CET1) capital	670 036	630 161
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	653 144	606 512
Tier I capital	670 036	630 161
Tier I capital as if IFRS 9 transitional arrangements were not applied	653 144	606 512
Total capital	678 036	638 161
Total capital as if IFRS 9 transitional arrangements were not applied	661 144	614 512
Risk-weighted assets (amounts)		
Risk-weighted assets	3 541 963	3 574 545
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	3 524 522	3 549 280
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	18,92 %	17,63 %
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	18,53 %	17,09 %
Tier I capital (as a percentage of risk exposure amount)	18,92 %	17,63 %
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	18,53 %	17,09 %
Total capital (as a percentage of risk exposure amount)	19,14 %	17,85 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	18,76 %	17,31 %

39. Post balance-sheet events

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

Annual report

365.bank, a. s.

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

for the year ended 31 December 2021

2021

Contents

Independent auditors' report 154
Consolidated statement of financial position 162
Consolidated statement of comprehensive income 164
Consolidated statement of changes in equity 166
Consolidated statement of cash-flows 168
Notes to the consolidated financial statements 170

Independent auditors‘ report

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

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

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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

and, for the period then ended:

— the consolidated statement of profit or loss and other comprehensive income;
— the consolidated statement of changes in equity;
— the consolidated statement of cash flows;

and

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Impairment of loans and advances to customers

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

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

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 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 provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the Group's knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation. For the above reasons, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.	testing the Group's IT control environment for data security and access; • Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and the overall ECL estimate; • Assessing whether the definition of default and the financial instruments standard's staging criteria were appropriately and consistently applied; • For collective impairment allowance: - Obtaining the Group's forward-looking information used in the ECL assessment. Assessing the information by means of comparison to publicly available information and corroborating inquiries of the Management Board; - Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances. • For impairment allowances calculated individually: - For a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2021; - For the exposures with triggers for classification in Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values by reference publicly available market data search and also

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

Measurement of securities held at fair value

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

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

Key audit matter	*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 either quoted prices of identical or similar instruments, or valuation techniques, such as discounted cash flows, using market observable and unobservable inputs, such as credit spread or liquidity premium. Due to the magnitude of the amounts involved, as well as the complexity involved and judgment required in measuring the fair value of certain of these instruments, their valuation was a key area of focus during our audit.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others: • Updating our understanding of the Group's fair value measurement methods and assessing their compliance with the requirements of relevant financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate in the context of said requirements; • Independently assessing the Group's assignment of financial instruments into fair value hierarchy levels, considering underlying market activity, including volume traded and number of executable quotes, and assessment of bid-ask spread of those quotes; • Testing the Group's market-based (level 1 in the fair value hierarchy of the financial reporting standards) valuations of financial instruments by tracing those amounts to

independently sourced publicly available quoted prices;

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

KPMG

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Consolidated Annual Report

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

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

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

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

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

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

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

Appointment and approval of an auditor

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

Consistency with the additional report to the audit committee

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

KPMG

Non-audit services

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

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

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU č. 96

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

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

Bratislava, 11 March 2022

A. Consolidated statement of financial position

EUR '000	Notes	31. 12. 2021	31. 12. 2020
Assets			
Cash, cash balances at central banks and other demand deposits	4	453 523	296 241
Financial assets held for trading	5	2	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	6	317 729	338 920
Financial assets at fair value through other comprehensive income	7	385 502	439 601
Financial assets at amortised cost	8	3 579 240	3 219 617
Debt securities	8	380 576	385 640
Loans and advances	8	3 173 993	2 797 304
thereof: Loans and advances to banks	8	23 553	16 469
thereof: Loans and advances to customers	8	3 150 440	2 780 835
Other financial assets	8	24 671	36 673
Fair value changes of the hedged items in portfolio hedge of interest rate risk	9	1 091	2 276
Investments in joint ventures and associates	10	937	1 515
Tangible assets	11	68 081	62 152
Intangible assets	12	57 481	59 839
Current tax assets		-	307
Deferred tax assets	13	24 223	25 526
Other assets	14	16 086	17 510
Total assets		**4 903 895**	**4 466 152**

EUR '000	Notes	31. 12. 2021	31. 12. 2020
Liabilities			
Financial liabilities held for trading	5	3 695	746
Financial liabilities at amortised cost	15	4 136 783	3 726 677
Deposits	15	4 007 447	3 668 402
thereof: Subordinated debt	15	8 014	8 014
Debt securities issued	15	64 794	-
Other financial liabilities	15	64 542	58 275
Derivatives – Hedge accounting	9	4 977	10 318
Provisions	16	736	28 633
Current tax liabilities		4 346	2 000
Other liabilities	17	14 284	15 048
Total liabilities		**4 164 821**	**3 783 422**
Share capital and share premium	18	367 043	367 043
Retained earnings	18	297 821	243 560
Other equity	18	74 094	68 172
Non-controlling interests	18	116	3 955
Total equity	18	739 074	682 730
Total equity and liabilities		**4 903 895**	**4 466 152**

These consolidated financial statements, which include the notes on pages 170 - 259, were approved by the Board of Directors on 9 March 2022.

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	2021	2020
Statement of profit or loss			
Net interest income	21	148 882	154 698
Interest income	21	154 006	163 107
Interest expenses	21	(5 124)	(8 409)
Net fee and commission income	22	59 640	47 759
Fee and commission income	22	90 209	80 686
Fee and commission expenses	22	(30 569)	(32 927)
Dividend income	23	24 415	15
Net gains/(losses) from financial transactions	24	(10 611)	1 269
Other operating income and expenses	25	6 195	(4 051)
Staff expenses	26	(56 294)	(51 413)
Other administrative expenses	26	(48 882)	(40 391)
Depreciation	27	(28 359)	(22 512)
Net earned premium	28	8 915	16 748
Claim costs	29	(2 588)	(7 787)
Operating profit before impairment losses and provisions		**101 313**	**94 335**
Release/(creation) of provisions	30	1 860	684
Net impairment of financial assets not valued at fair value through profit and loss	30	(29 009)	(46 477)
Net impairment on non-financial assets	30	84	(681)
Share of the profit of investments in joint ventures and associates	10	430	622
Profit before tax		**74 678**	**48 483**
Income tax	31	(17 792)	(7 884)
Profit after tax		**56 886**	**40 599**
Profit after tax attributable to ordinary shareholders		56 455	40 657
Profit after tax attributable to non-controlling interest		431	(58)

EUR '000	2021	2020
Statement of other comprehensive income		
Items that may be reclassified to profit or loss	3 233	1 598
Revaluation of debt securities at fair value through other comprehensive income	(3 939)	2 788
Impairment losses for debt securities at fair value through other compre hensive income	8 137	(741)
Deferred tax related to items that may be reclassified to profit or loss	(967)	(440)
Foreign currency translation	2	(9)
Items that may not be reclassified to profit or loss	-	(1 375)
Revaluation of equity instruments at fair value through other comprehen sive income	-	(1 749)
Deferred tax related to items that may not be reclassified to profit or loss	-	374
Total other comprehensive income	**3 233**	**223**
Total comprehensive income for the year	**60 119**	**40 822**
Total comprehensive income attributable to ordinary shareholders	59 688	40 894
Total comprehensive income attributable to non-controlling interest	431	(72)
Earnings per share		
Profit after tax attributable to ordinary shareholders	56 455	40 657
Weighted-average number of ordinary shares	330 899	330 899
Basic and diluted earnings per share in EUR	**171**	**123**

The notes on pages 170 - 259 are an integral part of these consolidated financial statements.

C. Consolidated statement of changes in equity

EUR '000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Equity attrib. to owners of the parent	Non-controlling interests	Total equity
Opening balance as of 1 January 2021	**366 305**	**738**	**60 737**	**7 437**	**(2)**	**243 560**	**678 775**	**3 955**	**682 730**
Total comprehensive income	-	-	-	3 231	2	56 455	59 688	431	60 119
Profit after tax	-	-	-	-	-	56 455	56 455	431	56 886
Items that may be reclassified to profit or loss	-	-	-	3 231	2	-	3 233	-	3 233
Other transactions	**-**	**-**	**2 689**	**-**	**-**	**(2 194)**	**495**	**(4 270)**	**(3 775)**
Transfer to legal reserve fund	-	-	2 689	-	-	(2 689)	-	-	-
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	116	116
Change in non-controlling interests without change in control	-	-	-	-	-	495	495	(544)	(49)
Disposal of subsidiary impact	-	-	-	-	-	-	-	(3 572)	(3 572)
Other	-	-	-	-	-		-	(270)	(270)
Closing balance as of 31 December 2021	**366 305**	**738**	**63 426**	**10 668**	**-**	**297 821**	**738 958**	**116**	**739 074**

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

The notes on pages 170 - 259 are an integral part of these consolidated financial statements.

