Consolidated annual report

365 bank

2022

Consolidated annual report

(„Annual Report“)

365 bank

2022

Contents

1. Foreword of the managing director

Respected Shareholders, Business Partners, and Colleagues,

another year that has put the whole society, including the Banking sector, in front of difficult challenges is behind us. The lingering consequences of the pandemic, the war in Ukraine, continuously increasing inflation, but also the rise in interest rates have taken their toll on the financial stability of Slovaks. 365.bank reflected on this situation and helped its clients overcome this period. Despite the fact that we have had a difficult year, I can state that it was one of the most successful for 365.bank in terms of economic results.

We continued to develop the set strategy of a full-format retail bank and throughout the year we brought solutions that helped not only our clients, but also people escaping the war. We have cancelled fees for transfers to Ukraine, as well as for cash withdrawals with Ukrainian payment cards in our network of ATMs. We have also introduced the SKPAY prepaid payment card.

Due to the worsening economic situation, we focused on refinancing and consolidation products within the product portfolio, but also on supporting the creation of financial reserves for clients. We responded to the rising inflation and expanded the possibilities of money improvement through investments. Either as a follow-up to a Term deposit through the Kombi product, or by investing directly in mutual funds managed by our management company 365.invest.

We made investment products available in a mobile application, and we were the first in Slovakia to bring a unique form of micro-investment to the market in the form of Investičné Syslenie (Investment hoarding up). Furthermore, we strengthened the positioning of 365 as a digital bank which offers smart solutions in almost all areas of banking. We improved the banking application, in which, in addition to the possibility to invest, facial biometrics was added, by which opening an account via mobile is more efficient.

We paid considerable attention to social responsibility, charity and sustainability throughout the last year. 365.bank has become an official signatory of the Diversity Charter and thus signed up to the commitment to create and maintain a working environment based on the principles of diversity, non-discrimination and equality, regardless of age, gender, ethnicity, religion, sexual orientation or health impairment. After receiving the Best Employer award in the Banking category, we continued to try to build the Bank's image as an attractive employer in the Banking sector.

Through the 365 nadácia, we financially supported the publication of the first Slovak language textbook, which helps Ukrainian children to overcome the language barrier and integrate into society. However, 365.bank also devoted itself to enlightenment and education in other areas. The Bank actively supported the development of financial literacy among Slovak children and youth through several projects in cooperation with key partners such as Junior Achievement Slovakia and the Comenius Institute.

One of the main areas that 365.bank focuses on is the support of ecological banking and projects focusing on a plastic-free philosophy. It was no different in the previous year either. We have been fulfilling our objective of becoming a carbon neutral bank by 2025 and have taken the necessary measures to get closer to this goal again. We also continued cooperation with the Ružínska Reservoir Civic Association and continued activities aimed at cultivating the surroundings of the reservoir.

However, 2022 brought new events for our subsidiaries as well. We managed to successfully complete the sale of the pension company 365.life. At Poštová banka, we fully devoted ourselves to the further development of the concept of the most accessible bank on the market, represented in every region of Slovakia. As part of internal processes, we optimized the organizational structure in order to make the Bank's operation more efficient, make it easier for employees to work, acquire new clients and get even closer to current ones.

365.invest made its real estate portfolio more attractive. It concluded an agreement with the company CPI Property Group invest on the purchase of three Czech shopping centres IGY České Budějovice, OC Géčko and Shopping Center City Park Jihlava. It was one of the largest transactions on the Czech-Slovak market. It has also expanded its real estate fund with a network of Storia shopping centres in several Slovak cities. The company also achieved success in the important real estate-oriented competition CIJ Awards Slovakia 2022. In the Property Leadership of the Year category, with participation of its Board of Directors, 365.invest won first place.

365.bank also invested in fintech in 2022. Startup Ondato, which streamlines processes related to KYC and AML, has been added to the 365.fintech portfolio. The company currently has over 300 clients in more than 30 countries operating in fintech, banking, cryptography, the sharing economy and other industries.

I would like to thank all my colleagues for the previous year, thanks to their commitment, expertise and responsibility it was successful for bank group. Thanks also go to all our clients and shareholders for their trust in what we do. We have another, apparently challenging, year ahead of us, which will bring more challenges. However, I believe that we will manage to build on last year's successes and this year's balance will be as good as it has been so far.

Ing. Andrej Zaťko
CEO and Chairman of the Board of Directors
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**

Business 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
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 2020
Ing. Jan Kotek // Member of the Supervisory board – in office from 4 May 2018

As at 31 December 2022, 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 %
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 %
365.fintech, a. s.	Start-up support	100.00 %
Cards&Co, a. s.	IT services	100.00 %
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.*	Trade and art	100.00 %
365.nadácia	Charity organisation	X
Joint ventures		
SKPAY, a. s.	Payment system services	40.00 %
Monilogi s.r.o.	Cash management	8.00 %

365.life, d. s. s., a. s. was sold on 28 December 2022.

* As at 2 November 2022, 365.bank, a. s., became the sole shareholder of ART FOND – Stredoeurópsky fond súčasného umenia, a. s.

4. Main events

January

The most attractive employer
We started the new year by winning the Most Attractive Employer award in the Banking, Finance and Insurance category, which is awarded annually by the job portal profesia.sk. 365.bank passed the parameters, such as the reputation of the company, the team, the workload, employee benefits and the like. Our objective remains to continue to build employee satisfaction, motivation and loyalty, because we consider human capital to be an important starting point for the success of any company.

February

Children's banking application SMARTIE
365 launched a campaign in which it pointed out the need to talk to children about money and thus continued its activities in the field of financial literacy, linking it to specific products. In this case, it is the first children's SMARTIE mobile application with a payment card and a bracelet, which supports children's active handling of money under the supervision of a parent and thus helps build their financial literacy as schoolchildren achieve only average results in this matter and SMARTIE is intended to help them learn to better understand money.

HR marketing campaign #Joy to Work
After receiving the Best Employer award, 365.bank launched a campaign aimed at building its employer branding to create a positioning of the Bank as an attractive employer in finance. The online campaign therefore relied on a clear message - "joy to work". The authenticity of the campaign was underlined by the fact that real employees of the Bank appear in it.
365.bank within the external environment, as well as the interaction with the client, strategically focused on a friendly, informal and relaxed style of communication, which is quite unusual for a bank in our region. The same principles are emphasized in its internal culture and in relation to employees. Therefore, the HR marketing campaign develops the idea of a friendly bank, resulting in the #Joy to Work campaign. Its central element became the symbol of a smile, i.e. joy. It was created by turning the semicircle that is part of the 365.bank logo.

March

Facial biometrics
365.bank introduced facial biometrics into the current onboarding process, i.e. account creation via mobile phone and verifying the client's identity. Facial biometrics uses the uniqueness of the human face and can reliably verify the identity of users by comparing dozens of points. 365.bank introduced a new feature into the process of setting up an account in the mobile application, thus complementing the already existing solution in the form of a video call which is still enabled, while the client can choose the preferred verification method.
The Bank collaborated with the Slovak company Innovatrics, which is a world leader in the field of biometrics and customized high-tech solutions, in the creation of facial biometrics technology.

Support to Ukraine and help to people fleeing the war conflict
The 365.bank group responded shortly after the outbreak of the war conflict in Ukraine with financial assistance through a collection carried out by the 365.nadácia. The collected amount was multiplied and through the Slovak Red Cross allocated where necessary. Within our bank group, we have also introduced free banking services for refugees from Ukraine in the form of free fund transfers to Ukraine, as well as free cash withdrawals with Ukrainian payment cards at our ATM network.
Poštová banka modified its Užitočný účet (Useful account) and added fee-free solidarity parameters. People coming from Ukraine to Slovakia could open it for 12 months completely free of charge, including a payment card, internet banking, unlimited cash withdrawals from their own network of ATMs, while the Bank reimbursed clients the fee for withdrawals from ATMs of other banks.

April

Supporting the organizational health of the company
In April, we started activities aimed at supporting the so-called organizational health. OHI (Organizational Health Index). The project consisted of several activities and workshops organized during the year to create an even better, more creative and pleasant internal environment in the Bank that will connect people with its key values.

May

NFT digital art in branches
365.bank has brought a modern phenomenon to its branches – digital art of NFT, the platform of a blockchain technology. Through the ART FOND art collection, 365.bank connected the digital world with the physical world and offered the public this "today's" type of art, and at all the Bank's business locations throughout Slovakia, people could see Vladimír Havrilla's works in NFT form.

June

Investing through the application
In June, by updating its application, 365.bank expanded its digital product portfolio by investing in mutual funds. In addition to more conservative bond solutions, the Bank also offered new trends for dynamic investors in an ecological and blockchain fund. By investing through the application, it continued its "mobile first" philosophy. In this way, 365.bank brought the subject of investing closer to a wide range of clients, including beginners. The whole process is very simple and takes only a few minutes for the client, it is fully digital, paperless and directly in the mobile application. All mutual funds belong to the management company 365.invest, which is part of the 365.bank group.

Look, Slovak language!
The 365.bank foundation financially supported the publication of a Slovak language textbook for children from abroad called Aha, slovenčina! (Look, Slovak language!) intended for school-aged children and also for teachers who, due to the language barrier, had a problem managing the curriculum with children who could not speak Slovak. A comprehensive set of Slovak language books and workbooks was published shortly after thousands of Ukrainian children had to leave their homes and join Slovak schools. The book helped teachers and students in a new situation.

Support of culture in the regions: Za 7 horami (7 mountains after)
In the summer, Poštová banka supported a cultural event in the Liptov region, Za 7 horami family fairy-tale festival. As the most accessible bank in Slovakia, it is present in every region of Slovakia, and therefore, naturally, directs its support to activities that

bring meaningful and interesting projects accessible to everyone to various corners of our country. The main mission of the Za 7 Horami summer festival is to introduce children to culture, especially theatre arts and ageless fairy tales.

July

Cultivation of the Ružín Reservoir

Ecology and sustainability are among the main values of the 365 brand, which is why in 2022 the 365.nadácia continued to support the ecological project of cultivating the Ružín Reservoir. In connection with the installation of a tunnel wall capturing plastic waste, ecological rest zones were also added as part of the Panenská ecotourism project. They are intended for all reservoir visitors and are made of ecologically processed plastics as a symbol of the solution and use of plastic waste.

New Kombi deposit

In the summer months, 365.bank came up with an innovative solution for more conservative clients. The new Kombi deposit combines investing in mutual funds with a term deposit, which is tied to a guaranteed return. The 365.bank clients can choose from three alternatives depending on the commitment period and focus of the mutual fund. The minimum amount of the deposit is EUR 1 000, while the deposited amount is always divided equally between the Term Deposit and the chosen mutual fund. Mutual funds are one of the most popular investment tools and are suitable for both beginners and more experienced investors.

August

Let's protect seniors from financial fraud

Historically, Poštová banka has tens of thousands of elderly clients. It is seniors who often become victims of financial fraud and often lose their life savings. In the summer months, Poštová banka launched educational and awareness activities, which are not only intended to help seniors orient themselves in the world of finance and teach them to detect fraud, but also called on their younger family members and loved ones to help them in this.

September

An idea for 3 generations

For the seventh time, Poštová banka has announced the possibility of applying to the grant program Nápad pre 3 generácie (Idea for 3 generations), whose main mission is to connect generations and bring communities in different corners of Slovakia together. A record 502 projects applied for financial support. In the end, 22 exceptional ideas received a grant, which shared the sum of EUR 40,000, i.e. EUR 10,000 more than in previous years. Poštová banka decided to increase the amount of grants mainly for the quality of competitive projects that actually improve the everyday life of people, the environment, maintain traditions and customs and develop intergenerational cooperation even in smaller towns and villages in Slovakia.

October

Bratislava animation biennial

365.bank became a partner of the 16th edition of the international festival of animated films for children and youth, Bienále animation Bratislava. It is the oldest festival of its kind in Slovakia, which has become an important worldwide competitive exhibition of animated films, educating the audience and allowing them to see behind the scenes. The festival also included a series of lectures with important creators of animated films called Industry Forum, which was created with the support of 365.bank. As part of the festival, the Bank awarded the best children's animated film with the Junior Award.

New investment 365.fintech

In autumn, startup Ondato was added to the portfolio of the 365.fintech investment platform. Founded in 2018, Ondato helps create a better and safer environment for organizations and individuals. Streamlines processes related to KYC (Know your client) and AML (Anti-money laundering). This is mainly about verifying the identity and digital identity of clients. 365.bank has been investing through the 365.fintech platform in prospective fintech, big data and business intelligence companies since 2018. Its ambition is to support newly established companies with the necessary capital and thus participate in the exchange of experience in technologies which are part of the Banking and financial sector. It has already made several investments with a total value of more than EUR 4 million.

The project Nenaleťme (Let's not be misled)

In October, Poštová banka transformed its activities aimed at preventing financial fraud into the Nenaleťme project which provides comprehensive information about possible frauds, educates how to avoid them, or how to react if someone already becomes a victim of a financial fraud. On the Nenaleťme project website, the Bank publishes blogs, detailed useful advice and interesting interviews with IT and psychology experts.

November

Diversity Charter

In November, 365.bank became an official signatory of the Diversity Charter by the Pontis Foundation. The Bank committed to create and maintain a working environment based on the principles of diversity, non-discrimination and equality, regardless of age, gender, ethnicity, religion, sexual orientation or health handicap. The Diversity Charter is a voluntary initiative by companies and organizations to promote inclusion and diversity in the workplace, with the aim of providing work and opportunities for all without discrimination. 365.bank has been committed to the principles of equal access to employees since its inception. It also transferred liberal and democratic values to its code of ethics and later to the strategy of inclusion and diversity.

December

Investičné Syslenie (Investment hoarding up)

In the last month of the year, 365.bank expanded the possibilities of investing through its mobile application and introduced new Investičné Syslenie (Investment hoarding up) to the market. The automatic type of investment works on the principle of rounding off payments and represents a simple method of capital improvement. 365.bank thus came up with a product that is suitable for both beginners in investing and more conservative clients. It is a form of micro-investment in the fund, through which amounts starting at 10 cents can be valued without entry fees. Transparent Investičné Syslenie can be activated in the application, where the client chooses the method - whether rounding of payments or the so-called centless account. After each payment, the rounded amount is accumulated in the technical sub-account and once a week the entire amount of money goes to the ECO fund. With a new product, 365.bank followed up on the growing popularity of cashless forms of payment and made micro-investing available to the public.

KOOPERATIVA acquired 100% of the shares of 365.life

KOOPERATIVA poisťovňa took over the pension management company 365.life, previously a part of the 365.bank group as the company is experienced in improving savers' savings in the financial and capital markets. With an almost

5% market share, nearly 125 000 savers the company manages savings in pension funds in the total amount of more than EUR 500 million. The takeover of the pension management company is part of the VIG 25 strategic program, by which the Vienna Insurance Group is intensifying and expanding the area of business in pension funds. For 365.life clients, nothing changes in terms of their current savings in old-age pension savings.

5. Outlook for 2023

In 2022, 365.bank became the most preferred digital bank in Slovakia, thereby confirming its digital DNA even among the largest players in the Slovak banking market. DNA is what we want to build on in 2023 and continue on to develop a full-format bank, which, in addition to the digital world, is also available through its branches in 60 locations throughout Slovakia.

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. Our objective is to make our sales points more attractive, 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, in addition to reaching out to new clients, our priority remains to become a partner for our clients and their main bank, which can comprehensively cover their financial needs, from a personal account, through the housing financing, insurance, investing and retirement savings.
With a wide and complex offer of financial services, we want to appeal especially to family clients, for whom we can manage their finances under one financial house.

To enable our clients to think about money less, we want to focus on the optimal setting of their financial health, considering their financial and life goals. In times of rising household costs, we want to be helpful in setting up instalments correctly, whether for consumer financing or housing financing. However, we should not forget short-term or long-term goals, ours or our children's, where we need the correct setting of savings and investment products, or the creation of a financial reserve today.

Therefore, we do not want to bring only products, but mainly solutions to satisfy the needs of our clients.
In 2022, we introduced Investičné sporenie (Investment savings) and a new product on the market, Investičné Syslenie (Investment hoarding up). Products directly contributing not only to long-term wealth building, but also to building financial literacy around investing, which is still not very popular in Slovakia. In 2023, we want to increase interest in regular investing as one of the basic tools for achieving the future financial goals of our clients.

In consumer financing, we want to continue to be among the best players in the market. We want to be helpful in the optimal setting and "financial cleaning" of our clients' instalments so that building a financial reserve or saving and investing for the future is easier for them today. Improving, speeding up and digitizing processes for providing loans just when our clients need it is therefore high on our list of priorities in 2023.

In the context of the lower availability of housing financing compared to previous years, we want to bring solutions in 2023 that would enable families to purchase their own housing even in times of rising interest rates. When refinancing mortgage loans, we also want to focus on the speed and simplicity of processes, or to support the possibility of applying for a mortgage or transferring it in a digital environment even more.

The year 2023 will therefore reach out to "more mature" and family clients for 365.bank.

However, with the aging of the population, the topic of the silver economy, which we want to develop more in the coming years, is also coming into the spotlight.
On the contrary, the topic of ecology remains relevant for us and is reflected more and more in paperless and digital processes and products.

The digital channel is becoming a standard. We adapt more and more processes so that they can be set up from the comfort of home without the need to visit a branch. We are constantly adding new products and services to the convenience of everyday mobile banking, which can be fully set up and operated using digital banking. We deepen the user experience with the so-called omnichannel approach, in which the client can choose his preferred method and channel when contacting the Bank.

An important change for the Bank in 2023 will also be the transition to a new cloud technology infrastructure, with the help of which we want to improve and unify the user experience across all our channels, i.e. business locations, contact centre and digital banking, more easily and quickly.

In 2023, Poštová banka will further develop and support the successfully set direction of Poštová banka. Thanks to the unique "bank at post office" concept, its services and products will be available to clients this year at more than 1 300 business locations in every region of Slovakia. In addition, through 146 Financial service offices - so-called PFS, clients have at their disposal a comprehensive portfolio of products and services not only of the Bank itself, but also of its partners. A competitionless network of business locations makes Poštová banka the Slovak leader in accessibility for clients.