D. Consolidated statement of cash-flows

EUR '000	Notes	31. 12. 2021	31. 12. 2020
Profit before tax		**74 678**	**48 483**
Adjustments:			
Net interest income		(148 882)	(154 698)
Dividend income		(24 415)	(15)
Depreciation		28 359	22 512
Release/(creation) of provisions		(1 860)	(684)
Creation of insurance provisions		217	3 557
Gains/(losses) on derecognition of non-financial assets, net		216	265
Net impairment of financial assets not valued at fair value through profit and loss		29 009	46 477
Net impairment on non-financial assets		(84)	681
Share of profit in jointly controlled entities and associates		(430)	(622)
Cash flows from/(used in) operating activities before changes in working capital		**(43 192)**	**(34 044)**
(Increase)/decrease in operating assets:			
Cash balances at central banks		(161 795)	40 661
Financial assets held for trading		2 646	(1 627)
Non-trading financial assets mandatorily at fair value through profit or loss			
(Increase)/decrease		21 191	(46 012)
Dividends received		24 415	-
Financial assets at amortised cost		(389 120)	(336 073)
Loans and advances		(401 122)	(351 532)
Other financial assets		12 002	15 459
Other assets		1 424	6 648
Increase/(decrease) in operating liabilities:			
Financial liabilities held for trading		2 949	(3 222)
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		346 246	17 219
Deposits		346 656	16 290
Other financial liabilities		(410)	929
Derivatives – Hedge accounting		(5 341)	898
Other liabilities		(764)	(3 876)
Cash flows from operating activities before interest and income tax		**(201 341)**	**(359 428)**
Interest received		147 931	141 008
Interest paid		(11 461)	(4 897)
Income tax paid		(14 943)	(11 848)
Net cash flows from/(used in) operating activities		**(79 814)**	**(235 165)**
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(39 652)	(28 521)
Proceeds from sale and maturity		23 951	175 472
Interest received		6 287	14 878
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		(67 827)	(30 835)
Proceeds from sale and maturity		107 872	131 704
Interest received		10 283	13 286
Tangible and intangible assets			
Purchase		(23 726)	(43 937)
Proceeds from sale		722	691
Net cash flows from/(used in) investing activities		**17 910**	**232 738**
Cash flows from financing activities			
Dividends paid			
Non-controlling interests		-	(590)
Debt securities issued			
Proceeds from issue of debt securities		65 000	-
Interest paid		(310)	-
Financial liabilities at amortised cost - subordinated debt			
Interest paid		(480)	(481)
Financial liabilities at amortised cost - received loans			
Loan repayments		-	(9 879)
Interest paid		(222)	(283)
Financial liabilities at amortised cost - lease liabilities			
Lease payments		(5 982)	(5 881)
Interest expense		(572)	(501)
Net cash flows from/(used in) financing activities		**57 434**	**(17 615)**
Net increase/(decrease) in cash and cash equivalents	4	**(4 470)**	**(20 042)**
Cash and cash equivalents at the beginning of the period	4	**53 193**	**73 235**
Cash and cash equivalents at the end of the period	4	**48 723**	**53 193**

The notes on pages 170 - 259 are an integral part of these consolidated financial statements.

E. Notes to the consolidated financial statements

1. General information

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

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

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

The principal activities of the Group are as follows:

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

The shareholder's structure is as:

Name of shareholder	Address	31. 12. 2021		31. 12. 2020	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Česká republika	325 794	98,45 %	325 794	98,45 %
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovensko	4 918	1,49 %	4 918	1,49 %
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovensko	100	0,03 %	100	0,03 %
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Viedeň, Rakúsko	87	0,03%	87	0,03 %
Total		**330 899**	**100,00 %**	**330 899**	**100,00 %**

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

Members of the Board od Directors

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

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Jan Kotek	Board member

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

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

2. Accounting policies

2.1 Basis of preparation of the consolidated financial statements

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

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

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

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

2.2 Subsidiaries, joint ventures and associates

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

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

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

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

2.3 Changes in accounting policies

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

2.4 Significant accounting policies

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

(a) Basis for consolidation

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

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

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

I. Business combinations

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

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

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

II. Subsidiaries

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

III. Minority interests

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

IV. Loss of control

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

V. Transactions eliminated from consolidation

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

VI. Method of consolidation

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

Company name	Share in %		Method of consolidation
	31. 12. 2021	31. 12. 2020	
Subsidiaries			
365.invest, správ. spol., a. s. (Prvá penzijná správcovská spoločnosť Poštovej banky, správ. spol., a. s. till 2. 7. 2021)	100,00 %	100,00 %	full consolidation
Poštová poisťovňa, a. s.	x	80,00 %	full consolidation
365.life, d. s. s., a. s. (Dôchodková správcovská spoločnosť Poštovej banky, d. s. s. till 2. 7. 2021)	100,00 %	100,00 %	full consolidation
Ahoj, a. s. (Amico Finance a. s. till 31. 5. 2021)	100,00 %	95,00 %	full consolidation
PB Servis, a. s.	100,00 %	100,00 %	full consolidation
PB Finančné služby, a. s.	100,00 %	100,00 %	full consolidation
PB PARTNER, a. s. v likvidácii	x	100,00 %	full consolidation
365.fintech, a. s.	100,00 %	100,00 %	full consolidation
Cards&Co, a. s.	100,00 %	100,00 %	full consolidation
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	87,99 %	37,13 %	full consolidation
Joint ventures			
SKPAY, a. s. (SPPS, a. s. till 30. 6. 2021)	40,00 %	40,00 %	equity method

(b) Foreign currency

I. Foreign currency transactions

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

II. Foreign operations

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

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

(c) Interest income and expenses

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

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

(d) Fee and commission income and expenses

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

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

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

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

(e) Net gains or losses from financial transactions

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

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

(f) Dividend income

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

(g) Income tax

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

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

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

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

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

(h) Financial assets

I. Initial recognition

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

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

II. Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depends on:

a. Business model for managing assets

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

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

b. Cash flow characteristics of the assets

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

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

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

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

- Amortised cost

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

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

(B) Financial assets at amortised cost

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

- Fair value through profit or loss

(A) Financial assets held for trading

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

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

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

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

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

- Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income

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

Equity instruments

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

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

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

No expected credit losses are reported for equity instruments.

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

III. Identification and measurement of credit losses

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

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

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

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

IV. Derecognition

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

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

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

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

V. Modifications of financial assets

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

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

(i) Derivatives

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

Hedging derivatives

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

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

- The relationship between hedging instrument and hedged item, in meaning of risk characteristics, function, target and strategy of hedging is formally documented at origination of the hedging transaction, together with the method that is used for assessment of effectiveness of the hedging relationship;
- The relationship between hedging instrument and hedged item is formally documented at the origination of the hedging transaction and the Group expects that it will decrease the risk of the hedged item;
- Hedging meets all effectiveness criteria:
  - There is an economic relationship between the hedging instrument and hedged item;
  - The impact of credit risk does not consider changes in value resulting from this economic relationship;
  - The hedge ratio of the hedging relationship is that resulting from the quantity of the hedged item that the entity actually hedges, and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether recognised or not), that could also result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

I. Fair value hedge

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

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

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

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

II. Cash flow hedge

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

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

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

Other non-trading derivatives

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

Embedded derivatives

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

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

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

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

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

(j) Tangible and intangible assets

I. Recognition and measurement

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

II. Subsequent costs

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

III. Depreciation

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

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

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

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

iv. Goodwill

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

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

v. Value of business acquired – VOBA

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

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

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

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

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

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

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

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

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

(l) Impairment losses on non-financial assets

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

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

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

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

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

(m) Financial liabilities

I. Initial recognition

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

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

II. Classification and subsequent measurement

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

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

III. Derecognition

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

(n) Provisions

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

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

(o) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs, because a debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument.
Loan commitments are the Bank's commitments to provide credit under pre-specified terms and conditions.
Financial guarantees or commitments to provide a loan are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments are measured at the sum of the loss allowance

determined in accordance with IFRS 9 and the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised.

(p) Employee benefits

I. Termination benefits

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

II. Short-term employee benefits

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

(q) Insurance and investment contracts

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

I. Revenue (premium)

Gross premium written comprises the amounts of premium arising from insurance contracts due in the accounting period, regardless of whether these amounts relate fully or partially to future periods (unearned premium). Premium written includes estimates for premium from insurance contracts (with the beginning of insurance coverage in the accounting period, which may not be delivered at the end of the reporting period), and adjustments to estimates of premium written in previous years. Written premium is recognised net of bonuses and similar discounts offered on contract conclusion or renewal.

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

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

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

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

II. Unearned premium reserve

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

III. Claim costs of non-life insurance

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

IV. Claim costs of life insurance

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

V. Provision for insurance benefits

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

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

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

VI. Life assurance provision

Predstavuje aktuársky odhad výšky záväzkov skupiny vyplývajúci z tradičných zmlúv životného poistenia. Rezervy na životné poistenie sa počítajú osobitne pre každú poistnú zmluvu prospektívnou Zillmerovou metódou, berúc do úvahy všetky garantované poistné plnenia a podiely na výnosoch, ktoré už boli alokované na budúce Zillmerovo poistné. Rezerva sa počíta pri použití rovnakých aktuárskych predpokladov, aké boli určené pri stanovení poistných sadzieb. Zmena rezervy na životné poistenie je zohľadnená v účtovnej závierke v období, v ktorom sa vykonala.