The reorganization of the sales network, which took place successfully in 2022, brought about its significant simplification. This enables not only more flexible management, but also the gradual development and strengthening of service quality. All attention will be focused on the client and the fulfilment of his needs. Closely connected with this is the education of the business network, which will focus on improving sales skills as well as the soft skills of individual salespeople. The processes for 2023 are set to enable continuous learning across the entire sales network. Thanks to this, it is also possible to mediate the sale of mutual funds to clients on PFS. At the beginning of this year, the entire business network of Poštová banka switches to a uniform dress code, which will increase the connection of business locations with the Poštová banka brand and strengthen the integrity of employees. In addition, uniform employees' clothing will make it easier for clients to identify the seller and his affiliation with Poštová banka. At the same time, in January, PFS - Financial service offices - smoothly transitioned to cashless services. This created more space for working with the client and the opportunity to focus on their needs in more detail. At the same time, clients will fully retain the comfort of cash services, because they can continue to use them in the same place, through sales points at post offices.

The product portfolio of Poštová banka will continue to adapt to the constantly evolving needs of clients and will reflect the requirements of the target group. In 2023, consumer loans, personal accounts and deposit products will be the core of the portfolio. The main attribute of all offered products will be their comprehensibility, simplicity and convenience. The complexity of the offered services and products will strengthen the expansion of the already generous offer with the products and services of our business partners. By doing so, Poštová banka will confirm its competitiveness on the Slovak market and will more effectively meet the needs of clients. It will continue to develop the concept of a wide portfolio of financial services under one roof available throughout Slovakia.

Strengthening these attributes will fulfil the Bank's strategy and gradually increase the number of clients who will actively use its complex portfolio of products and at the same time address a wide range of clients from various regions of Slovakia, to whom we can provide complete banking services in the immediate vicinity of their homes.

Poštová banka also plans to develop its digital services this year. This will allow the Bank to become even more accessible and to make it even easier for the Bank's clients to access banking services from the comfort of their homes. The Banking application, which meets the basic requirements of clients for practicality, simplicity and an intuitive user environment, will expand its offer to include the sale of funds, consumer loans and insurance. The environment within the application will continue to be functionally set up so that it is understandable for clients regardless of age and IT experience. Poštová banka will continue to come up with functions that will enrich its digital services in such a way that they reflect current market developments as well as client requirements.

Slovenská pošta will continue to be our important strategic partner, with whom we will develop the quality of the services offered. In 2023, activities to support the sale of the Bank's products and services through this channel will be strengthened. The development of cooperation will also affect the joint education of employees or the motivational system for employees of Slovenská pošta. The result of these activities will be an improvement in the quality of the services provided, as well as an increase in the retention of the Bank's clients and the acquisition of new clients.

All activities set for 2023 are aimed at making Poštová banka the Bank of first choice for clients who prefer the availability of physical business locations and the practicality of financial products.

For the Corporate portfolio in 2023 we will continue to focus on improving the quality of the portfolio with regard to the current economic situation, persistent high inflation and volatility in input prices in various segments of the economy. Regarding the total volume of the portfolio principal, we expect a gradual decline of the corporate portfolio due to the risk mitigation strategy in the selected segments. In addition to the classic products (bank loan, bank guarantee), we will continue to provide structured transactions or syndicated loans and participations.

Regarding the segments, we plan to continue with the original strategy of allocating resources primarily to the large corporate portfolio. Within the SME segment, we will focus on servicing the existing portfolio to support our clients in the current economic environment.

6. Corporate social responsibility

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 2022.

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.

Economic activities eligible within the taxonomy as a ratio to total assets	32 %
Economic activities not authorized within the taxonomy as a ratio to total assets	68 %
Exposures to sovereigns as a ratio to total assets	35 %
Derivatives as a ratio to total assets	0 %
Exposures to non-disclosure companies under the NFRD as a ratio of total assets	50 %
Trading book as a ratio to total assets	0 %
Interbank loans payable on demand as a ratio of total assets	13 %
Total consolidated assets*	EUR 4,7 billion

* Voluntary disclosure to increase transparency of prescribed metrics.

To calculate the share of its exposures to economic activities eligible and ineligible for the taxonomy, the Bank first excluded interbank loans payable on demand from underlying assets, exposures from derivatives not designated for trading, financial assets held for trading, exposures to central governments, central banks and multinational issuers and exposures to companies not subject to the obligation to publish non-financial information according to Articles 19a or 29a of Directive 2013/34/EU. As interbank loans payable on demand, the Bank considers its deposits in current accounts in other banks intended mainly for correspondent banking. 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 that are not subject to the obligation to disclose non-financial information pursuant to Articles 19a or 29a of Directive 2013/34/EU were determined by the Bank based on available information. Determination was mainly guided by the latest available data on the number of employees of the company and whether it is an entity of public interest, i.e. whether the entity issued a security accepted for trading in the European regulated market. The Bank assessed eligibility for the taxonomy for exposures to natural persons and companies that report non-financial information in accordance with Articles 19a or 29a of Directive 2013/34/EU in the investment portfolio. Exposures from corporate loans and bonds are classified by the Bank as eligible for taxonomy according to the purpose of using the funds under the loan agreement or the prospectus, or the predominant economic activity of the group of the issuer of the security. If the activity of the counterparty is divided into several sectors, then the eligibility for the taxonomy of the given exposure from corporate loans was evaluated according to the turnover indicators, or according to the capital expenditures of the counterparty. If the information was not available when evaluating the eligibility of the credit exposure, the exposure is considered ineligible for the taxonomy. The Bank proceeded similarly with exposures from shares. The Bank considers exposures from mortgage bonds eligible for taxonomy. For unit certificates, the Bank determined eligibility for the taxonomy based on the analysis of the underlying assets. Exposures to natural persons are considered eligible for the taxonomy by the Bank, as regards loans intended for the purchase or renovation of real estate and loans for the purchase of a car, other loans to natural persons are considered exposures ineligible for the taxonomy.
Calculation of ratios for economic activities authorized within the taxonomy are based on the prudential consolidation of the 365.bank group.

Data limits
When assessing the economic activities authorized within the taxonomy for financial and non-financial companies, information is needed directly from these counterparties. Companies that are required to disclose information under the NFRD must disclose their economic activities eligible under the taxonomy in terms of the taxonomy regulation from 2022. For the end of 2022, we have therefore included the most up-to-date information available regarding economic activities eligible under the taxonomy for financial and non-financial institutions.

The rules for dividing companies into those that are and are not required to disclose information in the sense of the NFRD are based on internal data. The implementation of the NFRD itself may differ for individual 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 CO2 emissions related to our mortgage portfolio.

Environmental responsibility

Sustainable banking as a tool for a sustainable business environment
ESG trends in the world resonate more and more among the professional and lay public, and preferences of environmentally and ethically relevant products are increasing. Due to the undoubted benefit, the importance of ESG criteria is gradually increasing not only for products, but also for counterparties and other entities cooperating with the Bank. These trends are gradually incorporated into the Bank's business goals.

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 business strategy is to constantly monitor and analyse global trends or the geopolitical situation, because the goal is a strategy that corresponds to the reality of the surrounding world, and the world and its needs are changing rapidly. The Bank prefers the ability to react flexibly and evaluate trends and long-term changes over a rigid approach, the consequence of which could be loss of performance or following an outdated trend.

Ecology in the Bank's DNA
In the Bank's policy, ESG criteria are visible within the functioning of the institution internally, while environmental and social areas are increasingly promoted. In October 2021, 365.bank signed the **Memorandum of the Slovak Banking Association on sustainable business and development**. With this commitment to sustainable business and development, it confirmed its ecological operation, which has been part of the DNA of our brand since its inception. In the memorandum, 365.bank undertook, among other things, to look for new ways to minimize the impact of its activities on the environment. It will continue digitization, reducing the carbon footprint, or supporting public sector projects, civic initiatives or volunteering. The document also includes the creation of a sector standard for ESG certification of corporate clients, suppliers and partners. Thus, companies that emphasize socially responsible, environmental and social management should get access to finances more effectively.

In 2022, 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 emphasize our ecological principles based on a paper-free and plastic-free approach. An Eko Agile team with several ongoing projects should also be a tool that will help us achieve this goal. As part of social responsibility, we engaged in ECO activities through the 365.bank Foundation, with which we wanted to motivate not only our clients and set an example for them, but also colleagues in the internal environment, because we continued to emphasize ecological functioning and strive to mitigate negative impacts on the environment through vigorous steps. 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.

Not only the Bank's activity itself is affected by the Bank's strategic steps, the implemented changes are also reflected in the setting up and management of relations with the Bank's clients and counterparties. When assessing suitable ESG strategies, the Bank plans to give preference to products that sufficiently meet environmental criteria. After a thorough assessment of the situation, the introduction of qualitative or quantitative criteria in relation to the share of environmentally sustainable activities and the methodology related to their assessment is also being considered.

When financing companies, we want to focus on investing through mutual funds, e.g. also for technologies and innovations in clean energy or electromobility. When it comes to loans, we will try to reduce the share of financing activities associated with a higher environmental risk and, on the contrary, favour green projects, such as solar, wind and hydropower plants, or the production of energy from biomass. We also want to credit more ecological waste management and finance green buildings more.

ESG score for corporate clients
In corporate clients, the Bank developed and during 2022 implemented its own ESG score to assess the sustainable business of companies and the risks or negative impacts coming from the environmental, social and governance area that these companies face. The purpose of such an assessment is to enable the client to obtain more favourable conditions for financing their needs or projects, since it is true that the more sustainable the client's behaviour, the better the ESG rating.

At the same time, in 2022 we joined the activity of the Slovak Banking Association in ESG by becoming a member of the Commission for ESG and Sustainability. Together with the association, we are participating in the development of a sample questionnaire as a unified tool for assessing the ESG profile of corporate clients.

In its activities, the Bank observes and regularly reviews compliance with its legislative obligations, while in many areas the Bank tries to go further and set its internal processes to meet higher standards. The Bank has prepared its own code of ethics, the observance of which is enforced across all organizational units of the Bank, as well as externally. The Bank pays particular attention to compliance with the Compliance Code, which it regularly updates. The Bank's compliance code is based on principles that require compliance with legislation, protect banking secrecy, prevent conflicts of interest and establish rules for participation in gambling by Bank employees, and also declare the Bank's apolitical nature. The Bank also has set strict rules for the acceptance of gifts by the Bank's employees while performing their work, so that the decisions of the Bank's employees cannot be influenced in this way. The Bank is also active in whistleblowing and provides its employees with several ways to report anti-social activity, including possible corrupt behaviour, either within the Bank or externally. In all the above-mentioned areas, the Bank trains its employees at least once a year.

As part of the responsible management of the company (governance), the Bank considers its behaviour in terms of compliance with legal regulations and the code of ethics to be important and considers them in its daily activities. Emphasis is also placed on appropriate risk management and internal and external audit activities.
Observance of human rights is a matter of course for the Bank and it considers this area to be one of the most important values. The Bank carefully monitors and complies

with international sanctions regarding the provision of services or the establishment of a relationship with specific persons and adheres to strict principles in the fight against corruption and bribery.

Carbon neutrality of 365.bank

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 under ISO 14064. The analysis identified specific areas as at 2019 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 the year, 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 3% to more than 80% as at 1 January 2022. This ratio is increased from approx. 30% to more than 50% at the collection points of the lessors. 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 compared to benchmark 2019, bringing us into a state of carbon neutrality

We translate our common values into our work with employees. We do not comprehend personnel issues only as procedural and formal issues resulting from the Labour Code. Part of the Bank's personnel strategy is also the building of a corporate culture based on the constant improvement of working conditions that reflect the needs of employees with zero tolerance for discrimination at any level. We support relationships within teams and between employees, lower and upper management with internal initiatives in the Organizational Health project and new innovative methods of education.

The Bank strictly follows the rules and monitors international sanctions regarding the provision of services or establishing a relationship with specific persons and adheres to strict principles in the fight against corruption and bribery. The Bank's projects in the social field are focused on 3 key areas:

- Safe and healthy working environment
- Development of talents and increasing the qualifications of all employees
- Inclusion and diversity, including building employee communities

A safe and healthy working environment

The current energy crisis and inflation can take a huge toll on our mental and physical health, relationships and overall quality of life. Therefore, even more than in previous years, we pay attention to the creation of a safe and healthy working environment, not only in terms of working equipment, but especially from the psychologically safe working environment point of view. Within the Bank, we have been dealing with these topics for a long time in the "be balanced" program. As a proud member of the Coalition of Companies for Mental Health (organized by the League for Mental Health), during 2022 we provided a number of lectures with experts to our colleagues, for example on building functional teams, tolerance and otherness, loneliness or communication in mental discomfort. This year, our employees had the opportunity to use individual consultations with a psychologist, which is in great demand throughout the year. In 2022, 129 consultations were carried out.

Last but not least, in December 2022 we published the new Code of Ethics of the 365.bank group, which emphasizes the principles of our operation, including honesty, creating equal opportunities for everyone and respect for colleagues, clients and partners.

Talent development and qualification improvement of all employees

The rapidly developing digital age places increased demands on the knowledge and skills of our employees every year. In order to ensure sustainable employment, motivation, commitment and employee satisfaction, the development and improvement of employee qualifications is a key area.

Also in 2022, we continued with our internal Leadership Academy aimed at developing managerial skills of middle and lower management with a connection to application within teams. We offered colleagues in non-management positions the same topics as part of the Leadership Academy Basic.

Talent program

In addition to education, we pay great attention to the development of talents for business networks so that employees can build a long-term working career in the Bank. Every year, we select a group of employees who go through various educational activities aimed at developing professional, soft and managerial skills. The participants of the program apply the learned knowledge in practice under the guidance of their development guides, i.e. their direct superiors, as well as with the intensive support of mentors from the ranks of managers in the Bank. Through the Talent program, we bring together employees from different levels and departments, as well as different age and gender structures, with an emphasis on diversity, and we ensure the exchange of experience and the support of inclusive cooperation.

Inclusion, diversity and building employee communities

Staying at the workplace is not the only way that strengthens mutual relations, cooperation and respect. In the Bank, we connect teams with a diverse gender, age or educational structure. We believe that it is these connections that bring new innovative solutions and give the opportunity to stand out and contribute to common activities and goals.

We actively support raising awareness of the need for gender equality and erasing male-female stereotypes. At the Bank, we have been communicating our position on key societal issues practically since our establishment. In 2022, we signed the Diversity Charter and thus joined the signatories who committed to:

- respect diversity and an inclusive approach in the workplace, regardless of gender, race, nationality, religion, ethnic origin, gender identity, age, disability or other status;
- protect our employees from discrimination;
- support the principle of diversity with an emphasis on reducing conscious and unconscious prejudices and thus guarantee equal treatment in recruitment, performance assessment, access to education and career growth, salary conditions, etc.

For the next period, we have established 3 main pillars of inclusion and diversity, which we will focus on at the Bank:

1. Age diversity
2. Gender diversity
3. Community support (social and physical disabilities, etc.)

For more than 6 years, the Bank has been regularly opening the grant project Nápad pre 3 generácie (Idea for 3 generations). In this way, it financially supports those who care about the improvement of communities, and their project also connects several generations. The aim of the grant is to support cooperation between children, adults and seniors and enable them to spend more time together and help each other at the same time. We are really proud to help people create projects that bring them together for the long term and have added value.

To support volunteering and create employee communities, we provide one paid day per month - Day for the Future. Our employees create volunteer communities of interest and engage in ecological activities aimed at protecting the environment, and are also involved in various charity collections to help sick, socially and physically disadvantaged communities.

Significant non-financial bank information

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.

Eco-friendly mortgage
365.bank continues with the product with an emphasis on environmental responsibility. We offered an eco-mortgage at reduced interest rate for clients who own properties with energy class A certificates. The share of such preferential mortgages reached more than 21% of the total volume of mortgages drawn in 2022, which exceeded our expectations. The mortgage as one of the products continued to reflect sustainable and ecological banking services by making them available in the digital environment. 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 investing in the 365.bank application
Clients can use the popular Eko fund of the management company 365.invest focused on equity investments of socially responsible companies in the 365.bank mobile application as part of the Investment Savings product. The fund is intended for regular investment from 20 euros per month, suitable for brave or advanced investors whose goal is to follow global trends or support meaningful companies aimed at supporting the maintenance of a healthy environment.
The fund also follows the predictions of the professional public, according to which it is assumed that in the long term, mutual funds other than ESG will not be available on the market, and this trend is undeniable.
In addition to Investičné sporenie (Investment Savings), Eko fond is also available for clients as part of the Investičné Syslenie (Investment hoarding up) product. It is a micro-investment in the fund, which is linked to non-cash payment methods. It is linked to the previous Syslenie service (Hoarding up) with a similar payment rounding mechanism - either when paying with a 365.bank card or by setting up a centless account, while the rest of the rounded amount goes to the Eko fond in the case of Investičné Syslenie and is valued over time.

Uhlíková neutralita
We met and even significantly exceeded our goal for 2021. The plan for 2021 was a saving of 1.85% CO2eq. (reduction by 42.11 tCO2eq.), in 2021 we managed to reduce CO2 emissions by 24.39% (reduction by 555.85 tCO2eq.) by starting a project to reduce CO2 (use of renewable energy sources), achieve energy savings compared to 2019, significantly reduce the use of company motor vehicles, and therefore also fuel consumption, and reduce the Bank's waste, all beyond the scope of the planned savings.

Calculation of emissions per employee:

	Results in 2021	Baseline in 2019
Total emissions in tCO2eq	1 722,93	2 278,78
Average number of employees	1 188	1 072
EMISSIONS PER EMPLOYEE	1,45	2,13

In 2022, we expect the use of renewable energy sources, as well as the continuation of energy savings and savings in employee travel, whether on business or when traveling to and from work.

Active reduction of CO2 emissions - use of renewable energy sources for electricity
During the year, we entered into negotiations with electricity suppliers to increase the share of purchases from renewable energy sources (so-called RES) for the Bank's own collection points, i.e. those directly owned by the Bank and for rented collection points, i.e. for premises where electricity is supplied by the lessor of the premises in which the Bank resides. Compared to 2020, we managed to use most of the electricity from RES. In the course of 2022, a carbon footprint reaudit was carried out, which shows the impact of securing RES on the carbon footprint in 2021.

Education and motivation of employees towards ecological thinking
In 2022, in cooperation with the Bank's communication, employee awareness about energy saving (electricity, heat) was started.

Energy saving
In 2022, direct energy saving measures (electricity, thermal energy) were set and implemented. The measures consisted in setting/optimizing operating parameters on the objects so that they lead to energy savings.

Involvement in the tree planting project
We also confirmed the promotion of the ecological banking philosophy by joining the international project Priceless Planet Coalition, the goal of which is to plant 100 million trees by 2025. We planted more than 23 000 trees on behalf of 365.bank clients during the campaign in 2022. Planting within the coalition took place in territories all over the world, primarily Australia, Kenya, Brazil. The trees that were planted with the support of 365.bank can hold up to 464 tons of CO2 over the next five years.

Recycling payment cards for eco benches
Another motivational element in relation to ecology is the introduction of card collection in brick-and-mortar branches, their subsequent recycling and transformation into ecological benches. Millions of payment and loyalty cards are put into circulation every year and cannot be recycled because they contain metal parts (chip, antenna). 365 decided to solve this "invisible" problem, so we teamed up with the Slovak company Maneo TECH, which can transform various plastic waste into benches, for example.
Clients and non-clients of 365.bank can hand over expired payment and loyalty cards at our branches. These cards will then be safely and ecologically recycled and used as an ingredient in stylish design benches.
In addition, 365 clients can use a digital card instead of a classic plastic card, with which they can pay cashlessly and withdraw money from our ATMs.

Extending the service life of payment cards
As at 1 January 2022, we have gradually extended the life of all cards (issued, reissued, and renewed). By the end of 2022, we have 477 000 plastic and 94 000 digital cards in circulation. During the year, we already issued 207 000 plastic and 68 000 digital cards with extended validity. An average of 48 000 cards are "saved" this way per year.

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. We followed up on the project of installing a bore wall, which holds plastic waste and prevents its accumulation in the dam. As part of the continuation of the partnership with the civic association, we built relaxation zones made of ecologically processed plastics, which are a symbol of the solution and use of plastic waste. Several places suitable for active relaxation and support of local tourism have been created along the dam.

Reduction of plastic waste
Banking activities aimed at reducing plastic waste were also embraced by 365.bank during the 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.

Description of the main risks of the Bank's impact on the area of social responsibility

The main activities of the Bank include receiving and providing deposits, providing loans and guarantees, providing banking services to the population and providing services on the capital market. The basis for understanding the business risks and opportunities arising from the Bank's activities is an assessment of their impact on consumers and end users or from an understanding of the company's dependence on consumers and end users, which can affect future cash flows and thus the value of the company in the short, medium or in the long term. At the same time, it is necessary to perceive these influences in the context of the current situation on the market, which can mitigate some risks or, on the contrary, accentuate them.

Among the most significant factors influencing the economic situation in the market in 2022 are undoubtedly the fading impact of the COVID-19 pandemic and the rise in prices due to the war in Ukraine and the energy crisis. The Bank must continue to be able to provide financing to households and businesses facing temporary difficulties and fulfil its role in the economy while addressing its own operational issues, including the pressure on its employees. The risks arising from the instability of the financial sector were also reflected in the increase in the prices of loans for the business sector, which can subsequently affect the limitation of loans and business activities, and therefore the Bank's profitability.

When implementing or modifying bank products, the issue of possible greenwashing is also considered, so that the products are correctly categorized within product communication as well as internal processing.

The Bank's effort is to minimize administrative and bureaucratic requirements related to the requirements of ESG legislation. The Bank strives to obtain the necessary information in cooperation with an external supplier based on a joint activity under the SBA. Evaluating the possible transformation of clients in connection with the implementation of ESG is part of the credit process and is reflected in the evaluation of credit risk.

The Bank has developed procedures for ensuring continuous operation (BCM plans) also for cases related to climate risks. BCM plans are reviewed on an annual basis and adapted to current risks.

365.nadácia

Education

Partnership with the Center for Environmental and Ethical Education Živica
Within education, the 365.nadácia in 2022 supported the Center for Environmental and Ethical Education Živica and their educational project Teachers in Action. Teachers in action is a project developing educational activities in the online space to be available to teachers from all regions. Teachers were trained from Bratislava to Snina, places like Žemberovce, Zákopčie, Tehla, Strečno, Rabča, Pohronská Polhora, Prakovce, Oľšavce, Odorín, Hrochoť, Hnúšťa were covered.

At the same time, it was not a one-time activity, but an in-depth education. The project was implemented in two cycles - spring and autumn. The spring cycle started in February with the topic of media literacy, in March the teachers continued with critical thinking. An educational block of environmental education took place in April. In the new school year, the involved teachers addressed the topic of sensitivity and continued with financial literacy in November.

Each year, the objective of the project is to provide online education with top lecturers, available to teachers from all regions without the need to travel, to educate teachers, principals of primary and secondary schools, including special schools, and to offer a separate closed educational block focused on a selected topic every month.

Despite the difficult period that teachers were experiencing in schools, whether in connection with the effects of COVID or the war in Ukraine, 241 applications for education were accepted into the program. A total of 101 certificates of completion of education were issued to teachers who met all the requirements of the project. Under the heading of the project, 5 live lectures were broadcast, which have more than 1 063 watched hours in the archive on the social networks of the civic association Živica.

Ecology

Partnership with Civic Association Ružínska prehrada
365.bank and 365.nadácia realize that the excess of plastic is a societal problem that needs to be solved. That is why in 2021 we became a partner of the civic association Ružínska priehrada. This water reservoir is a symbol of the problem of plastic waste in eastern Slovakia and is called the biggest plastic disaster. Through our foundation, we financed the installation of a bore wall, the purpose of which was and still is to prevent the accumulation of waste in the dam. As a follow-up to this activity, in 2022 we decided to continue cooperation with civic association Ružínska priehrada through the Panenská turistika (Virgin tourism) project. Thanks to this project, ecological rest zones were built, which consist of benches, tables, a fireplace, a trash can, and information boards. These places are intended for all visitors around the Ružínská reservoir and are made of ecologically processed plastics, as a symbol of the solution and use of plastic waste.

Ukraine
After the outbreak of the conflict in Ukraine, the 365.nadácia decided to support the activities of organizations that could quickly, efficiently and meaningfully help in the situation. We stood and continue to stand by Ukraine, because in addition to borders, we are also united by common values. We realized that it was important to express support, but we didn't want to stay at promises. We managed to collect over EUR 12 000 through an internal employee fundraiser. This amount was increased by our 365.bank by another EUR 24 000. In total, we donated EUR 36 000 to the **Slovak Red Cross** to help and support, to provide material and health care for people escaping Ukraine from the war conflict. We also donated funds to support the printing of teaching aids for children from Ukraine, which was implemented by the **Aľona Kurotová Foundation**.

Grants

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 2022. 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. In 2022, we decided to respond to the large number of received ideas and increased the grant support by EUR 10 000. **In total, last year we distributed EUR 40 000 between 23 original and interesting ideas.** For example, we supported the implementation of the Children's University project at the Ivan Krasko Gymnasium in Rimavská Sobota, the restoration and cleaning of mountain springs and wells in Svitačová dolina, the Green House workshops in Skalica, and the summer cinema in the village of Tekovské Lužany.

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 11th 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. We support projects in education, ecology, social assistance and sports. **In 2022, we supported a total of 11 employment projects in the amount of EUR 10 000.**

Internal activities of the foundation

During 2022, the 365.nadácia implemented a number of internal activities. We supported protected workshops and civic associations during our **Easter and Christmas markets, organized clothing collections for the Rosa Social Service Centre and the Community Centre in Bátovce, and collected food and other material aid for the Who Will Help Ukraine initiative**.

Just like every year, in 2022, thanks to our employees, we continued the project **Hurá do školy with the 365.nadácia**. Every year, we involve dozens of children from socially disadvantaged families in this project, who will receive all the necessary school supplies from us. Christmas was once again marked by our internal activity **Christmas tree of wishes come true**. This is one of our most beautiful and popular projects. Dozens of bank employees are involved in the project with a single goal - to make children from socially disadvantaged backgrounds happy at Christmas and to fulfil their Christmas wishes.

Support of organizations and individuals

In addition to long-term activities and foundation projects, the 365.nadácia also annually supports selected organizations whose activities coincide with our public benefit focus and are targeted at the areas our foundation is dedicated to. In 2022, we did not forget to help individuals either. We primarily helped numerous socially disadvantaged families or families with a single parent.

7. Personnel policy

As at 31 December 2022, the number of employees was 1 468, out of which 63% were women and 37% were men. Individual subsidiaries had 275 employees, out of which:

- 365.invest, a. s., 43 employees,
- Ahoj, a. s., 69 employees,
- PB Servis, a. s., 68 employees,
- PB finančné služby, a. s., 7 employees,
- Danube Pay, a. s., 58 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.

2022 became exceptional from the point of view of a fundamental change in the use of the personnel and payroll information system. In a very short time, work began on the development and implementation of a completely new personnel and payroll system. It will meet the highest criteria for achieving the Bank's strategic goals, simplify, make it transparent and, above all, make its use more user-friendly for all employees. It will replace the currently used system and bring a modern and sophisticated approach to working with personnel and salary data. The date of final deployment and commissioning for all employees of the 365.bank group is expected in the first quarter of 2023, which is a very short three-quarters of a year of intensive setting up and deployment of the system according to the most modern expectations and legal needs of the 365.bank group.

The concept of benefits, which brought 10 days of paid work leave beyond the scope of the Labour Code for rest and regeneration, is currently the most used benefit. During 2022, 56% of the employees of the 365.bank group took advantage of this benefit. Other benefits used in 2022 include time off for fathers upon the birth of their child and Day for the Future.

Employee benefits continue to be used by the group's employees in the form of the Cafeteria online benefit system, while the Health category was the most used benefit category again this year. In this category, employees have the opportunity to undergo above-standard health check-ups, various forms of preventive health care, health exercises and rehabilitation, or to use the allowance for shopping at the pharmacy. In an effort to support sports and relaxation activities of employees, the 365.bank group also offers the possibility of setting up and using a MultiSport card.

The obligation to provide a legal benefit in the form of a recreation voucher arose also for PB Servis, a. s., Ahoj, a.s. and Danube Pay, a. s. in 2022.

As the „Best Employer of 2021", we are aware of the impact of rising inflation on the living standard of our employees. Therefore, in 2022, we released financial resources for the adjustment of wages for employees. We implemented the modification in two phases, i.e. in the months of April and September. The next step, in addition to the legal measures taken by the Bank in an attempt to mitigate the negative impact of inflation on the employee, was the payment of a one-time inflation allowance, which the Bank plans to repeat if necessary.

Employer branding
In the second half of 2022, Slovakia encountered the historically lowest unemployment rate. Due to this difficult situation in the labour market, we continued activities to strengthen the employer brand and positive reputation throughout 2022. 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
When selecting employees, we made the selection process more efficient, we created a specialized team of HR specialists focused exclusively on hiring. In addition to the expertise of the candidates, alignment with the team and company culture continued to be a key element for us.

We continued to work intensively with the candidate through personalized management, while through our internal referral system Jobote we acquired several dozen new employees for the 365.bank group. At the end of the year, we started working on an effective strategy for approaching candidates through social networks LinkedIn and Facebook.

Development and training of employees
The current rapidly developing digital age places increased demands on the knowledge and skills of our employees every year. In order to ensure sustainable employment, motivation, commitment and employee satisfaction, the development and improvement of employee qualifications is a key area.

Colleagues in business networks spent 43 536 man-hours on adaptation and product training with our lecturers. 196 colleagues participated in external professional development activities.

Leadership Academy
We successfully continued the Leadership Academy programme for lower and middle management development.
We offered colleagues in non-management positions the same topics as part of the Leadership Academy Basic program. In total, colleagues spent 690 man-hours on this type of development.

In total, we spent over 74 323 man-hours on education and development last year.

Program Be Balanced
The energy crisis, inflation and complex social situation can take a huge toll on our mental and physical health, relationships and overall quality of life. Therefore, we paid even more attention than in previous years to create a safe and healthy working environment, not only in terms of working equipment, but especially from the point of view of a psychologically safe working environment. As a proud member of the Coalition of Companies for Mental Health (organized by the League for Mental Health), during 2022 we made available to our colleagues a number of lectures by experts, for example on the topics of tolerance of otherness, loneliness and communication in mental discomfort.
In 2022, our employees also had the opportunity to take advantage of individual consultations with a psychologist, for which there was great interest throughout the year. A total of 129 consultations were held.
Last but not least, in December we published the new Code of Ethics of the 365.bank group, which emphasizes the principles of our operation, including honesty, creating equal opportunities for everyone and respect for colleagues, clients and partners.

Talent program

In addition to education, we have paid great attention to the development of talents for business networks so that employees can build a long-term working career in the Bank. Every year, we select a group of employees who go through various educational activities aimed at developing professional, soft and managerial skills. The 16 participants of the program applied the learned knowledge in practice under the guidance of their development guides, i.e. their direct superiors, as well as with the participation of intensive support from mentors from the managers in the Bank. Through the Talent program, we bring together employees from different levels and departments of the Bank, as well as different age and gender structures, with an emphasis on diversity, and we ensure the exchange of experience and the support of inclusive cooperation.

8. Description of macroeconomic and competitive environments

2022 was marked by the war conflict in Ukraine, which affected the global and Slovak economy. The prices of oil, energy and agricultural commodities rose steeply in the global market, which led to a significant increase in inflation. The action of these factors affected industry, domestic consumption and hindered the growth of the economy.

For the entire year 2022, according to preliminary data from the Slovak Statistical Office, the year-on-year growth of our GDP reached the level of 1.7%. Our economy achieved the fastest growth in the 1st quarter of last year, by 2.9%. Subsequently, under the burden of global development, our economic growth also began to slow down. In the 2nd quarter, year-on-year GDP growth reached 1.3%, in the 3rd quarter 1.4%, and in the final quarter it slowed slightly to 1.1%. Domestic consumption contributed positively to the growth of our economy. Despite the fact that household consumption was limited by high inflation, which caused a drop in real wages and thus also a drop in our buying power. Even at the end of the year, when inflation was at the highest levels since the beginning of the millennium, households did not proceed with a more significant reduction in consumption, but reached into their savings. Foreign demand, and therefore industry and exports, was dampened during the past year by the worsening development of the global economy and the war in Ukraine, which led to the restriction of international trade and the disruption of supplier-customer relations.

During the past year 2022, we faced high inflation, which reached the highest values since the beginning of the millennium. Consumer prices according to the national consumer price index (CPI) for the entire year 2022 increased by an average of 12.8% year-on-year. Already at the beginning of the year, inflation was at 8.4%, and since then it has continued to accelerate from month to month. In November and December, it reached up to 15.4%, which is the highest value for the past 22 years. From a year-round perspective, the most significant price increase, up to 18.6%, was recorded for food and non-alcoholic beverages. The second most significant price growth was achieved by services in restaurants and hotels (by 16.1%). Average annual growth of over 15% last year was also recorded in prices in transport and prices for housing and energy. The acceleration of inflation during the past year was mainly due to the war in Ukraine, which caused a sharp increase in oil and energy prices. The war drove gas and electricity prices up steeply. This, along with concerns about their shortage, led to an energy crisis in Europe.

The number of unemployed people at employment offices decreased slightly during 2022, despite the fact that the labour market faced the effects of worse economic development. The registered unemployment rate decreased from January's 6.96% to December's 5.90%, which corresponded to just over 160 000 unemployed people able to start work immediately at the end of the year.

Last year, the state's economy was affected by high inflation and the energy crisis, while companies and households needed help with expensive energy. This put pressure on public finances. The state budget ended last year 2022 in a deficit of almost EUR -5.5 billion. Compared to the previous year, however, the budget deficit was significantly reduced and compared to 2021, it was lower by approximately 47%. Compared to 2021, budget income increased by approximately 16% and budget expenses, on the contrary, decreased by almost 8%.

2022 was a challenging year not only for Slovakia, but also for the entire Eurozone. The global economy was affected by the war in Ukraine, which broke out in February 2022 and affected the economy throughout the year. The war brought steeply rising prices for oil and later also for other energy commodities, especially gas and electricity. The European economy and industry were thus affected by the energy crisis. The high prices of energy, agricultural commodities and food caused a sharp increase in inflation, which also reached double-digit values in the Eurozone. The European Central Bank (ECB) waited at first, but eventually intervened against high inflation. The first increase in the main interest rate in the Eurozone took place in July 2022, from zero to 0.50%. The tightening of monetary policy continued for the rest of the year and the ECB increased its base rate 3 more times. The last time this happened was in December 2022, and the base rate for the Eurozone reached 3.0%.

The exchange rate of the euro against the dollar in the course of 2022 was mainly influenced by the war in Ukraine, the energy crisis and rapidly increasing inflation, which was followed by the tightening of monetary policies by central banks. At the beginning of the year, the exchange rate of the euro against its American counterpart was mostly in the range of EURUSD 1.13 to 1.14. Last year's maximum against the dollar at EURUSD 1.1455 was also reached in the first month of 2022. However, after the outbreak of the war in Ukraine, the European currency began to lose value and even fell below parity in August. The minimum against the dollar was recorded by the euro in September at EURUSD 0.9594. The weakening of the euro was mainly due to the war in Ukraine and the energy crisis related to it, which most significantly threatened the European economy. In addition, the US central bank, the FED, started its fight against rapidly rising inflation already in March 2022, while the ECB only in July 2022. The faster increase of interest rates in the US economy, of course, created space for the improvement of the dollar. However, as the end of the year approached, the European currency began to gain strength again and climbed back above parity against the dollar.

As at 31 December 2022, 11 banks operating in the Slovak banking sector were operating in the Slovak Republic (including 2 banks without foreign ownership and 9 banks with foreign ownership), 14 branches of foreign banks and one central bank. By the end of 2022, the total number of banks has decreased by 1 branch of a foreign bank compared to 2021. The number of branches and lower organizational units in the Banking sector decreased by 42 during the year to 942. By the end of 2022, the Slovak banking sector employed 18,442 workers, which was 2% less than at the end of 2021. Last year, according to preliminary results, the Banking sector reached the total assets at EUR 112.4 billion. At the end of 2022, the population's deposits were reported to be EUR 42.6 billion. and thus decreased by 1.3% year-on-year. In the case of loans provided to the population, compared to 2021, there was an increase of up to 10.2% to almost EUR 48.9 billion. According to preliminary data, the net profit of the Banking sector amounted to almost EUR 829 million.