VII. Unexpired risk provision

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

VIII. Provision for premium deficiency

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

(r) Pension saving funds

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

Deferred acquisition costs of acquisition of SDS contracts

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

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

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

(s) Offsetting

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

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

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

(t) Basic and diluted earnings per share

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

(u) New standards and interpretations not yet adopted

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

- *Annual improvements to IFRS Standards 2018-2020*
  Amendments to IFRS 9 Financial Instruments - The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted).
- Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction ((Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)
- *Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current*
  The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance.
  The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted).
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments*
  The amendments to IAS 1 require companies to disclose their material accounting policies and not their significant accounting policies. (Effective for annual periods beginning on or after 1 January 2023.Early application is permitted).
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
  Amendments introduce a definition of accounting estimates and involve other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The distinction is important as the changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted).

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

3. Use of estimates and judgements

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

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

Expected credit losses

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

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

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

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

Determining fair values

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

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

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

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Cash on hand	29 835	25 880
Cash balances at central banks	404 800	243 048
Other demand deposits	18 888	27 313
Total	**453 523**	**296 241**

The above-mentioned financial assets are not restricted.

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

EUR '000	31. 12. 2021	31. 12. 2020	31. 12. 2019
Cash on hand	29 835	25 880	27 801
Other demand deposits	18 888	27 313	45 434
Total	**48 723**	**53 193**	**73 235**

5. Financial assets and liabilities held for trading

EUR '000	31. 12. 2021	31. 12. 2020
Financial assets held for trading		
Derivatives	2	2 648
Foreign exchange	2	2 648
Total	**2**	**2 648**
Financial liabilities held for trading		
Derivatives	3 695	746
Foreign exchange	3 695	746
Total	**3 695**	**746**

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

EUR '000	31. 12. 2021			31. 12. 2020		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange	143 237	2	3 695	214 006	2 648	746
Total	**143 237**	**2**	**3 695**	**214 006**	**2 648**	**746**

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

EUR '000	31. 12. 2021	31. 12. 2020
Equity instruments	**317 729**	**338 606**
Shares	-	2 980
Share certificates	317 729	335 626
Loans and advances	**-**	**314**
Total	**317 729**	**338 920**

7. Financial assets at fair value through other comprehensive income

EUR '000	31. 12. 2021	31. 12. 2020
Equity instruments	**65**	**65**
Shares	65	65
Debt securities	**385 437**	**439 536**
General governments	266 897	298 201
Credit institutions	28 346	48 816
Other financial corporations	29 180	19 784
Non-financial corporations	61 014	72 735
Total	**385 502**	**439 601**
Impairment allowances to debt securities in OCI	(8 615)	(477)

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

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

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

8. Financial assets at amortised cost

EUR '000	Gross value		Impairment allowances		Carrying amount	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Debt securities	**388 188**	**393 361**	**(7 612)**	**(7 721)**	**380 576**	**385 640**
Central banks	-	983	-	-	-	983
General governments	307 533	290 512	(96)	(90)	307 437	290 422
Credit institutions	30 990	30 986	(2)	(5)	30 988	30 981
Other financial corporations	3 038	5 810	-	-	3 038	5 810
Non-financial corporations	46 627	65 070	(7 514)	(7 626)	39 113	57 444
Loans and advances	**3 401 114**	**3 024 686**	**(227 121)**	**(227 382)**	**3 173 993**	**2 797 304**
Central banks	-	-	-	-	-	-
General governments	60 000	-	(19)	-	59 981	-
Credit institutions	23 571	16 489	(18)	(20)	23 553	16 469
Other financial corporations	491 554	547 946	(15 454)	(16 195)	476 100	531 751
Non-financial corporations	865 689	938 402	(73 650)	(83 419)	792 039	854 983
Households	1 960 300	1 521 849	(137 980)	(127 748)	1 822 320	1 394 101
Lending for house purchase	1 028 687	547 615	(787)	(881)	1 027 900	546 734
Credit for consumption	918 543	964 420	(134 571)	(124 195)	783 972	840 225
Other	13 070	9 814	(2 622)	(2 672)	10 448	7 142
Other financial assets	**24 954**	**37 823**	**(283)**	**(1 150)**	**24 671**	**36 673**
Total	**3 814 256**	**3 455 870**	**(235 016)**	**(236 253)**	**3 579 240**	**3 219 617**

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

Loans and advances include finance lease receivables:

EUR '000	31. 12. 2021	31. 12. 2020
Minimum value of leasing payments		
Receivables from leasing	19 056	14 077
Up to 1 year	5 733	4 702
1-5 years	12 591	8 765
Over 5 years	732	610
Unrealized income on finance leases	(1 977)	(1 428)
Present value of future lease payments	**17 079**	**12 649**
Impairment allowances	(164)	(53)
Total	**16 915**	**12 596**

EUR '000	31. 12. 2021	31. 12. 2020
Present value of future lease payments		
Receivables from leasing	17 079	12 649
Up to 1 year	4 944	4 142
1-5 years	11 420	7 924
Over 5 years	715	583
Present value of future lease payments	**17 079**	**12 649**
Impairment allowances	(164)	(53)
Total	**16 915**	**12 596**

Other financial assets comprise the following:

EUR '000	31. 12. 2021	31. 12. 2020
Other financial assets, gross	**24 954**	**37 823**
Clearing and settlement items	3 227	3 478
Cash collateral	6 750	6 235
Tax receivables	55	482
Trade receivables	9 687	9 438
Other	5 235	18 190
Impairment allowances	**(283)**	**(1 150)**
Total	**24 671**	**36 673**

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

31. 12. 2021	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**341 561**	**46 627**	**-**	**-**	**(98)**	**(7 514)**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	(96)	-	-	-
Credit institutions	30 990	-	-	-	(2)	-	-	-
Other financial corporations	3 038	-	-	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	-	(7 514)	-	-
Loans and advances	**2 757 081**	**437 705**	**193 448**	**12 880**	**(21 360)**	**(35 099)**	**(161 716)**	**(8 946)**
Central banks	-	-	-	-	-	-	-	-
General governments	60 000	-	-	-	(19)	-	-	-
Credit institutions	23 571	-	-	-	(18)	-	-	-
Other financial corporations	437 367	45 976	11	8 200	(1 504)	(5 730)	(10)	(8 210)
Non-financial corporations	613 922	196 006	51 124	4 637	(14 886)	(16 909)	(41 144)	(711)
Households	1 622 221	195 723	142 313	43	(4 933)	(12 460)	(120 562)	(25)
Lending for house purchase	972 781	52 988	2 918	-	(107)	(155)	(525)	-
Credit for consumption	643 182	138 614	136 704	43	(4 755)	(12 286)	(117 505)	(25)
Other	6 258	4 121	2 691	-	(71)	(19)	(2 532)	-
Other financial assets	**-**	**24 954**	**-**	**-**	**-**	**(283)**	**-**	**-**
Total	**3 098 642**	**509 286**	**193 448**	**12 880**	**(21 458)**	**(42 896)**	**(161 716)**	**(8 946)**

31. 12. 2020	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**337 960**	**55 401**	**-**	**-**	**(95)**	**(7 626)**	**-**	**-**
Central banks	983	-	-	-	-	-	-	-
General governments	290 512	-	-	-	(90)	-	-	-
Credit institutions	30 986	-	-	-	(5)	-	-	-
Other financial corporations	5 810	-	-	-	-	-	-	-
Non-financial corporations	9 669	55 401	-	-	-	(7 626)	-	-
Loans and advances	**2 316 935**	**495 637**	**181 414**	**30 700**	**(23 036)**	**(41 260)**	**(152 219)**	**(10 867)**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	16 489	-	-	-	(20)	-	-	-
Other financial corporations	489 629	49 703	8	8 606	(1 786)	(6 254)	(7)	(8 148)
Non-financial corporations	674 299	182 936	59 124	22 043	(15 098)	(11 959)	(53 666)	(2 696)
Households	1 136 518	262 998	122 282	51	(6 132)	(23 047)	(98 546)	(23)
Lending for house purchase	480 820	64 545	2 250	-	(89)	(391)	(401)	-
Credit for consumption	648 717	198 315	117 337	51	(5 932)	(22 627)	(95 613)	(23)
Other	6 981	138	2 695	-	(111)	(29)	(2 532)	-
Other financial assets	**-**	**37 823**	**-**	**-**	**-**	**(1 150)**	**-**	**-**
Total	**2 654 895**	**588 861**	**181 414**	**30 700**	**(23 131)**	**(50 036)**	**(152 219)**	**(10 867)**