9. Report on business activities and financial position for 2022

In 2022 the Bank's net profit amounted to EUR 93,2 mil., which is 60 % higher than 2021.

The retail loan portfolio grew by 18% despite the continued trend of interest rate growth. On the other hand, the corporate portfolio was reduced by 42% due to the strategy of reducing the concentration and riskiness of the corporate portfolio. Net interest income for 2022 reached a total of EUR 119 million, which represents a decrease of 11% compared to last year. Net fee and commission income reached EUR 43.6 million, their amount increased by 23% compared to last year.

In 2022 we continued 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 decrease in other administrative expenses by EUR 2,2 mil. EUR was due to the transformation optimalisation of 365.bank

Subsidiaries, which paid dividends in the amount of EUR 20 million in 2022, also had a positive impact on the Bank's economy. During 2022, we completed the process of selling 365.life, d. d. s., a. s., increased our share in ART FOND and Monilogi, s. r. o.

The balance sheet total of 365.bank decreased by EUR 163 mil. and reached EUR 4,7 billion. The decrease was caused by the outflow of deposits as a result of the war in Ukraine and the reduction of deposits in central banks.

In accordance with the regulator's requirements, we successfully placed another issue of senior unhedged and unsubordinated bonds (MREL) in the amount of EUR 60 million on foreign markets.

Year-on-year capital adequacy increased – capital Tier 1 as a percentage from risk-weighted assets. Capital adequacy increased year-on-year from 19.14% to 23.97% and significantly exceeds the level of minimum required capital. Capital adequacy increased high profit in 2022 and decrease in corporate exposures and related RWA decrease.

In 2022, the shareholders paid dividends in the amount of EUR 50 million.

Research and development activities

Also in 2022 365.bank continued to introduce new products and innovate technologies. The development of existing or new IT systems required new requirements arising from legislation.

The development of innovations for the customer accompanied 365.bank also during the year 2022. This year was no different from the previous one, and 365.bank brought several customer solutions that raised the bar to a higher level again.

In February, 365.bank launched a new digital onboarding for new customers, automated the process thanks to facial biometrics, and thus brought an absolutely paperless welcome to the Bank for a new customer. It thus supported its commitment to continue bringing solutions that contribute to social and environmental sustainability.

In spring, the Bank focused on the expansion of solutions according to the legislative requirements of PSD2, thus expanding its solutions in the open-banking theme. It was a natural step for 365.bank to expand its product portfolio in digital solutions, which is why in the summer it introduced micro-investing in its mobile applications in the form of the Investicné sporenie (Investment savings) product, thanks to which customers can start investing in mutual funds with a few clicks. In November, this product was expanded with an innovative version, Investičné syslenie (Investment hoading up), thanks to which the customer uses rounded card payments again for micro-investing.

At the IT level, the Bank continued to implement a new, cloud-based enterprise architecture combining Mambo as a core banking system, Backbase as a front-end solution for customers and service systems, all on the Amazon Web services integration platform.

Activities of specific subsidiaries

365.invest, správ. spol., a. s.
365.invest achieved the historically highest profit after tax in the amount of EUR 14.1 mil., a year-on-year increase of 6.2%. Managed assets at the end of 2022 were in the amount of EUR 1 432 mil., which represents a decrease of 23.4% compared to the previous year and EUR 437 mil. Less in absolute terms compared to 2021 (note: loss of J&T funds).

As at 31 December 2022, the Bank achieved a 12.3% market share, thus ranking among the Top 4 management companies in the market.

Ahoj, a. s.
Subsidiary company Ahoj, a. s., continued the growth of production in 2022, which rose by up to 26% and reached a volume of almost EUR 73 million, while in its main product of consumer loans it achieved year-on-year growth of even 31% and the total production climbed to more than EUR 51 million.

The company also continued to optimize its structure and costs, which, combined with a positive trend in sales, contributed to achieving a positive economic result for the second time in a row.

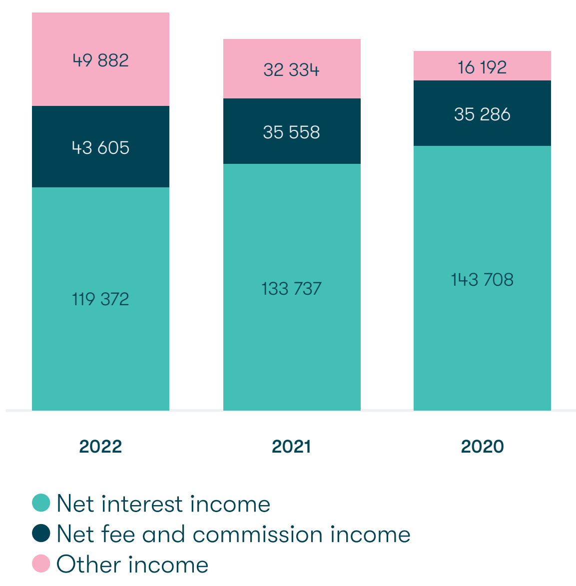
10. Key indicators

EUR'000	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		
	2022	2021	2020	2022	2021	2020
Loans and advances to customers	2,952,752	3,140,202	2,767,063	2,957,722	3,150,440	2,780,835
Customer accounts	3,499,945	3,673,914	3,645,060	3,485,736	3,664,915	3,632,278
Equity	769,029	749,064	687,351	757,143	739,074	682,730
Total assets	**4,741,429**	**4,904,886**	**4,437,906**	**4,731,268**	**4,903,895**	**4,466,152**
Operating profit before impairment and provisions	115,867	88,728	90,553	134,425	101,313	94,335
Net profit after tax	93,166	58,298	44,358	91,757	56,886	40,599

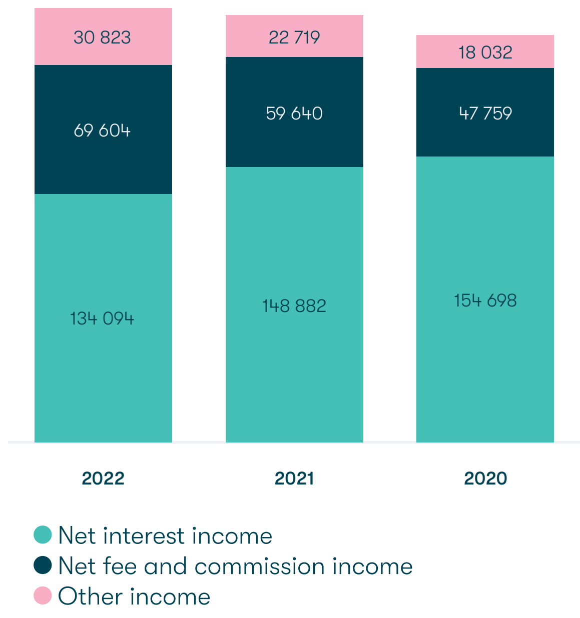
Commercial indicators	2022	2021	2020	2022	2021	2020
Housing loans (gross)	1,418,681	1,028,687	547,615	1,418,682	1,028,687	547,615
Consumer loans (gross)	811,736	849,215	898,235	890,756	918,543	964,420
Number of employees	1,194	1,211	1,178	1,493	1,517	1,456
Number of branches and points of sale	thanks to an exclusive contract with Slovenská pošta, more than 1,400 points of sale					

Performance	2022	2021	2020	2022	2021	2020
Tier I capital	663,569	670,036	630,161	643,060	644,274	609,754
Total capital (percentage of risk exposure)	23.97 %	19.14 %	17.85 %	22.75 %	18.06 %	17.10 %

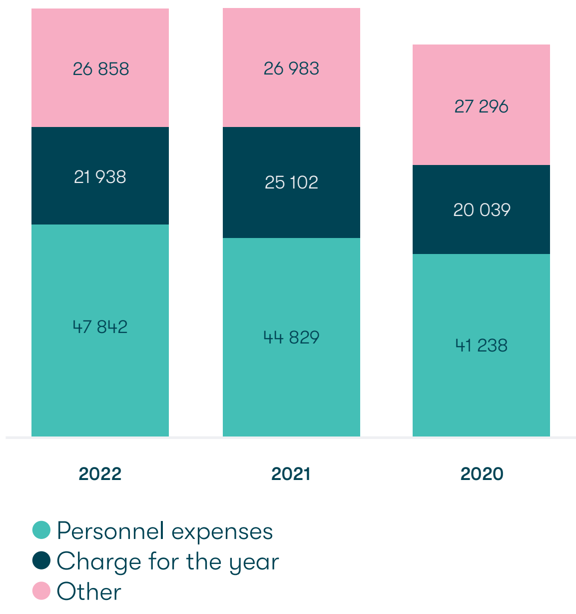
Structure of individual income



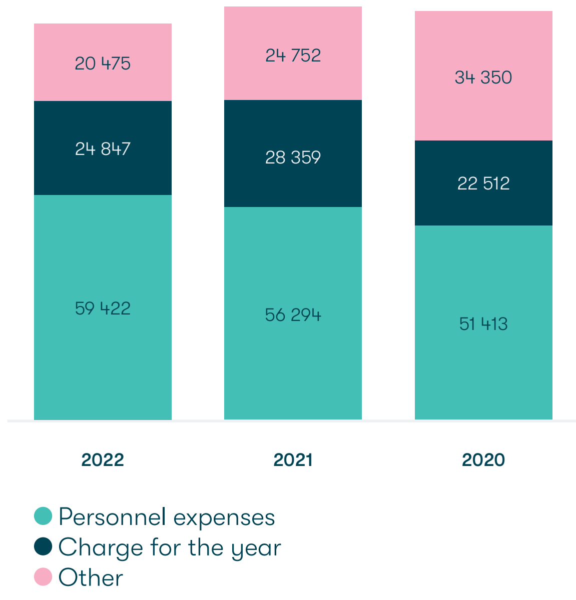
Structure of consolidated income



Structure of individual expenses



Structure of consolidated expenses



11. Governance and Management Statement

In governance, the Bank proceeds in accordance with the basic principles of the Bank's internal management and with the relevant legal regulations of the Slovak Republic, as well as the legal regulations of the European Union (regulations and directives) and the guidelines of the European Banking Authority, relating to the Banking industry and measures and guidelines of the National Bank of Slovakia.

According to the Commercial Code and the Bank's articles of association, the Bank's bodies are the General meeting, the Supervisory board and the Board of Directors.

General meeting

The General meeting is the ultimate body of the Bank. All shareholders have the right to participate in its meeting.

The General meeting is held at least once a year and is convened by the Board of Directors. If the law stipulates the obligation to convene a General meeting and the Board of Directors has not reached a resolution on its convening without undue delay or is unable to reach a resolution for a long time, any member of the Board of Directors is entitled to convene a General meeting. The General meeting is usually held at the Bank's headquarters.

A shareholder or shareholders who have shares whose nominal value reaches at least 1% of the share capital may, stating the reasons, request in writing the convening of an extraordinary general meeting to discuss the proposed matters. The Board of Directors shall convene an extraordinary general meeting so that it is held no later than 40 days from the date of delivery of the request for its convening.

The shareholder is entitled to participate in the general meeting, to vote, to request information and explanations regarding the affairs of the Bank or the affairs of parties controlled by the Bank, which are related to the subject matter of the general meeting, and to make proposals. The shareholder may do so in person or in deputy by an authorized representative. The signature of the power of attorney must be officially verified on the power of attorney. The number of votes of a shareholder is determined by the ratio of the nominal value of his shares to the amount of the share capital. Each share represents one vote. The vote is further undividable.

The scope of the general meeting includes:

a) amendment of the articles of association, unless the law provides otherwise,
b) the decision to increase or decrease the share capital, to authorize the Board of Directors to increase the share capital according to Article 210 of the Commercial Code, and the issue of priority bonds or convertible bonds,
c) election and dismissal of members of the Board of Directors, appointment of the chairman and deputy chairman of the Board of Directors,
d) election and dismissal of members of the Supervisory board, with the exception of members elected and dismissed by employees pursuant to Article 200 of the Commercial Code, appointment of the chairman and vice-chairman of the Supervisory board,
e) approval of regular individual financial statements and extraordinary individual financial statements,
f) decision on the distribution of profit or payment of losses and determination of royalties,
g) the decision to terminate the activities of the Bank,
h) deciding on other issues that, according to generally binding legal regulations or these articles of association, fall under the purview of theGeneral meeting,
i) discussion and approval of the annual report,
j) deciding on the approval of an agreement on the business contribution or an agreement on the contribution of a part of an business
k) approval of the Bank's auditor.

Matters that were not included in the proposed agenda of the general meeting can only be decided upon with the participation and consent of all the Bank's shareholders.

If a change to the Bank's articles of association is included in the agenda of the general meeting, the invitation to the General meeting or the notice of its proceedings must contain at least the essence of the proposed changes. The proposal for changes to the articles of association must be available to the shareholders for inspection at the Bank's headquarters, within the period determined for convening the general meeting.

The amendment of the articles of association

The competence of the general meeting includes the amendment of the articles of association, unless the law provides otherwise.

If the articles of association are intended to be changed, the consent of a two-thirds majority of the votes of the present shareholders is required.

If a change to the Bank's articles of association is included in the agenda of the general meeting, the invitation to the General meeting or the notice of its proceedings must contain at least the essence of the proposed changes. The proposal for changes to the articles of association must be available to the shareholders for inspection at the Bank's headquarters, within the deadline set for convening the general meeting.

The shareholder has the right to request copies of the draft articles of association, or to have them sent to the address specified by him at his own expense and risk. Shareholders must be notified of this right in the invitation to the General meeting or in the notice of the General meeting.

The Supervisory board

The Supervisory board supervises the performance of the Board of Directors' powers and the implementation of the Bank's business activities.

The members of the Supervisory board are entitled to inspect all documents and records related to the Bank's activities and check whether the accounting records are true and whether the Bank's business activities are carried out in accordance with legislative, articles of association and instructions of the general meeting.

The Supervisory board examines the regular individual, extraordinary individual and consolidated financial statements and the proposal for the distribution of profit or for the payment of losses and submits its statement to the general meeting, convenes a General meeting if the Bank's interests require it, and proposes the necessary measures at the general meeting.

The Supervisory board shall designate its deputy of the Bank in proceedings before the courts and other authorities against the member of the Board of Directors.

The members of the Supervisory board participate in the Bank's general meeting and are obliged to inform the general meeting of the results of their control activities.

The Supervisory board expresses its opinion on the proposals of the Board of Directors submitted to theGeneral meeting regarding:

a) merger or liquidation of the Bank in another way,
b) sale of the biusiness or part of the business,
c) issuance of priority bonds or convertible bonds,
d) distribution of profit and settlement of loss,
e) changes to the Bank's articles of association,
f) increases and decreases in the Bank's share capital.

The Supervisory board, on the proposal of the Board of Directors, approves:

a) the Bank's business and financial plan,
b) the Bank's contracts with the members of the Board of Directors concluded pursuant to Article 66 of the Commercial Code regulating the rights, obligations and remuneration of the members of the Board of Directors in accordance with the principles of remuneration in accordance with these articles of association and the internal regulations of the Bank,
c) proposals of the Board of Directors for the acquisition and transfer of business shares in subsidiaries,
d) a proposal to determine the amount of royalties,
e) proposals of the Board of Directors to establish or cancel a foreign branch of the Bank or a foreign representative office of the Bank,
f) a report on the results of the internal control system on the measures taken to correct deficiencies in the Bank's activities identified by internal control,
g) plan of the Bank's control activities for the calendar year.

The Supervisory board, on the proposal of the Board of Directors, provides prior consent for the creation of other capital funds. The Supervisory board provides prior consent for the payment of the deposit or its part to the shareholder from the other capital funds.

The members of the Supervisory board are obliged to check compliance with the remuneration principles adopted by the Board of Directors and to check the safety and effectiveness of the risk management system.

There were no changes in the personnel of the Supervisory board in 2022.

Personnel of the Supervisory board:

Ing. Jozef Tkáč – Chairman of the Supervisory board
Ing. Jan Kotek – member of the Supervisory board
Ing. Vladimír Ohlídal, CSc. – member of the Supervisory board

The Board of Directors

The Board of Directors is the Bank's statutory body, which manages the Bank's activities and acts on its behalf. The Board of Directors decides on all matters of the Bank, unless they are stipulated by legislative or articles in the competence of theGeneral meeting or of the Supervisory board of the Bank.

The Board of Directors has at least three and at most five members. A member of the Board of Directors can only be a natural person who obtains the prior approval of the National Bank of Slovakia. Members of the Board of Directors are elected and dismissed by the General meeting. The term of office of the members of the Board of Directors is five years. Re-election of the member of the Board of Directors is possible.

The Board of Directors ensures the proper management of the Bank's accounts, the publication of the annual report, the compilation and publication of the consolidated financial statements and the annual report, if the Bank has such an obligation, and submits to the general meeting for approval the regular individual financial statements and the extraordinary individual financial statements and the proposal for the distribution of profit or reimbursement of losses in accordance with the Bank's articles of association.

The Board of Directors is obliged to submit to the Supervisory board, at least once a year, written information on the fundamental intentions of the Bank's business management for the future period, as well as on the expected development of the state of the Bank's assets, finances and revenues, and upon request and within a period determined by the Supervisory board, a written report on the state of business activity and assets of the Bank compared to the expected development.

The Board of Directors is also obliged to immediately inform the Supervisory board about all facts that can significantly affect the development of the business activity and the state of the Bank's assets, especially its liquidity. Members of the Board of Directors are obliged, at the request of the Supervisory board or its members, to attend the meeting of the Supervisory board and to provide its members with additional information to the submitted reports to the required extent.

The Board of Directors shall convene an extraordinary General meeting if bank's loss identified has exceeded the value of one-third of the share capital or this can be assumed and submits proposals for measures to theGeneral meeting, unless the Banking Act provides otherwise. The Board of Directors shall notify the Supervisory board of these facts without delay.
Members of the Board of Directors are responsible for developing, approving and complying with the organizational structure, introducing and complying with the Bank's management system and for carrying out banking activities according to the Bank's internal regulations.
Members of the Board of Directors are obliged to be familiar, manage and control the performance of authorized banking activities and ensure the safety and soundness of the Bank, i.e. such performance of banking activities which does not threaten the maintenance of the Bank's own resources in relation to its requirements for own resources, liquidity, limitation of property involvement and legitimate interests of depositors and other creditors or the Banking system, as well as to adopt and regularly review general principles of remuneration.

Members of the Board of Directors of the Bank are obliged to exercise rights and obligations in accordance with the legislative of the Slovak Republic to achieve an increase in the value of the Bank's shares or the Bank's permanent profit.

In addition to the matters above-mentioned points, the competence of the Board of Directors mainly includes:

a) convene a General meeting,
b) implement the resolutions of the general meeting and of the Supervisory board,
c) submit matters falling within the competence of the General meeting for approval,
d) ensure proper accounting,
e) determine measures for economic management tools, especially in financing, price creation, remuneration and creation of funds,
f) approve the statute of the Board of Directors,
g) exercise other rights and fulfil other obligations resulting from these articles of association and generally binding legal regulations.

The office of a member of the Board of Directors terminates:

a) upon expiry of the term of a member of the Board of Directors – the day on which the term of a member of the Board of Directors terminates under the statutes effective at the time of election of member of the Board of Directors.
b) the death of a member of the Board of Directors - the moment of death or the day of legal declaration of death in accordance with relevant legal regulations.
c) by dismissal of a member of the Board of Directors - on the day of adoption of the decision by the general meeting, unless otherwise stated in the dismissal decision.
d) by resigning on the position -
   i. on the day of the General meeting, if a member of the Board of Directors resigns as a member of the Board of Directors at the General meeting,
   ii. on the day of the first General meeting following the delivery of the resignation of the member of the Board of Directors,

iii. on the day following the expiration of three months from the date of delivery of the resignation of the position of member of the Board of Directors, if the General meeting is not held during this period.

A written resignation on the position of member/vice-chairman of the Board of Directors is delivered to the chairman of the Board of Directors; unless the Chairman of the Board of Directors is designated, or the position of member of the Board of Directors is resigned by the Chairman of the Board of Directors, in such cases the resignation is delivered to the Bank's Board of Directors. The document containing resignation must be signed in the presence of a notary or an authorized employee.

If the number of members of the Board of Directors falls below the minimum number that the Board of Directors must have according to the Banking Act due to the termination of the office of a member of the Board of Directors, the Board of Directors is obliged to convene a General meeting within three months for election of a new member of the Board of Directors.

A member of the Board of Directors can be elected by the general meeting as the chairman of the Board of Directors or vice-chairman of the Board of Directors. Re-election is possible.

With the termination of the office of a member of the Board of Directors who is also the chairman or vice-chairman of the Board of Directors, this office is terminated as well. The office of Chairman of the Board of Directors and/or the position of Vice-Chairman of the Board of Directors may also terminate if the person appointed to this position resigns from the position of Chairman/Vice-Chairman of the Board of Directors. The position of Chairman of the Board of Directors/Vice Chairman of the Board of Directors may also be terminated in case of dismissal, which is effective upon the adoption of a decision by the General meeting, unless otherwise stated in the dismissal. The termination of the office of the Chairman of the Board of Directors or the Deputy Chairman of the Board of Directors does not affect his office as a member of the Board of Directors.

Members of the Board of Directors are obliged to perform their duties with due care, which includes the professional care and following the interests of the Bank and all its shareholders. In particular, they are obliged to acquire and, when making a decision, consider all available information regarding the subject of the decision, to maintain confidentiality about confidential information and facts, the disclosure of which to third parties could cause damage to the Bank or endanger its interests or the interests of its shareholders, and when exercising their powers, they must not prioritize their interests, the interests of only few shareholders or the interests of third parties before the interests of the Bank.

Personnel composition of the Board of Directors in 2022:

Ing. Andrej Zaťko – Chairman of the Board of Directors and managing Director
Ing. Peter Hajko – member of the Board of Directors
RNDr. Zuzana Žemlová – member of the Board of Directors
Ladislav Korec, MBA, FCCA – member of the Board of Directors

The Bank's committees

Established by the Board of Directors

LEONARDO Committee – The main activities of the committee are connected with the realization of ideas, modification of existing products and services (including fees and interest rates), marketing communications, launching of new products and services, opening, management or closing of distribution channels and entering new markets, and in particular:
a) supervision of implementation preparation,
b) assessment of implementation readiness,
c) approving prepared ideas, marketing communications, introducing new products and services, opening, managing or closing distribution channels, entering new markets,
d) reassessing the appropriateness of the implementation of planned ideas, marketing communications, Introduction of new products and services, opening, management or closing of distribution channels and entering new markets.
e) Continuously monitors and evaluates the state of implementation of the project portfolio and the state of utilization of project budgets,

Assigns tasks to committee members and presenters of materials.

Compliance Committee – The committee's responsibilities mainly include:
a) monitoring changes in legislation and identifying legislative impacts on the Bank's group;
b) defining and applying group rules in:
- internal management,
- protection of personal data,
- Compliance,
- conflict of interest management,
- Fit & Proper,
- whistle-blowing,
- legislative bases,
- financial intermediation;

c) control of defined group rules in areas according to letter a) and b), and in particular control:
- compliance with group rules,
- enforcing group rules,
- effectiveness of group rules,
- implementation of corrective measures adopted by the Committee in the event of non-compliance with group rules or in the event of detection of deficiencies in compliance with group rules;
  mutual exchange of operational information in areas according to letter a) and b).

BITCO Committee – The BITCO Committee is a committee responsible for the operational management of IS change requests, while its scope includes the negotiation, assessment and approval of proposals in the following areas:
a) Responsible for the implementation of line topics according to the approved Development Plan of the Bank;
b) Responsible for compliance with the approved budget for the implementation of line topics of the Bank's Development Plan;
c) Manages the implementation of IS change requests from release deliveries the point of view in accordance with the decisions and tasks of the TURING Committee;
d) Approves a new linear theme or change, or cancellation of a linear theme within the approved Development Plan in terms of scope, investment limit, benefits, implementation risks;
e) Approves the proposal for a new linear topic outside the approved Development Plan for submission to the TURING Committee for approval;
f) Approves the investment limit, or increasing the investment limit for individual line requests for IS change (the so-called investment limit for demands) within the approved line topic;
g) Responsible for closing the budget from the line topic (demands) with final costs;
h) Takes note of project or agile requirements for IS change (demands), or their changes from approved projects or agile topics of the Development Plan;
i) Responsible for prioritizing requirements for the release and approving the scope of the release;
j) Responsible for monitoring the progress of bank releases and non-release deployments for all requirements for IT changes, regardless of the type of

management of the topic of the development plan, to which It is included;
k) Sets priorities for capacities according to the needs and requirements of the Bank and in accordance with the conclusions of the TURING Committee;
l) Decides on capacity conflicts in priorities during the implementation of all individual requests for IS changes within the release (resources, deadlines) in accordance with the Bank's priorities and the conclusions of the TURING Committee.

ALCO Committee – The scope of the committee includes:
a) designing the Bank's strategy and policy in managing the Bank's assets and liabilities and related risks;
b) designing the methodology for creating FTP rates;
c) assessment of the Financial Markets Department's proposals for the purchase/sale of financial instruments for the purpose of managing the Banking book;
d) monitoring and evaluating the structure of the Bank's assets and liabilities, including performance indicators and their comparison with the business and financial plan;
e) monitoring and evaluation of starting points for the creation of a business and financial plan and its projection into regulatory and internal limits and indicators;
f) monitoring, proposal and evaluation of liquidity scenarios;
g) monitoring and proposal of internal limits and indicators in relation to liquidity risk and market risks;
h) monitoring the development of internal and regulatory capital and capital requirements;
i) monitoring the limits set by the regulator, or valid legal regulations regarding the area of activity of the Committee;
j) assessment and proposal of internal limits in relation to trades in the Banking book and the risks arising from them (e.g. country limits, counterparty limits, financial instrument limits, STOP/LOSS limits, etc.) and their distribution among individual business departments and departments of the Bank;
k) assessment and proposal of limits for all interbank transactions with domestic and foreign banks in the Banking book;
l) assessment and proposal of limits for the purpose of consolidated risk management
m) assessment and proposal of framework limits in relation to transactions in the trading book;
n) monitoring macroeconomic developments, predictions and possible impacts on the development of the structure of the Bank's assets and liabilities;
o) monitoring and evaluating the impact of the Bank's products on the structure of the Bank's assets and liabilities;
p) assessment and proposal of the methodology for calculating ICAAP components (resources, requirements, capital limits);
q) assessment and proposal of the methodology for classifying assets and liabilities in interest and liquidity gaps and their mapping;
r) assessment and proposal of the methodology for determining limits for banks, industries and countries;
s) assessment and proposal of the methodology for calculating the internal limit of property involvement;
t) assessment and proposal of the methodology for determining the FTP rate, capital and credit surcharge for determining the client rate;
u) assessment and proposal of the methodology for calculating internal indicators of market risk and liquidity risk;
v) monitoring the upcoming marketing campaigns of the Bank and their expected impact on the structure and price of the Bank's assets and liabilities;
w) monitoring and evaluating the impact of new products, or redesign of the Bank's current products, on the structure of the Bank's assets and liabilities;
x) approval of interest notices and exemptions from them.

TURING Committee – As the executive body of the Bank for the management of development activities at the level of strategic goals, the competence of the committee includes discussion, assessment and approval of proposals for approval in the following areas:
a) Decides on development topics at a strategic level, while the implementation of its decisions is the responsibility of the BITCO Committee (operational management of the implementation of topics with an impact on IS change) and the Management Committee of the approved project,
b) Assesses strategic investment intentions (business ideas), prioritizes and approves the proposal of topics for the following year along with the framework investment budget, the time period of implementation and the proposal of the form of management of the topic (Agile / Project / Line), i.e. draft Development Plan of the Bank. (The Board of Directors of the Bank approves, on the proposal of the TURING Committee, the topics and budget of the Bank's Development Plan for the next planning period),
c) Executively manages the topics of the Bank's Development Plan approved by The Board of Directors in the required scope and budget and prioritizes the implementation of individual topics,
d) Responsible for compliance with the overall approved budget of the Bank's Development Plan for the given period, or for proposing its change, which is then approved by The Board of Directors of the Bank,
e) Approves changes in the scope, budget, deadlines and priorities of implemented project as well as non-project (i.e. line) development activities of the Bank within the approved Development Plan,
f) Approves the proposal for the creation of a new development topic along with the approach to managing the topic (Agile / Project / Line), or about stopping the implemented topic or on the demise of an existing topic within the approved budget of the Bank's Development Plan,
g) Approves changes in the budget of development topics within the approved budget of the Development Plan, or submits to the Board of Directors a proposal for the approval of a new topic of the Bank's Development Plan with the impact of changing the approved budget of the Bank's Development Plan,
h) Decides on changes in the priorities of topics with regard to the requested dates and availability of resources,
i) Continuously monitors and evaluates the state of implementation of the topics of the Development Plan and the state of utilization of the approved budget of the Bank's development plan,
j) Approves a new project, including its budget, based on the submitted project documentation, at the same time approving fundamental changes in projects with an impact on the goal, scope, time schedule and budget during project implementation,
k) Decides as an escalation level for the Project Steering Committee for topics / risks beyond the possibility of solutions at the project management level,
l) Approves completion and evaluation of project implementation outputs, suspension of project implementation,
m) Continuously monitors and evaluates the state of implementation of the project portfolio and the state of utilization of project budgets,
n) Decides on the priorities of agile topics compared to topics implemented by project and line management,
o) Approves gross capacities, or resources for the implementation of the theme driven by an agile approach
p) Approves the start, progress, suspension and termination of the topic with an agile form of management,
q) Responsible for evaluating the implementation of Development Plan topics against the Bank's goals annually, or when closing the topic,
r) Assigns tasks to committee members and presenters of materials,
s) Approval of critical phases of the life cycle of CHTB Agile activities, assessment of project intent and changes in intent,
t) Managing/approving the assigned budget for CHTB Agile activities praised for design and/or implementation. defining areas within the project in which the Steering Committee of the project can make decisions,
u) Voting/ Agreeing on proposals within the MPO team in the scope of drawing the budget, directing the team's activities in critical implementation phases with an impact on other MPOs, negotiating internal project orders within the financial limits determined by a special internal regulation of the Bank,
v) Selection of a supplier - selection worth from €25,000 to €100,000 (excluding IT

suppliers, where selection weights are 40 MPO, 30 IT, 20 OB, 10 OCO) processes and rules of project and program management,

w) Approval, utilization of allocated OPEX, CAPEX resources for the design and implementation of CHtB Agile activities. appointing and dismissing program managers, whose full competence includes the responsibility for taking measures to deal with extraordinary situations in the program,
x) Approval of the operational contract for ChtB Agile activities,
y) Visualize and manage dependencies and coordination of teams/MPOs,
z) Participate in the creation of the Bank's strategic goals.

Risk Monitoring Committee – The scope of the committee includes:

a) monitoring and applying the risk management strategy and procedures in accordance with the Banking Act and the Securities Act,
b) submitting written reports on the performance of their activities at least once a year to members of the Board of Directors of the Bank and members of the Supervisory board of the Bank and providing advice to members of the Board of Directors and senior employees of the Bank,
c) creating support and providing information to the Bank's Board of Directors and the Bank's Supervisory board in connection with the overall identification, analysis, monitoring, reporting and management of risks,
d) examining whether the values of assets and liabilities offered to the client consider the business and investment intention and risk management strategy,
e) monitoring the Bank's risk factors, portfolio and overall risk exposure from the point of view of managing all risks, including making decisions and setting tasks for their active management and mitigation in accordance with this Statute and the Regulation on Organization and Internal Management,
f) discussion of the status and details of operational and security risks in the area of Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (PSD2).
g) Recovery planning and resolution: MREL, Resolution tasks – status report, Joint decisions Recovery plan, Dry-run, Risk appetite,
h) ESG risk.

In accordance with Section 5) Strategic Risk submits a regular report on risk management in the Bank to the Committee meeting (Risk report).

IT Committee – The committee's responsibilities mainly include:

a) comment on IT proposals in banking industry,
b) initiate solutions to IT issues of strategic importance for the development of banking,
c) submit proposals for solutions in IT areas focused on banking.

Established by the Supervisory board:

Risk Committee:

a) provide advice and support to the Supervisory board in terms of monitoring the overall current and future willingness to take risks and the overall strategy of the institution, considering all risks, to ensure their compliance with the Bank's business strategy, goals, corporate culture and values,
b) assist the Supervisory board in controlling the implementation of the Bank's strategy in risk area and the established corresponding limits,
c) oversee the implementation of capital and liquidity management strategies, as well as all other related risks of the institution, such as market, credit, operational risks (including legal and IT risks), and reputational risks, in order to assess their adequacy against approved willingness to take risk and risk management strategy,
d) provide the Supervisory board with recommendations regarding the necessary adjustments to the strategy of risk area, arising, among other things, from changes in the Bank's business model, market developments or recommendations made by the Risk Management authorized person,
e) examine whether the incentives resulting from the remuneration policy and procedures consider risk, capital, liquidity and the probability and time management of income within the Bank without prejudice to the tasks of the remuneration committee.

Nomination Committee:

a) assesses and recommends to the Board of Directors, the Supervisory board or the General meeting for approval of candidates to fill vacancies in the Board of Directors and/or in the Supervisory board and also to fill vacant positions of Executive Officer, if they are not performed by members of the Board of Directors,
b) assesses the balance of knowledge, skills, diversity and experience of the Board of Directors and/or of the Supervisory board, develops a description of the tasks and required skills for the given position and assesses the expected time commitment,
c) continuously monitors and at least once a year evaluates the suitability of the Assessed persons and also the collective suitability of the Supervisory board and of the Board of Directors.

Remuneration Committee:

a) is responsible for the preparation of decisions on remuneration adopted by the Supervisory board, especially with regard to the remuneration of members of the Board of Directors, as well as other identified Employees,
b) provides support and advice to the Supervisory board when proposing a remuneration policy within the Bank,
c) supports the Supervisory board in supervising the remuneration policy, procedures and processes and compliance with the remuneration policy,
d) checks whether the existing remuneration policy is still up-to-date and, if necessary, proposes its changes.

Management methods

Direct management methods, methods of combining direct and expert (indirect) management, and project management methods are primarily used for executive management of the Bank.

Direct management is carried out by setting goals, tasks and standards, as well as operationally guiding the activities of organizational units or employees.

Professional (indirect) management is carried out through internal control, by determining the space for independent management and organizing the own work of the managed organizational unit or employee.

Project management assumes the temporary allocation of employees or part of their labor pool to fulfill specific project goals. Information on management methods is set out in the Bank's internal regulations.

The Bank's executive management is the management of the Bank's operational activities by Responsible Persons to fulfil the Bank's business and financial plan, ensuring the Bank's internal management and operation. Executive management is carried out by:

- The Bank's Board of Directors, which, among other things, ensures an organizational structure that supports efficient and prudent management of the Bank in accordance with the fulfillment of the Bank's established business goals.
- Responsible persons who manage the relevant organizational units ensure effective organization of work, management of organizational units subordinate to them and are responsible for the professional performance of activities in the organizational units with regard to the individual responsibility of the Employees in terms of labor relations.

The Bank also manages companies belonging to the Bank Group. The management of the Bank Group comprises the companies of the Bank Group adopting the principles and principles set forth in this regulation to an appropriate extent and transfer them to their own internal regulations. The companies of the Bank's group, their members of the Board of Directors and of the Supervisory board, will also provide adequate cooperation to fullfil the Bank's obligations.

Internal control system

The Bank's internal control system comprises three separate Internal Control Functions:
a) Compliance function,
b) Internal control and internal audit function,
c) Risk management function.

Internal control system comprises:
a) Direct process control: it is part of the work procedures defined directly in the internal regulation. Without their implementation, the work process is not completed. Direct process control is performed by employees or organizational units that directly participate in individual processes.
b) Indirect process control: it is performed in accordance with the internal regulation on the system of indirect process control in the Bank.

Other key personnel in the Bank:
a) Chief Liquidity Officer function,
b) Function of AML Officer;
c) Function of Chief Information Security Officer.