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

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

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

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

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

9. Hedging derivatives

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

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

EUR '000	31. 12. 2021			31. 12. 2020		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives – Hedge accounting	**134 476**	**-**	**3 549**	**174 476**	**-**	**7 792**
Interest rate	134 476	-	3 549	174 476	-	7 792
Portfolio fair value hedges of interest rate risk	**93 400**	**-**	**1 428**	**93 400**	**-**	**2 526**
Total	**227 876**	**-**	**4 977**	**267 876**	**-**	**10 318**

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

EUR '000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	
Fair value hedges					
Interest rate	200 037	197 635	1 091	2 276	Financial assets at amortised cost
Portfolio hedge of interest rate risk	145 078	191 489	(2 260)	(5 739)	Financial assets at fair value through OCI

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

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

10. Investments in joint ventures and associates

EUR '000	SKPAY		ART FOND	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Statement on financial position				
Total assets	4 173	5 317	-	1 005
Total liabilities	1 830	2 463	-	1
Net assets	**2 343**	**2 854**	**-**	**1 004**
Group share on net assets	**937**	**1 142**	**-**	**373**

EUR '000	SKPAY		ART FOND	
	2021	2020	2021	2020
Statement of profit or loss				
Profit before tax	1 391	2 002	-	(43)
Income tax	(316)	(408)	-	-
Profit after tax	**1 075**	**1 594**	**-**	**(43)**
Total comprehensive income for the year	1 075	1 594	-	(43)
Group share of profit/(loss) after tax	**430**	**638**	**-**	**(16)**

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

EUR '000	31. 12. 2021	31. 12. 2020
Net assets		
Jointly controlled entity SKPAY, a.s.	937	1 142
Associate ART FOND, a.s.	-	373
Total	**937**	**1 515**

EUR '000	2021	2020
Profit after tax		
Jointly controlled entity SKPAY, a.s.	430	638
Associate ART FOND, a.s.	-	(16)
Total	**430**	**622**

11. Tangible assets

EUR '000	31. 12. 2021	31. 12. 2020
Tangible assets owned	28 357	28 940
Property, plant and equipment	28 357	28 940
Right of use assets	39 724	33 212
Total	**68 081**	**62 152**

EUR '000	Tangible assets owned					
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	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)
Depreciation for the year	(1 581)	(1 642)	(2 319)	(357)	-	(5 899)
Disposals	208	2 004	1 575	464	-	4 251
As of 31 December 2021	**(11 957)**	**(8 848)**	**(12 900)**	**(649)**	**-**	**(34 354)**
Accumulated impairment losses	**(619)**	**-**	**(23)**	**-**	**-**	**(642)**
Carrying amount as at 31.12.2021	**12 283**	**3 552**	**10 497**	**1 146**	**879**	**28 357**

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

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

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Opening balance as at 1 January	(940)	(646)
Net creation/(release) of impairment losses	298	(294)
Closing balance	**(642)**	**(940)**

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

EUR '000	31. 12. 2021	31. 12. 2020
Costs of fully depreaciated tangible assets in use	13 801	11 352

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

EUR '000	31. 12. 2021	31. 12. 2020
Insurance amount of fixed assets	54 079	52 916

12. Intangible assets

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

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Costs of fully amortized intangible assets in use	29 063	10 624

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

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

	31. 12. 2021	31. 12. 2020
365.invest, správ. spol., a. s.	9,49 %	8,05 %
Cards&Co, a. s.	9,49 %	10,39 %
Ahoj, a. s.	10,49 %	8,37 %
PB Finančné služby, a. s.	9.49 %	8,62 %

13. Deferred tax assets and liabilities

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

	31. 12. 2021	31. 12. 2020
Companies in SK	21 %	21 %
Companies in CZ	-	19 %

EUR '000	31. 12. 2021	31. 12. 2020
SK		
Impairment allowances - financial assets at AC	22 176	22 782
Impairment allowances - other	2	7
Provisions for off-balance sheet exposures	160	169
Financial assets at FVOCI	(2 724)	(1 892)
Tangible assets	306	125
Other	4 303	4 204
Total	**24 223**	**25 395**
CZ		
Provisions for off-balance sheet exposures	-	117
Tangible assets	-	(1)
Other	-	15
Total	**-**	**131**
Total deferred tax assets	**24 223**	**25 526**

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

Movements in deferred tax were as follows:

EUR '000	1. 1. 2021	Profit or loss	OCI	Sale of subsidiary	31. 12. 2021
Impairment on financial assets at AC	22 782	(606)	-		22 176
Impairment on financial assets at FVOCI	-	-	-		-
Impairment on other assets	7	(5)	-		2
Provisions for off-balance sheet exposures	286	149	-	(275)	160
Revaluation of financial assets at FVOCI	(1 892)	-	(967)	135	(2 724)
Tangible assets	124	182	-		306
Other	4 219	84	-		4 303
Total	**25 526**	**(196)**	**(967)**	**(140)**	**24 223**

EUR '000	1. 1. 2020	Profit or loss	OCI	31. 12. 2020
Impairment on financial assets at amortised cost	16 014	6 768	-	22 782
Impairment on other assets	-	7	-	7
Provisions for off-balance sheet exposures	610	(324)	-	286
Revaluation of financial assets at FVOCI	(1 829)	3	(66)	(1 892)
Tangible assets	(117)	241	-	124
Other	4 292	(73)	-	4 219
Total	**18 970**	**6 622**	**(66)**	**25 526**

14. Other assets

EUR '000	31. 12. 2021	31. 12. 2020
Deferred expenses	9 085	10 184
Accrued income	3 595	1 453
Inventories	543	584
Reinsurance assets	-	215
Prepayments	2 863	5 074
Total	**16 086**	**17 510**

15. Financial liabilities measured at amortised cost

EUR '000	31. 12. 2021	31. 12. 2020
Deposits	**4 007 447**	**3 668 402**
Central banks	249 931	-
General governments	3 613	3 390
Credit institutions excluding subordinated debt	84 587	28 110
Credit institutions - subordinated debt	8 014	8 014
Other financial corporations	148 645	193 141
Non-financial corporations	146 302	160 312
Households	3 366 355	3 275 435
Debt securities issued	**64 794**	**-**
Non-convertible debt securities issued	64 794	-
Other financial liabilities	**64 542**	**58 275**
Clearing and settlement items	5 930	11 796
Liabilities to employees	3 633	4 509
Liabilities from social and health insurance and social fund	1 955	1 848
Tax liabilities	1 232	1 249
Received prepayments	5 116	105
Liabilities from dividends	28	28
Lease liabilities	40 267	33 590
Other creditors	6 381	5 150
Total	**4 136 783**	**3 726 677**

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

EUR '000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Cur-rency	31. 12. 2021	31. 12. 2020
Debt securities issued	22. 11. 2021	22. 11. 2024	3,50 %	15	1 000	EUR	14 984	-
Debt securities issued	22. 12. 2021	22. 12. 2024	3,50 %	500	100	EUR	49 810	-
Total							**64 794**	**-**

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Subordinated debt	8 014	8 014
Other received loans	10 100	10 100

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

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a. s.	365.bank, a. s.	8 014	3M EURIBOR + 6 %	31. 12. 2026

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

EUR '000	Debt securities		Subordinated debt		Other received loans	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Opening balance as at 1 January	**-**	**-**	**8 014**	**8 014**	**10 100**	**19 979**
Proceeds from issue of debt securities	65 000	-	-	-	-	-
Loan repayments	-	-	-	-	-	(9 879)
Interest expenses	104	-	480	481	222	283
Interest paid	(310)	-	(480)	(481)	(222)	(283)
Closing balance	64 794	-	8 014	8 014	10 100	10 100

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

As at 31 December 2021, outstanding borrowing on the balance sheet under the third series of the targeted longer-term refinancing operation (TLTRO-III) program of the ECB amounts to EUR 249,931 thousand.
Based on the terms of this program, in comparison to market pricing for other similarly-collateralised borrowings available to the Bank, it was concluded that TLTRO III does not contain a significant benefit relative to market pricing, and accounts for financial liabilities relating to the TLTRO III program wholly as floating rate instruments under IFRS 9.
The effective interest rate of these instruments includes the special interest period, and reflects the Bank's determination at initial recognition as to the final interest amount receivable on maturity. This calculation at initial recognition also considers the Bank's expectation to meet its lending targets over the operations' life.

If there was a subsequent change in the Bank's estimate regarding its lending targets, it would apply IFRS 9 revision of estimates guidance.
The TLTRO III negative interest amount recorded in the 2021 consolidated statement of profit or loss is EUR 69 thousand.