Compliance function – Compliance Officer is a key personnel who is elected and dismissed by the Board of Directors of the Bank based on the prior approval of the Supervisory board. The Officer has an independent status and is directly responsible to the Board of Directors for the performance. The Compliance Officer provides the Board of Directors and all organizational units of the Bank with advice and consultations on the measures taken to ensure compliance with applicable laws, rules, regulations and standards. The Compliance Officer assesses the possible impact of changes in the legal and regulatory environment on the Bank's activities, including the performance of control activities. The Compliance Officer must have access to all required documents, records and information of the Bank. The person holding the position of Compliance Officer also holds the position of responsible person in accordance with Act no. 18/2018 Coll. on the protection of personal data and on the amendment of certain laws.

The function of internal control and internal audit – Head of Internal Audit is a key personnel elected and dismissed by the Board of Directors of the Bank based on the prior approval of the Supervisory board or on the proposal of the Supervisory board who controls compliance with laws and other generally binding regulations, the Bank's internal regulations and procedures in the Bank, provides the Supervisory board and the Board of Directors with objective information on the adequacy, functionality and effectiveness of the internal management and control system and the risk management system, the internal capital adequacy assessment system and the maintenance of the Bank's own resources in relation to its requirements for own resources, liquidity and compliance with the limitations of asset involvement, examines and evaluates the Bank's readiness to carry out new types of business from the point of view of risk management, remuneration principles in order to identify deficiencies and the resulting risks that impact or could impact the Bank's objectives and proposing recommendations to mitigate identified risks. Provisions on the specifics of the organizational classification of the internal control and internal audit function are established by a special internal regulation.

Risk management function – Executive Director of Risk is key personnel elected and dismissed by the Bank's Board of Directors, from persons who are organizationally subordinate to the Chief Risk Officer based on the prior approval of the Supervisory board. Executive Director of Risk provides the Supervisory board, Board of Directors, Executive Officers and other organizational units of the Bank with relevant independent information, analysis and expert assessments regarding exposures to individual types of risks to which the Bank is or may be exposed.

Risk management system

A correct and consistent risk management culture is a key element of effective risk management by the Bank and the Bank Group. Its purpose is to enable the management body and Responsible Persons to make correct and informed decisions, considering the willingness of the Bank and the Bank Group to take risks. Responsible persons as well as Employees are obliged to observe the culture of risk management and to support its observance.
The Bank's basic risk management strategies are:

a) Risk management strategy;
b) ICAAP management strategy;
c) Liquidity and liquidity risk management strategy;
d) Market risk management strategy;
e) Asset and liability management strategy;
f) Credit risk management strategy,
g) Strategy for managing operational risk and other risks;
h) NPL strategy.

The Bank develops a culture of risk management in particular by:
a) adopting and regularly updating the risk management strategy through the Bank's regulations and directives,
b) professional training of all Employees.

Each organizational unit of the Bank is responsible for the day-to-day management of risks within the activities it performs.

Executive monitoring, application and development of risk management strategies is ensured by the Risk Management Committee and the Chief Risk Officer in accordance with the Bank's internal regulation.

Employees of the Bank and the Bank Group are obliged to observe and enforce high ethical and professional standards in their activities. These standards of ethical behavior are established by the Bank's Board of Directors in an internal regulation.

The definition, application and development of the rules of ethical behavior are ensured by the Head of Human Resources and the Head of Legal and Compliance, who also ensure the monitoring of compliance and the possible rate of violation of these rules.

The Bank actively manages, maintains and develops a conflict of interest policy, the main purpose of which is to identify, evaluate, manage and mitigate or prevent actual and potential conflicts of interest at the level of the Bank and the Bank Group.

Part of the conflict of interest policy is, in particular, the establishment of rules for:
a) appropriate distribution of activities,
b) creation of information barriers,
c) carrying out transactions with persons with a special relationship to the Bank,
d) assessment and management of real and potential conflicts of interest between the interests of the Bank and the private interests of Employees, including members of the Board of Directors and members of the Supervisory board.
The conflict of interest policy is part of the Bank's internal regulations. Executive monitoring, application and development of the conflict of interest policy is ensured by the Compliance Officer.

The Bank has established and maintains internal reporting policies and procedures for Employees to report potential or actual violations of generally binding legal regulations or internal regulations, regulatory requirements, leakage of confidential information and damage to the Bank's reputation or other anti-social activities, through special, independent and autonomous channels and outside of standard hierarchical relationships with the possibility of preserving the anonymity of the whistleblower.

Employees who report violations are protected by the Bank against any negative consequences. Likewise, the Bank protects the Employees who have been reported against any negative effects in the event that the facts justifying the adoption of measures against this person are not discovered during the investigation. The measures taken must be proportionate.

The procedures for submitting internal reports are part of a special regulation dealing with the reporting of anti-social activity (whistleblowing).

Supervision of the application and development of internal reporting procedures is carried out by the Compliance Officer.

The Bank's share capital and shares

The Bank's share capital is EUR 366 305 193 in the following structure:

ISIN: SK1110001692
Nominal value: 1 107
Number: 9 829
Type of security: ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 2,97%

ISIN: SK1110004555
Nominal value: 1 107
Number: 7 848
Type of security:ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 2,37%

ISIN: SK1110004563
Nominal value: 1 107
Number: 10 376
Type of security:ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 3,14%

ISIN: SK1110007384
Nominal value: 1 107
Number: 70 285
Type of security:ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 21,24%

ISIN: SK1110016757
Nominal value: 1 107
Number: 178 360
Type of security: ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 53,90%

ISIN: SK1110017433
Nominal value: 1 107
Number: 54 201
Type of security: ordinary shares, registered shares, book entry shares
Rights and obligations:
the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price
Rights and obligations:
Percentage share in the share capital: 16,38%

Qualified participation in the Bank's share capital pursuant to Act no. 566/2001 Coll. on securities and investment services as amended, the shareholder J&T Finance Group SE, Sokolovská 700/113 a, 186 00 Prague 8, Czech Republic owns a share of 98.45% and a share of 98.45% of voting rights.

The Bank has not entered into any agreements with members of its bodies or employees, ensuring compensation to be provided to them if their position or employment is terminated as a result of the takeover offer. Conditions related to the termination of the functional or the employment relationship with members of the company's bodies and employees is regulated by the Bank's mandate contracts ("Agreement on the performance of the office of member of the Board of Directors" and "Contract on the performance of the office of member of the Supervisory board").

12. 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 Consolidated 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 Consolidated 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 2022 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 CONSOLIDATED ANNUAL REPORT is prepared.

13. Independent auditors' report on Consolidated annual report

KPMG

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

Tel +421 (0)2 59 98 41 11
Web www.kpmg.sk

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

Appendix to the Independent Auditors' Report Issued on 24 March 2023 (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 2022 presented on pages 76 - 176 of the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the separate financial statements on 24 March 2023. At the same time, we have audited the consolidated financial statements of 365.bank, a. s. (the "Group") as of 31 December 2022 presented on pages 190 - 297 of the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the consolidated financial statements on 24 March 2023.

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 Consolidated 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

KPMG

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 2022 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 2022 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 2022 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

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

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

Bratislava, 12 April 2023

2

Annual report

365.bank, a. s.

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

for the year ended 31 December 2022
(English translation)

365 bank

2022

Contents

Independent auditors‘ report

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

Tel +421 (0)2 59 98 41 11
Web 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 2022;

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 2022, and of its financial performance and its cash flows for the period then ended in accordance with IFRS Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 2022: € 3 107 037 thousand; release of impairment loss recognized for the year then ended: € 13 970 thousand; total impairment loss as at 31 December 2022: € 154 285 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 management judgment are incorporated into the model assumptions.	Our audit procedures in this area, performed assisted by our own information technology (IT) specialists, included, among others: • Updating our understanding of the 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 ECL process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank’s IT control environment for data security and access;

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the 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.	• Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and the overall ECL estimate; • Assessing whether the definitions of default and significant increase in credit risk, and the financial instruments standard's staging criteria, were all appropriately and consistently applied; • For collective impairment allowance: — Obtaining the Bank's forward-looking information used in the ECL assessment. Evaluating the information by means of comparison to publicly available information and corroborating inquiries of the Management Board; — Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances. • For impairment allowances calculated individually: — For a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2022; — For the exposures identified as Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values by reference 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 address the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2022: € 412 199 thousand; change in fair value recognized in profit or loss for the year then ended: € 5 122 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2022: € 29 226 thousand.

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

Key audit matter	Our response
Securities held at fair value include primarily debt and equity securities within the portfolios of non-trading financial assets mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income. For both security types, the Bank determines their respective fair values based on, as considered appropriate: — For securities traded in an active market (such as publicly traded corporate bonds and shares) – by reference to current market quotations; — For securities not traded in an active market (such as not actively traded corporate bonds) – based on the discounted cash-flow (DCF) model with observable and unobservable inputs and assumptions, such as, primarily, contractual cash flows, risk free interest rate and credit spread, among other things.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others: • Updating our understanding of the Bank's fair value measurement methods and assessing their compliance with the requirements of the relevant financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate in the context of said requirements; • For debt and equity securities traded in an active market: — for a sample of securities, challenging the Bank's evaluation of the underlying markets as active, by assessing whether transactions in a given market take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis; and

Significant management judgement is involved in determination of the appropriate valuation method and in the determination of the model assumptions and inputs. In addition, comprehensive models tend to be more susceptible to the risk of management bias, error and inconsistent application. These require more attention during the audit process to assess the objectivity of the sources used in developing the assumptions and their consistent application. Due the above factors, measurement of the fair value of the securities held by the Bank required our increased attention in the audit and was considered by us to be a key audit matter.	— for the entire portfolio held, tracing the recognized fair values of quoted securities in the portfolio to publicly available market quotations; • For a sample of valuations based on inputs other than quoted prices, developing our own independent estimate of the fair value. As part of the procedure, we developed the key DCF model inputs as follows: — contractual cash flows – by reference to our inspection of the underlying contractual provisions; — risk-free interest rate – by reference to government bonds data provided by external financial data platforms; and — credit spread – by reference to the comparable securities approach or market curve approach, as considered relevant. • Assessing the appropriateness of the fair value – related disclosures in the separate financial statements, including the disclosures in respect of the methods and inputs used in the Bank's determination of the fair values, against the requirements of the applicable financial reporting framework.

Responsibilities of the Statutory Body and Those Charged with Governance for the 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 IFRS Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of 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 Separate 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 separate 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 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.

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 2022 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 statutory body 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 20 years.

Consistency with the additional report to the audit committee

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

Non-audit services

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

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

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

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

Bratislava, 24 March 2023

A. Separate statement of financial position

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Assets			
Cash, cash balances at central banks and other demand deposits	4	592 414	450 029
thereof: Cash and cash equivalents	4	560 069	45 229
Financial assets held for trading	5	16	2
Non-trading financial assets mandatorily at fair value through profit or loss	6	179 784	298 231
Financial assets at fair value through other comprehensive income	7	232 415	385 502
Financial assets at amortised cost	8	3 534 496	3 563 599
Debt securities	8	511 087	378 962
Loans and advances	8	2 988 263	3 163 454
thereof: Loans and advances to financial institutions	8	35 511	23 252
thereof: Loans and advances to customers	8	2 952 752	3 140 202
Other financial assets	8	35 146	21 183
Derivatives – Hedge accounting	9	8 089	1 091
Investments in subsidiaries, joint ventures and associates	10	56 040	68 662
Tangible assets	11	57 095	64 532
Intangible assets	12	35 374	33 446
Deferred tax assets	13	24 761	23 008
Other assets	14	20 945	16 784
TOTAL ASSETS		**4 741 429**	**4 904 886**

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Liabilities			
Financial liabilities held for trading	5	2 102	3 695
Financial liabilities at amortised cost	15	3 953 969	4 129 781
Deposits	15	3 774 074	4 006 346
thereof: Subordinated debt	15	8 019	8 014
Debt securities issued	15	124 981	64 794
Other financial liabilities	15	54 914	58 641
Derivatives – Hedge accounting	9	37	4 977
Provisions	16	2 587	769
Current tax liabilities		2 438	2 766
Other liabilities	17	11 267	13 834
Total liabilities		**3 972 400**	**4 155 822**
Share capital and share premium	18	367 043	367 043
Retained earnings	18	345 280	307 948
Other equity	18	56 706	74 073
Total equity	**18**	**769 029**	**749 064**
TOTAL EQUITY AND LIABILITIES		**4 741 429**	**4 904 886**

These separate financial statements, which include the notes on pages 85 — 176, were approved by the Board of Directors on 22 March 2023.

Chairman of the Board of Directors
Andrej Zaťko

Member of the Board of Directors
Ladislav Korec

B. Separate statement of comprehensive income

EUR'000	Notes	2022	2021
Statement of profit or loss			
Net interest income	21	119 372	133 737
Interest income	21	126 975	138 613
Interest expenses	21	(7 603)	(4 876)
Net fee and commission income	22	43 605	35 558
Fee and commission income	22	71 755	62 868
Fee and commission expenses	22	(28 150)	(27 310)
Dividend income	23	28 375	39 184
Net gains/(losses) from sale of subsidiaries and other financial transactions	24	21 507	(6 850)
Net other operating expenses	25	(4 920)	(1 881)
Staff expenses	26	(47 842)	(44 829)
Other administrative expenses	26	(38 879)	(41 089)
Depreciation	27	(21 938)	(25 102)
Release/(creation) of provisions	28	(1 817)	1 834
Net impairment of financial assets not valued at fair value through profit and loss	28	14 195	(22 125)
Net impairment of investments in subsidiaries, joint ventures and associates	28	-	2 142
Net impairment on non-financial assets	28	712	398
Profit before tax		**112 370**	**70 977**
Income tax	29	(19 204)	(12 679)
Profit after tax		**93 166**	**58 298**

EUR'000	2022	2021
Statement of other comprehensive income		
Items that may be reclassified to profit or loss	(23 197)	3 411
Revaluation of debt securities at fair value through other comprehensive income	(29 226)	(3 775)
Impairment losses for debt securities at fair value through other comprehensive income	(183)	8 138
Revaluation of hedging instruments	-	-
Deferred tax related to items that may be reclassified to profit or loss	6 212	(954)
Foreign currency translation	-	2
Items that may not be reclassified to profit or loss	-	-
Revaluation of equity instruments at fair value through other comprehensive income	-	(2)
Deferred tax related to items that may not be reclassified to profit or loss	-	2
Total other comprehensive income	**(23 197)**	**3 411**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**69 969**	**61 709**

The notes on pages 85 — 176 form 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 2022	**366 305**	**738**	**63 997**	**10 076**	**-**	**307 948**	**749 064**
Total comprehensive income	**-**	**-**	**-**	**(23 197)**	**-**	**93 166**	**69 969**
Profit after tax	-	-	-	-	-	93 166	93 166
Other comprehensive income	-	-	-	(23 197)	-	-	(23 197)
Other transactions	**-**	**-**	**5 830**	**-**	**-**	**(55 834)**	**(50 004)**
Transfer to legal reserve fund	-	-	5 830	-	-	(5 830)	-
Dividends	-	-	-	-	-	(50 000)	(50 000)
Other	-	-	-	-	-	(4)	(4)
Closing balance as of 31 December 2022	**366 305**	**738**	**69 827**	**(13 121)**	**-**	**345 280**	**769 029**

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
Other comprehensive income	-	-	-	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**

The notes on pages 85 — 176 form an integral part of these separate financial statements.

D. Separate statement of cash flows

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Profit before tax		**112 370**	**70 977**
Adjustments:			
Net interest income	21	(119 372)	(133 737)
Dividend income	23	(28 375)	(39 184)
Depreciation	27	21 938	25 102
Release/(creation) of provisions	28	1 817	(1 834)
Gains/(losses) on derecognition of non-financial assets, net	25	407	555
Gain from sale of subsidiaries	24	(18 500)	
Net impairment of financial assets not valued at fair value through profit and loss	28	(14 195)	22 125
Net impairment of investments in subsidiaries, joint ventures and associates	28	-	(2 142)
Net impairment on non-financial assets	28	(712)	(398)
Cash flows from/(used in) operating activities before changes in working capital		**(44 622)**	**(58 536)**

EUR'000	Notes	31. 12. 2022	31. 12. 2021
(Increase)/decrease in operating assets:			
Cash balances at central banks	4	372 455	(161 795)
Financial assets held for trading	5	(14)	2 646
Non-trading financial assets mandatorily at fair value through profit or loss	6	118 447	11 281
Financial assets at amortised cost		171 794	(386 171)
Loans and advances		185 756	(397 535)
Other financial assets		(13 962)	11 364
Derivatives – Hedge accounting	9	(6 998)	-
Other assets	14	(4 162)	1 731
Increase/(decrease) in operating liabilities:			
Financial liabilities held for trading	5	(1 593)	2 949
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities		(232 254)	341 129
Deposits		(232 317)	342 873
Other financial liabilities		63	(1 744)
Derivatives – Hedge accounting		6 875	(5 341)
Other liabilities	17	(2 566)	2 282
Cash flows from operating activities before interest and income tax		**377 362**	**(249 825)**
Interest received		137 483	154 915
Dividends received	23	8 352	24 415
Interest paid		(9 919)	(12 797)
Income tax paid		(15 074)	(10 737)
Net cash flows from/(used in) operating activities		**498 204**	**(94 029)**

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(155 911)	(39 652)
Proceeds from sale and maturity		22 576	23 951
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		(15 676)	(67 827)
Proceeds from sale and maturity		123 933	107 872
Investments in subsidiaries, joint ventures and associates			
Proceeds from sale	10	33 000	-
Other revenues		18 143	21 956
Tangible and intangible assets			
Purchase	11,12	(14 826)	(16 977)
Proceeds from sale		566	3
Net cash flows from/(used in) investing activities		**11 805**	**29 326**
Cash flows from financing activities			
Dividends paid		(49 229)	-
Debt securities issued			
Proceeds from issue of debt securities	15	60 000	65 000
Financial liabilities at amortised cost - lease liabilities			
Lease payments		(5 940)	(5 680)
Net cash flows from/(used in) financing activities		**4 831**	**59 320**
Net increase/(decrease) in cash and cash equivalents	4	**514 840**	**(5 383)**
Cash and cash equivalents at the beginning of the period	4	**45 229**	**50 612**
Cash and cash equivalents at the end of the period	4	**560 069**	**45 229**

The notes on pages 85 — 176 form an integral part of these separate financial statements.

E. Notes to the separate financial statements

1. General information

365.bank, 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 2022294221 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. 2022		31. 12. 2021	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech Republic	325 794	98,45 %	325 794	98,45 %
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak Republic	4 918	1,49 %	4 918	1,49 %
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak Republic	100	0,03 %	100	0,03 %
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, Austria	87	0,03 %	87	0,03 %
Total		**330 899**	**100,00 %**	**330 899**	**100,00 %**

On 1 January 2020, 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 Poštová banka, 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 2021, were approved by the Board of Directors on 9 March 2022.

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

Company name	Activity	Ownership in %	
		31. 12. 2022	31. 12. 2021
Subsidiaries			
365.invest, správ. spol., a. s.	Asset management	100,00 %	100,00 %
365.life, d. s. s., a. s.	Management of pension funds	x	100,00 %
Ahoj, a. s.	Consumer loans	100,00 %	100,00 %
PB Servis, a. s.	Real estate administration	100,00 %	100,00 %
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100,00 %	100,00 %
365.fintech, a. s.	Investment fund	100,00 %	100,00 %
Cards&Co, a. s.	Information technology services industry	100,00 %	87,99 %
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	100,00 %	100,00 %
365.nadácia	Charitable foundation	x	x
Joint ventures			
SKPAY, a. s.	Payment services	40,00 %	40,00 %
Monilogi, s. r. o.	Cash management	8,00 %	x

The Bank also prepares consolidated financial statements for the 365.bank. 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 2022 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

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. Other revenue from fee and commission income and expenses, including account service, investment management fees and servicing fees, sale commissions, placement fees and syndicated product fees are recognised when related services are provided. Loan commitment fees are recognised on a straight-line basis over the commitment period. When deciding on the timing and amount of recognised income, the Bank follows the IFRS 15 standard.

Other fees and commissions relate mainly to transaction costs and service fees that are recognized after delivery of the service.

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

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

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

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

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

I. Fair value hedge

The 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.
The financial statements of subsidiaries are included in the consolidated financial statements from the date control is established to the date control is lost.

If the bank loses control, it derecognizes the subsidiary's assets and liabilities, related non-controlling interests and other equity. The gain or loss arising due to the loss of control is recognized in the income statement. If the bank retains a non-controlling interest in the former subsidiary, it is measured at fair value as at the date when control was lost.

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.

(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	2-8 years	straight line
Fittings and other equipment	2-15 years	straight line
Software	individually	straight line
Other intangible assets	individually	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) Financial guarantees and loan commitments

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

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

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

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation arising from the past event and whose impact can be reliably estimated , 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.

(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

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

- „Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments - The amendments to IAS 1 require companies to disclose their material accounting policies and not their significant accounting policies. The Company does not expect the amendments to have a material impact on its financial statements when initially applied. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments introduce a definition of accounting estimates and involve other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The distinction is important as the changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted)
- Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction - The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

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

3. Use of estimates and judgements

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

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

Expected credit losses

The measurement of ECL 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. 2022	31. 12. 2021
Cash on hand	30 745	29 827
Cash balances at central banks	520 399	404 800
Other demand deposits	41 270	15 402
Total	**592 414**	**450 029**

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. 2022	31. 12. 2021	31. 12. 2020
Cash on hand	30 745	29 827	25 875
Other demand deposits	488 054		
Other demand deposits	41 270	15 402	24 737
Total	**560 069**	**45 229**	**50 612**

5. Financial assets and liabilities held for trading

EUR'000	31. 12. 2022	31. 12. 2021
Financial assets held for trading		
Derivatives	16	2
Foreign exchange	16	2
Total	**16**	**2**
Financial liabilities held for trading		
Derivatives	2 102	3 695
Foreign exchange	2 102	3 695
Total	**2 102**	**3 695**

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

EUR'000	31. 12. 2022			31. 12. 2021		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange	65 909	16	2 102	143 237	2	3 695
Total	**65 909**	**16**	**2 102**	**143 237**	**2**	**3 695**

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

EUR'000	31. 12. 2022	31. 12. 2021
Equity instruments	**179 784**	**298 231**
Share certificates	179 784	298 231
Total	**179 784**	**298 231**

7. Financial assets at fair value through other comprehensive income

EUR'000	31. 12. 2022	31. 12. 2021
Equity instruments	**65**	**65**
Shares	65	65
Debt securities	**232 350**	**385 437**
General governments	144 682	266 897
Credit institutions	27 045	28 346
Other financial corporations	25 896	29 180
Non-financial corporations	34 727	61 014
Total	**232 415**	**385 502**
Impairment allowances to debt securities in OCI	(8 432)	(8 615)

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

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(355)**	**(8 260)**	**-**	**-**	**(8 615)**
Increases due to origination and acquisition	(3)	-	-	-	(3)
Decreases due to derecognition	80	-	-	-	80
Changes due to change in credit risk (net)	160	(54)	-	-	106
Unwinding of discount	-	-	-	-	-
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
Changes due to modifications without derecognition (net)	-	-	-	-	-
Changes due to update in the institution's methodology for	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2022	**(118)**	**(8 314)**	**-**	**-**	**(8 432)**

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	**(477)**	**-**	**-**	**-**	**(477)**
Increases due to origination and acquisition	(83)	-	-	-	(83)
Decreases due to derecognition	67	-	-	-	67
Changes due to change in credit risk (net)	65	(8 187)	-	-	(8 122)
Unwinding of discount	-	-	-	-	-
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 modifications without derecognition (net)	-	-	-	-	-
Changes due to update in the institution's methodology for	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2021	**(355)**	**(8 260)**	**-**	**-**	**(8 615)**

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Debt securities	**518 680**	**386 574**	**(7 593)**	**(7 612)**	**511 087**	**378 962**
Central banks	-	-	-	-	-	-
General governments	441 974	307 533	(152)	(96)	441 822	307 437
Credit institutions	31 154	30 990	-	(2)	31 154	30 988
Other financial corporations	1 362	1 424	-	-	1 362	1 424
Non-financial corporations	44 190	46 627	(7 441)	(7 514)	36 749	39 113
Loans and advances	**3 142 556**	**3 373 564**	**(154 293)**	**(210 110)**	**2 988 263**	**3 163 454**
Central banks	-	-	-	-	-	-
General governments	60 206	60 000	(20)	(19)	60 186	59 981
Credit institutions	35 519	23 270	(8)	(18)	35 511	23 252
Other financial corporations	305 072	553 697	(8 501)	(15 441)	296 571	538 256
Non-financial corporations	503 021	845 625	(54 915)	(71 550)	448 106	774 075
Households	2 238 738	1 890 972	(90 849)	(123 082)	2 147 889	1 767 890
Lending for house purchase	1 418 681	1 028 687	(890)	(787)	1 417 791	1 027 900
Credit for consumption	811 736	849 215	(87 904)	(119 673)	723 832	729 542
Other	8 321	13 070	(2 055)	(2 622)	6 266	10 448
Other financial assets	**36 622**	**21 301**	**(1 476)**	**(118)**	**35 146**	**21 183**
Total	**3 697 858**	**3 781 439**	**(163 362)**	**(217 840)**	**3 534 496**	**3 563 599**

Loans and advances include finance lease receivables:

EUR'000	31. 12. 2022	31. 12. 2021
Minimum value of leasing payments		
Receivables from leasing	17 986	8 083
Up to 1 year	5 751	2 655
1-5 years	12 023	5 313
Over 5 years	212	115
Unrealized income on finance leases	(1 655)	(694)
Present value of future lease payments	**16 331**	**7 389**
Impairment allowances	(203)	(31)
Total	**16 128**	**7 358**

EUR'000	31. 12. 2022	31. 12. 2021
Present value of future lease payments		
Receivables from leasing	16 331	7 389
Up to 1 year	4 669	2 338
1-5 years	11 453	4 938
Over 5 years	209	113
Present value of future lease payments	**16 331**	**7 389**
Impairment allowances	(203)	(31)
Total	**16 128**	**7 358**

Other financial assets comprise the following:

EUR'000	31. 12. 2022	31. 12. 2021
Other financial assets, gross	**36 622**	**21 301**
Clearing and settlement items	15 277	3 227
Cash collateral	7 164	6 750
Trade receivables	7 172	6 563
Other	7 009	4 761
Impairment allowances	**(1 476)**	**(118)**
Total	**35 146**	**21 183**

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

31. 12. 2022	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**474 490**	**44 190**	**-**	**-**	**518 680**	**(152)**	**(7 441)**	**-**	**-**	**(7 593)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	441 974	-	-	-	441 974	(152)	-	-	-	(152)
Credit institutions	31 154	-	-	-	31 154	-	-	-	-	-
Other financial corporations	1 362	-	-	-	1 362	-	-	-	-	-
Non-financial corporations	-	44 190	-	-	44 190	-	(7 441)	-	-	(7 441)
Loans and advances	**2 779 220**	**205 070**	**146 029**	**12 237**	**3 142 556**	**(15 237)**	**(20 411)**	**(110 086)**	**(8 559)**	**(154 293)**
Central banks		-	-	-	-		-	-	-	-
General governments	60 202	4	-	-	60 206	(20)	-	-	-	(20)
Credit institutions	35 519	-	-	-	35 519	(8)	-	-	-	(8)
Other financial corporations	297 298	-	1	7 773	305 072	(727)	-	(1)	(7 773)	(8 501)
Non-financial corporations	316 878	132 091	49 588	4 464	503 021	(8 345)	(12 092)	(33 692)	(786)	(54 915)
Households	2 069 323	72 975	96 440		2 238 738	(6 137)	(8 319)	(76 393)		(90 849)
Lending for house purchase	1 395 894	18 242	4 545	-	1 418 681	(34)	(99)	(757)	-	(890)
Credit for consumption	667 479	54 594	89 663		811 736	(6 045)	(8 185)	(73 674)		(87 904)
Other	5 950	139	2 232	-	8 321	(58)	(35)	(1 962)	-	(2 055)
Other financial assets	**-**	**36 622**	**-**	**-**	**36 622**	**-**	**(1 476)**	**-**	**-**	**(1 476)**
Total	**3 253 710**	**285 882**	**146 029**	**12 237**	**3 697 858**	**(15 389)**	**(29 328)**	**(110 086)**	**(8 559)**	**(163 362)**

31. 12. 2021	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**339 947**	**46 627**	**-**	**-**	**386 574**	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	307 533	(96)	-	-	-	(96)
Credit institutions	30 990	-	-	-	30 990	(2)	-	-	-	(2)
Other financial corporations	1 424	-	-	-	1 424	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	46 627	-	(7 514)	-	-	(7 514)
Loans and advances	**2 758 013**	**431 069**	**171 602**	**12 880**	**3 373 564**	**(21 004)**	**(33 075)**	**(147 085)**	**(8 946)**	**(210 110)**
Central banks	–	-	-	-	-	–	-	-	-	-
General governments	60 000	-	-	-	60 000	(19)	-	-	-	(19)
Credit institutions	23 270	-	-	-	23 270	(18)	-	-	-	(18)
Other financial corporations	499 510	45 976	11	8 200	553 697	(1 491)	(5 730)	(10)	(8 210)	(15 441)
Non-financial corporations	597 464	198 356	45 168	4 637	845 625	(14 778)	(16 231)	(39 830)	(711)	(71 550)
Households	1 577 769	186 737	126 423	43	1 890 972	(4 698)	(11 114)	(107 245)	(25)	(123 082)
Lending for house purchase	972 781	52 988	2 918	-	1 028 687	(107)	(155)	(525)	-	(787)
Credit for consumption	598 730	129 628	120 814	43	849 215	(4 521)	(10 940)	(104 187)	(25)	(119 673)
Other	6 258	4 121	2 691	-	13 070	(70)	(19)	(2 533)	-	(2 622)
Other financial assets	**-**	**21 301**	**-**	**-**	**21 301**	**-**	**(118)**	**-**	**-**	**(118)**
Total	3 097 960	498 997	171 602	12 880	3 781 439	(21 102)	(40 707)	(147 085)	(8 946)	(217 840)

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 2022	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Increases due to origination and acquisition	(23)	-	-	-	(23)
Decreases due to derecognition	-	-	-	-	-
Changes due to change in credit risk (net)	(31)	73	-	-	42
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2022	**(152)**	**(7 441)**	**-**	**-**	**(7 593)**

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

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(21 004)**	**(33 075)**	**(147 085)**	**(8 946)**	**(210 110)**
Increases due to origination and acquisition	(4 957)	-	-	-	(4 957)
Decreases due to derecognition	5 091	7 114	53 107	7	65 319
Changes due to change in credit risk (net)	17 106	(10 305)	(11 600)	380	(4 419)
Transfers:	(11 463)	15 855	(4 392)	-	-
(to)/from Stage 1	x	10 873	590	-	11 463
(to)/from Stage 2	(10 873)	x	(4 982)	-	(15 855)
(to)/from Stage 3	(590)	4 982	x	-	4 392
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	**(15 237)**	**(20 411)**	**(110 086)**	**(8 559)**	**(154 293)**

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(4 698)**	**(11 114)**	**(107 245)**	**(25)**	**(123 082)**
Increases due to origination and acquisition	(3 125)	-	-	-	(3 125)
Decreases due to derecognition	959	1 195	47 155	7	49 316
Changes due to change in credit risk (net)	5 840	(7 032)	(12 784)	18	(13 958)
Transfers:	(5 113)	8 632	(3 519)	-	-
(to)/from Stage 1	x	4 349	764	-	5 113
(to)/from Stage 2	(4 349)	x	(4 283)	-	(8 632)
(to)/from Stage 3	(764)	4 283	x	-	3 519
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2022	**(6 137)**	**(8 319)**	**(76 393)**	**-**	**(90 849)**

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

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(16 269)**	**(21 961)**	**(39 840)**	**(8 921)**	**(86 991)**
Increases due to origination and acquisition	(1 755)	-	-	-	(1 755)
Decreases due to derecognition	4 057	5 900	5 952	-	15 909
Changes due to change in credit risk (net)	11 255	(3 254)	1 184	362	9 547
Transfers:	(6 350)	7 223	(873)	-	-
(to)/from Stage 1	x	6 524	(174)	-	6 350
(to)/from Stage 2	(6 524)	x	(699)	-	(7 223)
(to)/from Stage 3	174	699	x	-	873
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	**(9 072)**	**(12 092)**	**(33 693)**	**(8 559)**	**(63 416)**

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

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	**(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	31 870	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
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)**

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

EUR'000	31. 12. 2022			31. 12. 2021		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Fair value hedges microhedge	**90 366**	**9 081**	**37**	**134 476**	**-**	**3 549**
Interest rate	90 366	9 081	37	134 476	-	3 549
Portfolio fair value hedges of interest rate risk	**396 400**	**5 148**	**-**	**93 400**	**-**	**1 428**
Total	**486 766**	**14 229**	**37**	**227 876**	**-**	**4 977**

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

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	
Fair value hedges					
Portfolio hedge of interest rate risk	396 400	200 037	(7 232)	1 091	Financial assets at amortised cost
Interest rate microhedge	76 225	145 078	(11 814)	2 260	Revaluation of FVOCI financial assets

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

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

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

10. Investments in subsidiaries, joint ventures and associates

EUR'000	31. 12. 2022	31. 12. 2021
Investments in subsidiaries	62 566	75 544
Investments in joint ventures	496	140
Investments in associates	-	-
Impairment allowances	(7 022)	(7 022)
Total	**56 040**	**68 662**

During 2022, 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 100%.
- The Bank increased its exposure to 365.fintech, a.s. by increasing other capital funds
- On 28 December 2022, the Bank sold its entire share in the subsidiary 365.life, a.s. (sale price EUR 33 million, profit from the sale in the total value of EUR 18.5 million)

The Bank performs an impairment test at least once per accounting period based on financial and business plans of subsidiaries for a period of 5 years. The model calculates the present value of these cash flows by discounting them using an interest rate that was calculated based on the principles of the Capital Assets Pricing Model. Cash flows after the end of the five-year period are calculated as the present value of perpetuity with a certain expected growth rate. The discount rate used is derived from the long-term risk-free interest rate, adjusted for business risk and country risk. The model is most sensitive to the change in the discount rate and the growth rate of profitability.

In the calculation, the Bank used a risk rate of 2.98% (2021: -0.14%) and an expected permanent growth rate of 2.97% (2.97% in 2021).

11. Tangible assets

EUR'000	31. 12. 2022	31. 12. 2021
Tangible assets owned	21 878	25 319
Properly, plant and equipment	21 878	25 319
Right of use assets	35 217	39 213
Total	**57 095**	**64 532**

EUR'000	Tangible assets owned				
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	Total
Cost					
As of 1 January 2022	19 710	12 102	19 482	765	**52 059**
Additions	-	-	-	2 071	**2 071**
Transfers	1 054	1 012	724	(2 790)	**-**
Disposals	(2 628)	(1 342)	(562)	(33)	**(4 565)**
As of 31 December 2022	**18 136**	**11 772**	**19 644**	**13**	**49 565**
Accumulated depreciation					
As of 1 January 2022	(7 001)	(8 624)	(10 473)	-	**(26 098)**
Depreciation for the year	(1 526)	(1 663)	(1 806)	-	**(4 995)**
Disposals	1 379	1 338	843	-	**3 560**
As of 31 December 2022	**(7 148)**	**(8 949)**	**(11 436)**	**-**	**(27 533)**
Accumulated impairment losses	**(154)**	**-**	**-**	**-**	**(154)**
Carrying amount as at 31.12.2022	**10 834**	**2 823**	**8 208**	**13**	**21 878**

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 from business combinations	-	-	-	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	Right of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2022	49 530	211	4 058	**53 799**
Additions	476	-	109	**585**
Loan modifications	1 459	-	-	**1 459**
Disposals	(198)	-	(105)	**(303)**
As of 31 December 2022	**51 267**	**211**	**4 062**	**55 540**
Accumulated depreciation				
As of 1 January 2022	(12 903)	(158)	(1 526)	**(14 587)**
Depreciation for the year	(5 289)	(53)	(598)	**(5 940)**
Disposals	112	-	92	**204**
As of 31 December 2022	**(18 080)**	**(211)**	**(2 032)**	**(20 323)**
Accumulated impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2022	**33 187**	**-**	**2 030**	**35 217**

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**
Loan modifications	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**

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

EUR'000	31. 12. 2022	31. 12. 2021
Opening balance as at 1 January	(642)	(940)
Net creation/(release) of impairment losses	488	298
Closing balance	**(154)**	**(642)**

As at 31 December, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 13 865 thousand and as at 31 December 2021 in the amount of EUR 12 448 thousand.