16. Provision

EUR '000	31. 12. 2021	31. 12. 2020
Commitments and guarantees given	730	1 481
Loan commitments	541	792
Guarantees given	189	689
Other provisions	6	1 106
Insurance provisions	-	26 046
Life insurance	-	24 307
Unearned premium	-	454
Provision for claims	-	1 285
Total	**736**	**28 633**

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

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

EUR '000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	**1 568**	**695**	**494**	**-**	**2 757**
Increases due to origination and acquisition	2 716	-	-	-	2 716
Decreases due to derecognition	(2 695)	(789)	(511)	-	(3 995)
Changes due to change in credit risk (net)	(1 142)	511	637		6
Transfers:	(22)	22	-	-	-
(to)/from Stage 1	x	22	-	-	22
(to)/from Stage 2	(22)	x	-	-	(22)
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(3)	-	-	-	(3)
As of 31 December 2021	**422**	**439**	**620**	**-**	**1 481**

Movements in the insurance provisions were as follows:

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

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

17. Other liabilities

EUR '000	31. 12. 2021	31. 12. 2020
Estimated payables (PEREX, OPEX)	14 545	14 213
Deferred income	(545)	486
Accrued expenses	284	349
Total	**14 284**	**15 048**

18. Equity

a) Share capital

	31. 12. 2021	31. 12. 2020
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR' 000	**366 305**	**366 305**

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

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

c) Revaluation of financial instruments measured through other comprehensive income

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

d) Translation reserve

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

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR '000	31. 12. 2021	31. 12. 2020
Loan commitments given	264 432	219 573
Financial guarantees given	16 507	18 236
Total	**280 939**	**237 809**

b) Assets management and custody

EUR '000	31. 12. 2021	31. 12. 2020
Asset management	2 784 880	2 497 628
Custody assets	104 068	100 592
Total	**2 888 948**	**2 598 220**

c) Securities provided as collateral

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

EUR '000	31. 12. 2021	31. 12. 2020
Financial assets at fair value through other comprehensive income	185 995	42 291
Financial assets at amortised cost	270 682	298 644
Total	**456 677**	**340 935**

d) Transferred financial assets

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

EUR '000	Carrying amount of transferred assets		Carrying amount of associated liabilities	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Debt securities	456 677	-	319 930	-
Collateral given in repurchase agreements	**456 677**	**-**	**319 930**	**-**

20. Offsetting of financial assets and liabilities

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

31. 12. 2021	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2	-	2	2	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Total assets	**2**	**-**	**2**	**2**	**-**	**-**	**-**
Financial liabilities							
Derivatives	3 695	-	3 695	2	3 693	-	-
Hedging derivatives	4 977	-	4 977	-	4 895	-	82
Total liabilities	**8 672**	**-**	**8 672**	**2**	**8 588**	**-**	**82**

31. 12. 2020	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2 648	-	2 648	746	1 881	-	21
Hedging derivatives	-	-	-	-	-	-	-
Total assets	**2 648**	**-**	**2 648**	**746**	**1 881**	**-**	**21**
Financial liabilities							
Derivatives	746	-	746	746	-	-	-
Hedging derivatives	10 318	-	10 318	-	6 472	-	3 846
Total liabilities	**11 064**	**-**	**11 064**	**746**	**6 472**	**-**	**3 846**

21. Net interest income

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

EUR '000	2021	2020
Interest income calculated on an EIR	153 206	163 107
Other interest income	800	-
Total interest income	**154 006**	**163 107**

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

22. Net fee and commission income

EUR '000	2021	2020
Fee and commission income		
Securities	61	84
Clearing and settlement	14 231	15 609
Asset management	30 784	24 947
Custody	3 517	2 874
Payment services	29 537	31 322
Current accounts	24 382	26 370
Debit cards and other card payments	355	385
Transfers and other payment orders	1 975	1 885
Other fee and commission income in relation to payment services	2 825	2 682
Loan servicing activities	2 487	2 767
Loan commitments given	653	901
Financial guarantees given	303	353
Other	8 636	1 829
Total fee and commission income	**90 209**	**80 686**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	89 253	79 432
Fee and commission expenses		
Securities	(372)	-
Clearing and settlement	(18 767)	(21 152)
Custody	(500)	(449)
Loan servicing activities	(2 005)	(2 264)
Financial guarantees received	(61)	(98)
Other	(8 864)	(8 964)
Total fee and commission expenses	**(30 569)**	**(32 927)**
Net fee and commission income	**59 640**	**47 759**

23. Dividend income

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

24. Net gains/(losses) from financial transactions

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

25. Net other operating expenses income/(expenses)

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

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

26. Administrative expenses

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

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

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

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

27. Depreciation

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

28. Net earned premium

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

29. Claim costs

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

30. Impairment losses and provisions

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

31. Income tax

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

Reconciliation of the effective tax rate is as follows:

EUR '000	2021	2020
Profit before tax	74 678	48 483
Income tax rate	21%	21%
Theoretical income tax	**(15 682)**	**(10 181)**
Non - tax expenses	(8 130)	(5 339)
Impairment allowances	898	(1 273)
Other	(9 028)	(4 066)
Non - taxable income	4 723	1 313
Dividends	49	3
Other	4 674	1 310
Deferred tax	(196)	6 622
Correction of prior period	667	(336)
Withholding tax	(94)	(80)
Other	920	117
Total	**(17 792)**	**(7 884)**
Effective tax rate	**23,82 %**	**16,26 %**

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

32. Related party transactions

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

(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. 2021	Share-holders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key manage-ment 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	-	-	1 887	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	1 488	122	-	-	8	2 692
Net fee and commission income	36	354	7 663	-	1	690
Net gains/(losses) from financial transactions	-	1 394	-	-	-	-
Net other operating expenses	-	61	93	-	-	-
Administrative expenses	-	(65)	4	-	-	(147)

31. 12. 2020	Share-holders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**14 980**	**176 359**	**705**	**-**	**1 071**	**34 081**
Other demand deposits	-	186	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	137 567	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-
Financial assets at amortised cost	14 980	38 606	705	-	1 071	34 081
Debt securities	-	-	-	-	-	-
Loans and advances	14 980	38 481	-	-	1071	34 081
Other financial assets	-	125	705	-	-	-
Liabilities	**-**	**18 754**	**4 392**	**-**	**1 452**	**1 608**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	18 754	4 392	-	1 452	1 608
Deposits	-	18 733	4 392	-	1 452	1 589
Other financial liabilities	-	21	-	-	-	19
Derivatives – Hedge accounting	-	-	-	-	-	-
2020						
Income/expenses						
Net interest income	500	(478)	-	-	10	888
Net fee and commission income	(12)	344	7 898	-	1	68
Net gains/(losses) from financial transactions	-	(1 815)	-	-	-	-
Net other operating expenses	-	-	78	-	-	-
Administrative expenses	-	(83)	-	10	-	(123)

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

33. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Assets								
Financial assets held for trading	**-**	**-**	**2**	**2 648**	**-**	**-**	**2**	**2 648**
Derivatives	-	-	2	2 648	-	-	2	2 648
Non-trading financial assets mandatorily at FVPL	**16 753**	**11 028**	**300 976**	**327 892**	**-**	**-**	**317 729**	**338 920**
Equity instruments	16 753	11 028	300 976	327 578	-	-	317 729	338 606
Loans and advances	-	-	-	314	-	-	-	314
Financial assets at FVOCI	**337 413**	**351 962**	**-**	**78 973**	**48 089**	**8 666**	**385 502**	**439 601**
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	337 413	351 962	-	78 973	48 024	8 601	385 437	439 536
Total assets	**354 166**	**362 990**	**300 978**	**409 513**	**48 089**	**8 666**	**703 233**	**781 169**

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Liabilities								
Financial liabilities held for trading	**-**	**-**	**3 695**	**746**	**-**	**-**	**3 695**	**746**
Derivatives	-	-	3 695	746	-	-	3 695	746
Derivatives – Hedge accounting	**-**	**-**	**4 977**	**10 318**			**4 977**	**10 318**
Total liabilities	**-**	**-**	**8 672**	**11 064**	**-**	**-**	**8 672**	**11 064**

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

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

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

EUR '000	1. 1. 2021	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2021
Financial assets at fair value through OCI	8 666	2 110	97	46 018	(26 912)	18 110	-	48 089
Total	**8 666**	**2 110**	**97**	**46 018**	**(26 912)**	**18 110**	**-**	**48 089**

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

31. december 2021	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**453 523**	**453 523**	**-**	**453 523**	**-**
Financial assets at amortised cost	**3 579 240**	**3 628 930**	**396 710**	**87 643**	**3 144 577**
Debt securities	380 576	398 959	351 455	-	47 504
Loans and advances	3 173 993	3 205 300	45 255	62 972	3 097 073
Other financial assets	24 671	24 671	-	24 671	-
Financial liabilities					
Financial liabilities measured at amortised cost	**4 136 783**	**4 158 856**	**-**	**4 158 856**	**-**
Deposits	4 007 447	4 029 520	-	4 029 520	
Debt securities issued	64 794	64 794	-	64 794	-
Other financial liabilities	64 542	64 542	-	64 542	-

31. december 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**296 241**	**296 241**	**-**	**296 241**	**-**
Financial assets at amortised cost	**3 219 617**	**3 316 586**	**335 825**	**78 510**	**2 902 251**
Debt securities	385 640	391 073	335 825	-	55 248
Loans and advances	2 797 304	2 888 840	-	41 837	2 847 003
Other financial assets	36 673	36 673	-	36 673	-
Financial liabilities					
Financial liabilities measured at amortised cost	**3 726 677**	**3 747 906**	**-**	**3 747 906**	**-**
Deposits	3 668 402	3 689 631		3 689 631	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	58 275	58 275	-	58 275	-

34. Segment reporting

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

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

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

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

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

EUR '000	Retail banking		Corporate banking		Other banking		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets	1 712 652	1 293 758	1 818 926	1 914 405	1 372 317	1 257 989	4 903 895	4 466 152
Liabilities	3 243 579	3 258 224	316 744	369 442	1 343 572	838 486	4 903 895	4 466 152

35. Risk management

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

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

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

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

The Group has exposure to the following main risks:

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

Settlement risk

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

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

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

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

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

36. Credit risk

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

Credit risk management includes:

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

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

When analysing client deals the Group uses:

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

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

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

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

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

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

EUR '000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Central banks	**-**	**983**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	**307 533**	**290 512**	**60 000**	**-**	**266 897**	**298 201**	**-**	**-**	**-**	**-**
Credit institutions	**30 990**	**30 986**	**23 571**	**16 489**	**28 346**	**48 816**	**-**	**-**	**-**	**-**
Other financial corporations	**3 038**	**5 810**	**491 554**	**547 946**	**29 180**	**19 784**	**-**	**61**	**-**	**4 954**
Non-financial corporations	**46 627**	**65 070**	**865 689**	**938 402**	**61 014**	**72 735**	**51 842**	**89 316**	**16 507**	**13 282**
A Agriculture, forestry and fishing	-	-	35 943	26 096	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	2 616	60 442	58 096	-	3 138	438	1 561	76	79
D Electricity, gas, steam and air conditioning supply	-	1 063	67 645	148 950	-	-	-	74 531	-	-
E Water supply	-	-	385	84	-	-	-	-	-	-
F Construction	-	-	115 440	108 378	-	-	2 108	2 413	2 972	3 457
G Wholesale and retail trade	-	-	25 106	36 615	-	-	445	592	487	2 078
H Transport and storage	-	-	2 802	2 867	-	-	23	21	3	247
I Accommodation and food service activities	-	-	75 697	55 802	-	37 950	64	197	-	-
J Information and communication	-	1 281	2 534	10 973	-	-	3 000	3 000	-	-
K Financial and insurance activities	-	4 055	53 508	28 412	-	8 601	45 600	419	5 230	-
L Real estate activities	46 627	55 401	158 285	167 916	-	-	44	5 898	-	-
M Professional, scientific and technical activities	-	-	92 841	103 015	-	-	86	77	7 739	7 421
N Administrative and support service activities	-	-	80 360	89 550	-	-	30	606	-	-
O Public administration and defence, compulsory social security	-	654	-	6	-	-	-	-	-	-
P Education	-	-	13	25	-	-	-	-	-	-
Q Human health services and social work activities	-	-	19 246	19 508	-	-	-	-		–
R Arts, entertainment and recreation	-	-	69 415	76 315	61 014	23 046	-	-	-	-
S Other services	-	-	6 027	5 794	-	-	4	1	-	-
Households	**-**	**-**	**1 960 300**	**1 521 849**	**-**	**-**	**212 590**	**130 196**	**-**	**-**
Total	**388 188**	**393 361**	**3 401 114**	**3 024 686**	**385 437**	**439 536**	**264 432**	**219 573**	**16 507**	**18 236**

EUR '000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Slovak Republic	320 481	293 728	2 508 947	2 202 053	247 927	248 124	218 692	142 717	3 600	4 408
Czech Republic	-	-	348 281	319 156	29 462	80 288	30 547	76 807	257	1 454
Cyprus	-	-	298 390	274 392	-	-	14 977	37	-	-
Luxemburg	1 424	2 469	133 395	114 727	11 621	12 374	-	-	-	-
Switzerland	-	-	69 171	76 295	-	-	2	1	-	-
France	-	24 671	1 100	30 437	51 375	-	1	-	5 230	4 954
Netherlands	21 614	2 130	21 991	1 845	-	52 914	-	1	-	-
Poland	-	15 781	1	1	14 060	14 654	1	2	-	-
Lithuania	10 110	10 174	-	-	13 329	13 475	-	-	-	-
Latvia	2 181	2 208	-	-	17 663	17 707	-	-	-	-
Ireland	10 938	11 870	1	1	-	-	-	-	-	-
Germany	-	748	19 537	5 400	-	-	1	-	-	-
Great Britain	-	592	-	15	-	-	205	3	-	-
Other countries	21 440	28 990	300	364	-	-	6	5	7 420	7 420
Total	**388 188**	**393 361**	**3 401 114**	**3 024 686**	**385 437**	**439 536**	**264 432**	**219 573**	**16 507**	**18 236**

Rating system

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

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

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

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

Kreditné riziko	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 2021: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2020: EUR 300 thousand) are assessed individually in the staging process.

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

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

Significant increase in credit risk

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

I. Quantitative criteria:

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

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

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

The following thresholds apply to retail portfolios:

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

The following thresholds apply to corporate portfolios:

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

II. IQualitative criteria:

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

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

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

Definition of default and credit impaired financial assets

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

I. Hard criteria:

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

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

II. Soft criteria:

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

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

Forward-looking information

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

I. Individually assessed exposures

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

II. Portfolio-based exposures

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

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

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

Calculation of ECL

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

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

I. Individual calculation:

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

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

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

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

Changes in the credit quality of clients

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

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

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

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

ECL scenarios impact compared to the actual ECL value:

31. 12. 2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	118 309	5 724	4,84 %	(3 248)	-2,75 %
Mortgage loans	790	249	31,50 %	(129)	-16,31 %
Total	**119 099**	**5 973**	**5,02 %**	**(3 377)**	**-2,84 %**

31. 12. 2020	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	114 498	8 992	7,85 %	(5 334)	-4,66 %
Mortgage loans	959	198	20,65 %	(118)	-12,30 %
Total	**115 457**	**9 190**	**7,96 %**	**(5 452)**	**-4,72 %**

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

PD changes

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

PD change	31. december 2021				31. december 2020			
	10% increase		10% decrease		10% increase		10% decrease	
	EUR '000	in %	EUR '000	in %	EUR '000	in %	EUR '000	in %
Consumer credit	1 404	1,19 %	(1 404)	-1,19 %	2 457	2,15 %	(2 457)	-2,15 %
Mortgage loans	31	3,95 %	(31)	-3,95 %	43	4,45 %	(43)	-4,45 %
Corporate loans	2 364	2,29 %	(2 368)	-2,29 %	2 572	2,41 %	(2 572)	-2,41 %
Other	35	1,09 %	(35)	-1,09 %	38	1,22 %	(38)	-1,22 %
Total	**3 834**	**1,70 %**	**(3 838)**	**-1,70 %**	**5 110**	**2,27 %**	**(5 110)**	**-2,27 %**

A change of the LGD parameter

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

LGD change	31. december 2021		31. december 2020	
	in %	EUR '000	in %	EUR '000
+5 %	3,16 %	7 096	3,19 %	7 153
-5 %	-3,16 %	(7 096)	-3,19 %	(7 153)
+10 %	6,10 %	13 714	6,32 %	14 160
-10 %	-6,32 %	(14 193)	-6,39 %	(14 305)

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

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

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at AC - Debt securities										
Low credit risk	341 561	337 960	-	-	-	-	-	-	341 561	337 960
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	46 627	55 401	-	-	-	-	46 627	55 401
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**341 561**	**337 960**	**46 627**	**55 401**	**-**	**-**	**-**	**-**	**388 188**	**393 361**
Impairment allowance	(98)	(95)	(7 514)	(7 626)	-	-	-	-	(7 612)	(7 721)
Carrying amount	**341 463**	**337 865**	**39 113**	**47 775**	**-**	**-**	**-**	**-**	**380 576**	**385 640**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at AC - Loans and advances										
Low credit risk	954 222	807 841	55 728	56 299	130	-	-		1 010 080	864 140
Moderate credit risk	1 460 069	1 303 823	84 277	140 715	14 089	8 322	-	4	1 558 435	1 452 864
High credit risk	319 074	192 386	288 234	279 400	1 671	338	4 649	22 066	613 628	494 190
Default	-	-	-	-	173 793	172 204	8 226	8 630	182 019	180 834
Not rated	23 716	12 885	9 466	19 223	3 765	550	5	-	36 952	32 658
Gross amount	**2 757 081**	**2 316 935**	**437 705**	**495 637**	**193 448**	**181 414**	**12 880**	**30 700**	**3 401 114**	**3 024 686**
Impairment allowance	(21 360)	(23 036)	(35 099)	(41 260)	(161 716)	(152 219)	(8 946)	(10 867)	(227 121)	(227 382)
Carrying amount	**2 735 721**	**2 293 899**	**402 606**	**454 377**	**31 732**	**29 195**	**3 934**	**19 833**	**3 173 993**	**2 797 304**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial assets at FVOCI - Debt securities										
Low credit risk	306 864	359 391	-	-	-	-	-	-	306 864	359 391
Moderate credit risk	40 605	77 007	-	-	-	-	-	-	40 605	77 007
High credit risk	-	3 138	37 968	-	-	-	-	-	37 968	3 138
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**347 469**	**439 536**	**37 968**	**-**	**-**	**-**	**-**	**-**	**385 437**	**439 536**
Impairment allowance in OCI	(355)	(477)	(8 260)	-	-	-	-	-	(8 615)	(477)

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Loan and other commitments given										
Low credit risk	131 589	102 229	-	5	-	-	-	-	131 589	102 234
Moderate credit risk	121 725	98 961	-	1	-	-	-	-	121 725	98 962
High credit risk	1 732	2 133	1 939	974	-	-	-	-	3 671	3 107
Default	-	-	-	-	6	44	-	-	6	44
Not rated	3 000	3 000	4 441	12 226	-	-	-	-	7 441	15 226
Gross amount	**258 046**	**206 323**	**6 380**	**13 206**	**6**	**44**	**-**	**-**	**264 432**	**219 573**
Provision	**267**	**342**	**273**	**439**	**1**	**11**	**-**	**-**	**541**	**792**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020	31. 12. 2021	31. 12. 2020
Financial guarantees given										
Low credit risk	76	2 121	-	-	-	-	-	-	76	2 121
Moderate credit risk	13 184	12 973	-	-	-	-	-	-	13 184	12 973
High credit risk	1 618	1 932	1 629	-	-	-	-	-	3 247	1 932
Default	-	-	-	-	-	1 210	-	-	-	1 210
Not rated	–		-	-	-	-	-	-	-	-
Gross amount	**14 878**	**17 026**	**1 629**	**-**	**-**	**1 210**	**-**	**-**	**16 507**	**18 236**
Provision	**111**	**80**	**78**	**-**	**-**	**609**	**-**	**-**	**189**	**689**

Received collaterals

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

- Cash;
- Guarantees issued by banks, governments or reputable third parties;
- Securities;
- Receivables;

- Commercial and residential real estate;
- Tangible assets.

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Real-estates	1 185 359	712 836
Securities	226 588	230 593
Cash	3	6
Other	164 725	167 794
Total	**1 576 675**	**1 111 229**

Collateral in default loans and advances at amortised cost:

EUR '000	31. 12. 2021	31. 12. 2020
Gross amount	201 674	190 044
Impairment allowances	(170 034)	(159 890)
Carrying amount	**31 640**	**30 154**
Collateral	**11 615**	**5 663**

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Net value of assets obtained by taking possession of collateral	145	193

Recovery of receivables

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

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

Impact of COVID-19 pandemic

Retail portfolios

- From the credit risk point of view, the Group distinguishes between the provision of deferred payments to deferred payments for retired clients and for non-retired clients whereas, according to the amount of outstanding exposure as at 31 December 2021, deferred payments to non-retired clients represent 95.5% of provided deferred payments;
- Loans to non-retired clients with deferral of payments during the pandemic are included in Level 2, as the Group is exposed to increased credit risk due to possible loss of income in the future, the Group does not expect loss of income in retired clients;
- By the end of 2021, the FLI multiplier for retail portfolios was calibrated uniformly at 10%, in compliance with the Bank's expectations for the following year;
- As a result of the calibration of the FLI parameter, there was a one-off decrease in impairment allowances by approx. EUR 1.9 mil.

Corporate portfolios

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

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

EUR '000 31. 12. 2021	Gross amount			Impairment allowance		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost		**53 602**	**871**	**(147)**	**(4 189)**	**(225)**
Loans and advances		53 602	871	(147)	(4 189)	(225)
of which: Non-financial corporations		40 671	769	(147)	(3 496)	(188)
of which: Households		12 930	102	-	(693)	(38)

Remaining period of moratorium is as follows:

EUR '000 31. 12. 2021	Gross amount	Residual maturity of moratoria				
		≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 12 months
Financial assets at amortised cost	**73 202**	**47 732**	**5 538**	**589**	**829**	**18 514**
Loans and advances	73 202	47 732	5 538	589	829	18 514
of which: Non-financial corporations	60 139	40 682	759	-	709	17 989
of which: Households	13 063	7 049	4 780	589	120	525

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

37. Liquidity risk

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

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

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

Management of liquidity risk

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

The Group finances its assets mostly from primary sources. In addition to this, the Group has open credit lines from several financial institutions and is also able to finance its assets from interbank deposits. Due to its structure of assets, the Group has at its disposal sufficient amount of bonds which are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the European Central Bank.
The Group monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Group maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

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

Exposure to liquidity risk

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

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

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

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

	31. 12. 2021	31. 12. 2020
End of the period	1,58	2,15
Average for the period	2,04	1,95
Maximum for the period	3,00	2,15
Minimum for the period	1,58	1,81

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

	31. 12. 2021	31. 12. 2020
End of the period	1,27	1,22

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

EUR '000	31. december 2021			31. december 2020		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	453 523	-	453 523	296 241	-	296 241
Financial assets held for trading	2	-	2	2 648	-	2 648
Non-trading financial assets mandatorily at fair value through profit or loss	17 203	300 526	317 729	10 264	328 656	338 920
Financial assets at fair value through other comprehensive income	96 380	289 122	385 502	102 694	336 907	439 601
Financial assets at amortised cost	509 696	3 069 544	3 579 240	697 946	2 521 671	3 219 617
Debt securities	21 613	358 963	380 576	16 737	368 903	385 640
Loans and advances	463 412	2 710 581	3 173 993	644 536	2 152 768	2 797 304
Other financial assets	24 671	-	24 671	36 673	-	36 673
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 091	-	1 091	2 276	-	2 276
Investments in subsidiaries, joint ventures and associates	-	937	937	-	1 515	1 515
Tangible assets	-	68 081	68 081	-	62 152	62 152
Intangible assets	-	57 481	57 481	-	59 839	59 839
Current tax assets	-	-	-	307	-	307
Deferred tax assets	-	24 223	24 223	-	25 526	25 526
Other assets	16 086	-	16 086	17 510	-	17 510
Total assets	**1 093 981**	**3 809 914**	**4 903 895**	**1 129 886**	**3 336 266**	**4 466 152**
Liabilities						
Financial liabilities held for trading	3 695	-	3 695	746	-	746
Financial liabilities measured at amortised cost	3 511 667	625 116	4 136 783	3 503 698	222 979	3 726 677
Deposits	3 481 029	526 418	4 007 447	3 474 147	194 255	3 668 402
Debt securities issued	-	64 794	64 794	-	-	-
Other financial liabilities	30 638	33 904	64 542	29 551	28 724	58 275
thereof: lease liabilities	6 363	33 904	40 267	5 995	27 595	33 590
Derivatives – Hedge accounting	981	3 996	4 977	10 318	-	10 318
Provisions	736	-	736	28 633	-	28 633
Current tax liabilities	4 346	-	4 346	2 000	-	2 000
Other liabilities	14 284	-	14 284	15 048	-	15 048
Total liabilities	**3 535 709**	**629 112**	**4 164 820**	**3 560 443**	**222 979**	**3 783 422**

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

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

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31. december 2021						
Financial liabilities measured at amortised cost		229 800	566 257	74 835	4 164 479	4 136 783
Deposits		224 549	480 606	59 357	4 032 313	4 007 447
Debt securities issued		-	64 794	-	64 794	64 794
Other financial liabilities		5 251	20 857	15 478	67 372	64 542
thereof: lease liabilities		4 793	20 857	15 478	42 748	40 267
Derivatives – Hedge accounting		2 053	4 110	506	6 798	4 977
Total		**231 853**	**570 367**	**75 341**	**4 171 277**	**4 141 760**
31. december 2020						
Financial liabilities measured at amortised cost		257 825	163 645	74 491	3 749 806	3 726 677
Deposits		253 597	144 157	62 788	3 687 900	3 668 402
Debt securities issued		-	-	-	-	-
Other financial liabilities		4 228	19 488	11 703	61 906	58 275
thereof: lease liabilities		4 111	18 159	11 703	35 899	33 590
Derivatives – Hedge accounting		9 612	-	-	10 318	10 318
Total		**267 437**	**163 645**	**74 491**	**3 760 124**	**3 736 995**

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31. december 2021						
Loan and other commitments given		-	-	-	264 432	264 432
Financial guarantees given		-	-	-	16 507	16 507
Total		**-**	**-**	**-**	**280 939**	**280 939**
31. december 2020						
Loan and other commitments given		-	-	-	219 573	219 573
Financial guarantees given		-	-	-	18 236	18 236
Total		**-**	**-**	**-**	**237 809**	**237 809**

38. Market risk

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

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

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

Management of market risks

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

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

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

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

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

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

A summary of the VaR position of the Group:

EUR '000	31. 12. 2021	Average	Maximum	Minimum
VaR trading book	6	15	102	-
VaR banking book	2 269	2 535	2 994	2 241
VaR total	2 264	2 596	3 921	2 240
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	-

EUR '000	31. 12. 2020	Average	Maximum	Minimum
VaR trading book	12	6	36	0
VaR banking book	2 516	2 127	2 749	868
VaR total	2 515	2 127	2 731	870
Out of which interest rate risk	1 144	904	2 362	516
Out of which credit spread risk	2 386	2 087	5 273	1 046
Out of which foreign exchange risk	12	6	36	0

Interest rate risk

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

Other sources of interest rate risk are:

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

On the asset side of the statement of financial position, the Group manages its interest rate risk by providing a majority of corporate loans with variable rates. The Group continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Group is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Group uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

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

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

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

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

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

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

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

Share price risk

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

When investing in equity instruments, the Group:

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

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

Foreign exchange risk

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

IBOR reform

Risk Management

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

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

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

Non - derivative financial assets and liabilities

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

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

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

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

Derivatives

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

Hedge accounting

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

39. Operational risk

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

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

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

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

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

Legal risk

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

Compliance risk

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

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

Risks related to outsourcing

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

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

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

40. Regulatory requirements of the asset management company

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

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

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

41. Regulatory requirements of the pension funds management company

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

Own resources are adequate when:

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

42. Capital management

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

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

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

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

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

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

EUR '000	31. 12. 2021	31. 12. 2020
Tier I Capital	**644 274**	**609 754**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	65 076	60 430
Selected components of accumulated other comprehensive income	6 841	6 547
Profit or loss of previous years	237 345	202 541
Intangible assets	(47 860)	(49 201)
Additional valuation adjustments	(780)	(859)
Other transitional adjustments to CET1 Capital	16 609	23 253
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**652 274**	**617 754**

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

EUR '000	31. 12. 2021	31. 12. 2020
Capital required to cover:		
Credit risk	259 161	259 299
Credit value adjustment risk	202	105
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	29 598	29 527
Total capital requirements	**288 961**	**288 931**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	18,06 %	17,10 %
Tier I capital as a percentage of total risk weighted assets	17,84 %	16,88 %
Common Equity Tier I capital as a percentage of total risk weighted assets	17,84 %	16,88 %

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

EUR '000	31. 12. 2021	31. 12. 2020
Available capital (amounts)		
Common Equity Tier I (CET1) capital	644 274	609 754
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	627 665	586 501
Tier I capital	644 274	609 754
Tier I capital as if IFRS 9 transitional arrangements were not applied	627 665	586 501
Total capital	652 274	617 754
Total capital as if IFRS 9 transitional arrangements were not applied	635 665	594 501
Risk-weighted assets (amounts)		
Risk-weighted assets	3 612 010	3 611 631
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	3 593 371	3 585 297
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	17,84 %	16,88 %
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,47 %	16,36 %
Tier I capital (as a percentage of risk exposure amount)	17,84 %	16,88 %
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,47 %	16,36 %
Total capital (as a percentage of risk exposure amount)	18,06 %	17,10 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,69 %	16,58 %

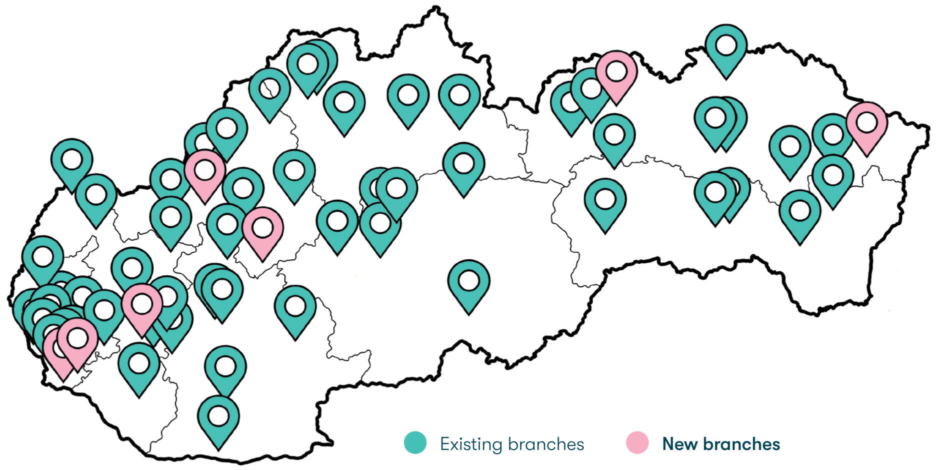
43. Post balance-sheet events

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

15. Branches

č.	Branch	Street	ZIP Code
1	BA- Eurovea	Pribinová č. 8	811 09
2	BA- Aupark	Einsteinova č. 18	851 01
3	BA- Nivy	Mlynské Nivy 5A	821 09
4	BA – Karlova Ves	Karloveská 34	842 64
5	BA – VIVO(Polus)	Vajnorská 100	831 04
6	BA - River Park	Dvořákovo nábrežie 10	811 02
7	BA - Saratov	Saratovská 9	841 02
8	BA - Tomášikova	Tomášikova 21	821 01
9	BA – Twin City	Mlynské Nivy 14	821 09
10	BA – Vlast. nám.	Vlastenecké námestie č.4	851 01
11	Bánovce nad Bebravou	Námestie Ľudovíta Štúra 8/8B	957 01
12	Banská Bystrica	Dolná 62	974 01
13	Banská Bystrica 2 - OC Europa	Na Troskách 25	974 01
14	Bardejov	Hviezdoslavova 3	085 01
15	Brezno	Námestie M.R.Štefánika 7	977 01
16	Dubnica nad Váhom	Nám. Matice slovenskej 35	018 41
17	Dunajská Streda	Bacsákova ul.1	929 01
18	Galanta	sídlisko Jas č.5 (OC JASPARK)	924 01
19	Hlohovec	Hollého 1	920 01
20	Humenné	Nám. Slobody 3	066 01
21	Kežmarok	Dr. Alexandra 1377/52	060 01
22	Komárno	Mederčská 4987/4	945 01
23	Košice 1	Toryská 3	040 11
24	Košice 2	Štúrova 1 (OD Dargov)	040 01
25	Levice	P.O. Hviezdoslava 2/A	934 01
26	Liptovský Mikuláš	Ulica 1.mája 41	031 01
27	Lučenec	T.G. Masaryka 19	984 01
28	Malacky	Zámocká 8	901 01
29	Martin	Andreja Kmeťa 5397/23	036 01
30	Michalovce	ul. kpt. Nálepku 26	071 01
31	Nitra 1	Štefánikova trieda 65	949 01
32	Nitra 2	Sládkovičova 1	949 01
33	Nové Mesto nad Váhom	Hviezdoslavova 19	915 01
34	Nové Zámky	M.R.Štefánika 11	940 02
35	Partizánske	Hrnčírikova 1/B	958 01
36	Pezinok	Moyzesova 4/B	902 01
37	Piešťany	Andreja Hlinku 46	921 01
38	Poprad	Vajanského 71	058 01
39	Považská Bystrica	Centrum 8	017 01
40	Prešov	Hlavná 54	080 01
41	Prešov 2	Arm. generála Svobodu 25	080 01
42	Prievidza	Gustava Švéniho 3	971 01
43	Rožňava	Janka Kráľa 4	048 01
44	Ružomberok	Podhora 55	034 01
45	Senec	Lichnerova 44	903 01
46	Senica	Námestie oslobodenia 9/21	905 01
47	Sereď	Námestie Slobody 36/A	926 01
48	Skalica	Potočná 20	909 01
49	Snina	Strojárska 4031	069 01
50	Spišská Nová Ves	Letná 51	052 01
51	Stará Ľubovňa	Levočská 2/336	064 01
52	Šaľa	Nám. Sv. Juraja 2244	927 01
53	Topoľčany	Námestie M.R.Štefánika 21	955 01
54	Trebišov	M. R. Štefánika 52	075 01
55	Trenčín	Nám. sv. Anny 23	911 01
56	Trenčín- Laugaricio	OC Laugaricio, 7271 Belá	911 01
57	Trnava	Hlavná ulica 33	917 01
58	Vranov nad Topľou	Námestie Slobody 5	093 01
59	Zvolen	Námestie SNP 19	960 01
60	Žiar nad Hronom	Nám. Matice slovenskej 2820/24	965 01
61	Žilina	Na priekope 19	012 03
62	Žilina 2 - OC Aupark	Veľká Okružná 59A	010 01

List of branches as at 31. 12. 2021



2021	
New branches	BA- Aupark, BA- Nivy, Partizánske, Sereď, Snina, Stará Ľubovňa, Trenčín- Laugaricio

365 bank