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. 2022	31. 12. 2021
Insurance amount of fixed assets	45 318	51 109

12. Intangible assets

EUR'000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2022	84 202	72	5 650	**89 924**
Additions	-	-	12 755	**12 755**
Transfers	9 065	15	(9 080)	-
Disposals	(2 236)	(1)	(49)	**(2 286)**
As of 31 December 2022	**91 031**	**86**	**9 276**	**100 393**
Accumulated amortisation				
As of 1 January 2022	(56 180)	(72)	-	**(56 252)**
Amortisation for the year	(11 000)	(4)	-	**(11 004)**
Disposals	2 236	-	-	**2 236**
As of 31 December 2022	**(64 944)**	**(76)**	**-**	**(65 020)**
Accumulated impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2022	**26 087**	**11**	**9 276**	**35 374**

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**

As at 31 December, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 25 918 thousand and as at 31 December 2021 in the amount of EUR 24 915 thousand.

13. Deferred tax assets and liabilities

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

	31. 12. 2022	31. 12. 2021
Companies in SR	21 %	21 %

EUR'000	31. 12. 2022	31. 12. 2021
Impairment on financial assets at AC	17 878	22 176
Provisions for off-balance sheet exposures	123	160
Revaluation of financial assets at FVOCI - debt securities	5 494	(3 199)
Revaluation of financial assets at FVOCI - derivatives	(2 006)	475
Tangible assets	461	280
Other	2 811	3 116
Total deferred tax assets	**24 761**	**23 008**

Movements in deferred tax were as follows:

EUR'000	1.1.2022	Profit or loss	OCI	31.12.2022
Impairment on financial assets at AC	22 176	(4 298)	-	17 878
Provisions for off-balance sheet exposures	160	(37)	-	123
Revaluation of financial assets at FVOCI	(2 724)	-	6 212	3 488
Tangible assets	280	181	-	461
Other	3 116	(305)	-	2 811
Total	**23 008**	**(4 459)**	**6 212**	**24 761**

EUR'000	1. 1. 2021	Výkaz ziskov a strát	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**

14. Other assets

EUR'000	31. 12. 2022	31. 12. 2021
Deferred expenses	9 084	8 952
Accrued income	4 675	3 773
Inventories	282	334
Prepayments	6 905	3 725
Total	**20 945**	**16 784**

15. Financial liabilities measured at amortised cost

EUR'000	31. 12. 2022	31. 12. 2021
Deposits	**3 774 074**	**4 006 346**
Central banks	249 040	249 931
General governments	3 532	3 613
Credit institutions	25 089	82 501
Credit institutions excluding subordinated debt	17 070	74 487
Credit institutions - subordinated debt	8 019	8 014
Other financial corporations	143 491	157 046
Non-financial corporations	125 875	146 900
Households	3 227 047	3 366 355
Debt securities issued	**124 981**	**64 794**
Non-convertible debt securities issued	124 981	64 794
Non-convertible	124 981	64 794
Other financial liabilities	**54 914**	**58 641**
Clearing and settlement items	7 616	5 930
Liabilities to employees	3 354	3 190
Liabilities from social and health insurance and social fund	1 674	1 516
Tax liabilities	952	867
Received prepayments	4 502	5 002
Liabilities from dividends	799	28
Lease liabilities	35 973	39 762
Other creditors	44	2 346
Total	**3 953 969**	**4 129 781**

In 2021 and 2022, 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	Currency	31. 12. 2022	31. 12. 2021
Debt securities issued	22. 11. 2021	22. 11. 2024	3,50 %	15	1 000	EUR	15 009	14 984
Debt securities issued	22. 12. 2021	22. 12. 2024	3,50 %	500	100	EUR	49 832	49 810
Debt securities issued	19. 12. 2022	19. 12. 2026	7,04 %	60	1 000	EUR	60 140	-
Total							**124 981**	**64 794**

The interest rate for issue in 2021 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. The interest rate for issue in 2022 is fixed at 7.04% per annum

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

EUR'000	31. 12. 2022	31. 12. 2021
Subordinated debt	8 019	8 014
Other received loans	-	-

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.

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a. s.	365.bank, a. s.	8 019	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. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Opening balance as at 1 January	64 794	-	8 014	8 014
Proceeds from issue of debt securities	60 000	65 000	-	-
Interest expenses	2 548	104	506	480
Interest paid	(2 361)	(310)	(501)	(480)
Closing balance	**124 981**	**64 794**	**8 019**	**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 113 000 thousand) and Slovak government bonds measured at amortised cost (EUR 351,644 thousand).

16. Provisions

EUR'000	31. 12. 2022	31. 12. 2021
Pensions and other post employment defined benefit obligations	587	763
Other long term employee benefits	578	573
Restructuring	9	190
Commitments and guarantees given	2 000	6
Total	**2 587**	**769**

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

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**411**	**351**	**1**	**-**	**763**
Increases due to origination and acquisition	599	-	-	-	599
Decreases due to derecognition	(661)	(638)	-	-	(1 299)
Changes due to change in credit risk (net)	(112)	629	4		521
Transfers:	(82)	82	-	-	-
to/(from) Stage 1	x	82	-	-	82
to/(from) Stage 2	(82)	x	-	-	(82)
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	3	-	-	-	3
As of 31 December 2022	**158**	**424**	**5**	**-**	**587**

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
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**

17. Other liabilities

EUR'000	31. 12. 2022	31. 12. 2021
Estimated payables (PEREX, OPEX)	11 128	13 705
Deferred income	137	129
Total	**11 267**	**13 834**

18. Equity

a) Share capital

	31. 12. 2022	31. 12. 2021
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR'000	**366 305**	**366 305**

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

Under the Slovak Commercial Code, all companies are required to create a legal reserve fund to cover losses. 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 impairment allowances 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 dated 3 May 2022 decided to distribute the profit for the previous period as follows:

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

The General meeting dated 27 December 2022 decided on the payment of dividends in the amount of EUR 50 million from retained earnings from 2012.

f) Proposal of distribution of profit for current period

Profit distribution for the current period is subject to the approval of the Shareholders' meeting.

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR'000	31. 12. 2022	31. 12. 2021
Loan commitments given	164 695	274 617
Financial guarantees given	8 128	16 657
Total	**172 823**	**291 274**

b) Assets in custody

EUR'000	31. 12. 2022	31. 12. 2021
Asset management	821 142	960 554
Custody assets	106 811	104 068
Total	**927 953**	**1 064 622**

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. 2022	31. 12. 2021
Financial assets at fair value through other comprehensive income	97 657	185 995
Financial assets at amortised cost	361 079	270 682
Total	**458 736**	**456 677**

20. Offsetting of financial assets and liabilities

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

31. 12. 2022	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	16	-	16	16	-	-	-
Hedging derivatives	8 089	-	8 089	-	15 514	-	(7 425)
Total assets	**8 105**	**-**	**8 105**	**16**	**15 514**	**-**	**(7 425)**
Financial liabilities							
Derivatives	2 102	-	2 102	16	2 023	-	63
Hedging derivatives	37	-	37	-	-	-	37
Total liabilities	**2 139**	**-**	**2 139**	**16**	**2 023**	**-**	**100**

31. 12. 2021	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instruments	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**

21. Net interest income

EUR'000	2022	2021
Interest income		
Financial assets at fair value through other comprehensive income	4 498	5 712
Financial assets at amortised cost	121 869	135 113
Debt securities	6 224	5 579
Loans and advances	115 645	129 534
Derivatives - Hedge accounting, interest rate risk	(1 830)	(2 286)
Other assets	1 547	5
Cash balances at central banks	1 476	-
Other demand deposits	71	-
Other	-	5
Interest income on liabilities	891	69
Total interest income	**126 975**	**138 613**
Interest expenses		
Financial liabilities held for trading	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	(7 518)	(4 753)
thereof: lease liabilities	(527)	(546)
Derivatives - Hedge accounting, interest rate risk	-	-
Other liabilities	(2)	-
Interest expense on assets	(83)	(123)
Total interest expense	**(7 603)**	**(4 876)**
Net interest income	**119 372**	**133 737**

EUR'000	2022	2021
Interest income calculated on an EIR	126 627	138 604
Other interest income	348	9
Total interest income	**126 975**	**138 613**

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 favourable negative interest rate will be met.

22. Net fee and commission income

EUR'000	2022	2021
Fee and commission income		
Securities	-	61
Clearing and settlement	16 160	14 168
Custody	3 617	3 517
Payment services	31 368	29 689
Current accounts	24 744	24 534
Debit cards and other card payments	292	355
Transfers and other payment orders	2 129	1 975
Other fee and commission income in relation to payment services	4 203	2 825
Loan servicing activities	2 558	2 491
Loan commitments given	148	653
Financial guarantees given	181	304
Commissions for brokerage	8 419	7 450
Other	9 304	4 535
Total fee and commission income	**71 755**	**62 868**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	71 426	61 911
Fee and commission expenses		
Securities	(165)	(372)
Clearing and settlement	(23 147)	(21 150)
Custody	(461)	(423)
Loan servicing activities	(1 190)	(2 005)
Other	(3 187)	(3 360)
Total fee and commission expenses	**(28 150)**	**(27 310)**
Net fee and commission income	**43 605**	**35 558**

23. Dividend income

EUR'000	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss	8 352	24 415
Financial assets at fair value through other comprehensive income	3	-
Investments in subsidiaries, joint ventures and associates	20 021	14 769
Total	**28 376**	**39 184**

24. Net gains/(losses) from financial transactions

EUR'000	2022	2021
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**18 409**	**5 450**
Financial assets at fair value through other comprehensive income	18 500	5450
Financial assets at fair value through other comprehensive income	(91)	-
Gains/(losses) on financial assets and liabilities held for trading, net	**(6 273)**	**(9 257)**
Derivatives	(6 273)	(9 257)
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	**5 122**	**(12 846)**
Revaluation gains/(losses)	3 619	(12 846)
Trading gains/(losses)	1 503	-
Gains/(losses) from hedge accounting, net	**(445)**	**(48)**
Fair value changes of the hedging instrument	18 601	4 616
Fair value changes of the hedged item attributable to the hedged risk	(19 046)	(4 663)
Exchange differences, net	**4 694**	**9 851**
Total	**21 507**	**(6 850)**

As at 28 December 2022, the Bank sold the subsidiary 365.life, d. s. s., a. s. for EUR 33 million with a profit of EUR 18.5 million.

25. Other operating income and expenses

EUR'000	2022	2021
Other operating expenses	**(6 230)**	**(5 895)**
Bank and insurance companies specific fees	(3 402)	(3 142)
Resolution fund	(315)	(312)
Deposit protection fund	(3 087)	(2 830)
Other	(2 828)	(2 753)
Other operating income	**1 717**	**4 569**
Other	1 717	4 569
Gains/(losses) on derecognition of non-financial assets, net	**(407)**	**(555)**
Total	**(4 920)**	**(1 881)**

26. Administrative expenses

EUR'000	2022	2021
Staff expenses	**(47 842)**	**(44 829)**
Wages and salaries (including bonuses)	(34 060)	(32 542)
Social expenses	(13 782)	(12 287)
Other administrative expenses	**(38 879)**	**(41 089)**
Rental expenses	(1 005)	(1 431)
Short-term lease contracts	(1 120)	(1 006)
Variable lease payments not included in the lease liabilities	257	(273)
Other	(142)	(152)
Real estate expenses	(2 967)	(3 089)
IT expenses	(12 257)	(9 319)
Marketing and advertisement	(8 449)	(7 585)
Legal and consulting services	(1 647)	(3 737)
Post and telecommunication	(3 540)	(3 850)
Material consumption	(898)	(993)
Repair and maintenance	(3 344)	(3 347)
Other admininstrative expenses - Rest	(4 772)	(7 738)
Total	**(86 721)**	**(85 918)**

	2022	2021
Number of employees as of balance sheet date	1 194	1 211
Average number of employees for the period	1 200	1 188
thereof, key management	22	25

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

EUR'000	2022	2021
Audit of the financial statements	(176)	(231)
Non-audit services required by EU legislation	(31)	(66)
Other assurance services	-	(48)
Other non-assurance services	-	(8)
Total	**(207)**	**(353)**

27. Depreciation and amortisation

EUR'000	2022	2021
Property, plant and equipment	**(4 995)**	**(5 336)**
Buildings	(1 526)	(1 587)
Hardware	(1 663)	(1 615)
Fittings and other equipment	(1 806)	(2 134)
Right of use assets	**(5 940)**	**(5 680)**
Buildings	(5 289)	(4 994)
Hardware	(53)	(53)
Fittings and other equipment	(598)	(633)
Intangible assets	**(11 003)**	**(14 086)**
Software	(10 999)	(14 084)
Other intangible assets	(4)	(2)
Total	**(21 938)**	**(25 102)**

28. Impairment losses and provisions

EUR'000	2022	2021
Net impairment of financial assets not valued at fair value through profit or loss	**14 195**	**(22 125)**
Financial assets at fair value through other comprehensive income	182	(8 137)
Debt securities	182	(8 137)
Financial assets at amortised cost	14 013	(13 988)
Debt securities	18	109
Loans and advances	13 970	(14 263)
Other financial assets	25	166
Net impairment of investments in subsidiaries, joint ventures and associates	**-**	**2 142**
Subsidiaries	-	2 142
Release/(creation) of provisions	**(1 817)**	**1 834**
Net impairment on non-financial assets	**712**	**398**
Total	**13 090**	**(17 751)**

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

29. Income tax

EUR'000	2022	2021
Current income tax	**(14 746)**	**(11 951)**
Deferred tax	**(4 458)**	**(728)**
Total	**(19 204)**	**(12 679)**

Reconciliated effective tax rate:

EUR'000	2022	2021
Profit before tax	112 370	70 977
Income tax rate	21%	21%
Theoretical income tax	**(23 598)**	**(14 905)**
Non - tax expenses	(825)	(7 034)
Other	(825)	(7 034)
Non - taxable income	4 534	9 238
Dividends	4 209	3 105
Impairment allowances	107	1 350
Other	218	4 783
Deferred tax	877	(728)
Correction of prior period	(214)	667
Other	22	83
Total	**(19 204)**	**(12 679)**
Effective tax rate	**17,09 %**	**17,86 %**

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. 2022	Share-holders	Members of JST FINANCE GROUP SE	Subsidiaries	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**-**	**119 309**	**51 267**	**1 416**	**-**	**2 445**	**17 741**
Other demand deposits	-	10 102	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100 065	-	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-	-
Financial assets at FVOCI	-	8 812	-	-	-	-	-
Financial assets at amortised cost	-	330	51 267	1 416	-	2 445	17 741
Debt securities	-	-	-	-	-	-	-
Loans and advances	-	-	49 152	-	-	2 445	17 741
Other financial assets	-	330	2 115	1 416	-	-	-
Liabilities	**41**	**26 066**	**12 861**	**7 679**	**-**	**1 776**	**5 667**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	41	26 066	12 861	7 679	-	1 776	5 667
Deposits	41	26 054	12 437	7 679	-	1 776	5 655
Other financial liabilities	-	12	423	-	-	-	12
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2022							
Income/expenses	-	-	-	-	-	-	-
Net interest income	460	(111)	1 180	-	-	16	760
Net fee and commission income	42	751	4 307	7 022	-	1	146
Net gains/(losses) from financial transactions	-	3 087	-	-	-	-	-
Net other operating expenses	-	61	(626)	90	-	-	-
Administrative expenses	-	(52)	(4 989)	(807)	-	-	(1 662)

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	-	-	1887	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)

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

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

For more complex instruments, the 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. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
ASSETS								
Financial assets held for trading	**-**	**-**	**16**	**2**	**-**	**-**	**16**	**2**
Derivatives	-	-	16	2	-	-	16	2
Non-trading financial assets mandatorily at FVPL	**-**	**-**	**179 784**	**298 231**	**-**	**-**	**179 784**	**298 231**
Equity instruments	-	-	179 784	298 231	-	-	179 784	298 231
Financial assets at FVOCI	**182 977**	**337 413**	**14 646**	**-**	**34 792**	**48 089**	**232 415**	**385 502**
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	182 977	337 413	14 646	-	34 727	48 024	232 350	385 437
Derivatives – Hedge accounting	**-**	**-**	**8 089**	**1 091**	**-**	**-**	**8 089**	**1 091**
Total assets	**182 977**	**337 413**	**202 535**	**299 324**	**34 792**	**48 089**	**420 304**	**684 826**

EUR'000	Level 1		Level 2		Level 3		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
LIABILITIES								
Financial liabilities held for trading	**-**	**-**	**2 102**	**3 695**	**-**	**-**	**2 102**	**3 695**
Derivatives	-	-	2 102	3 695	-	-	2 102	3 695
Derivatives – Hedge accounting	**-**	**-**	**37**	**4 977**	**-**	**-**	**37**	**4 977**
Total liabilities	**-**	**-**	**2 139**	**8 672**	**-**	**-**	**2 139**	**8 672**

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

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

EUR'000	1. 1. 2022	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2022
Financial assets at fair value through OCI	48 089	95	(3 336)	-	-	-	(10 056)	34 792
Total	**48 089**	**95**	**(3 336)**	**-**	**-**	**-**	**(10 056)**	**34 792**

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

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

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

EUR'000	31. december 2022			31. december 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Non-trading financial assets mandatorily at FVPL	-	-	-	-	-	-
Transfers into the category	-	-	-	2 669	1 102	-
Transfers out of the category	-	-	-	(1 102)	(2 669)	-
Financial assets at fair value through OCI						
Transfers into the category		14 646	-	-	-	18 110
Transfers out of the category	(5 834)	-	(8 812)	-	(18 110)	-
Total assets	**(5 834)**	**14 646**	**(8 812)**	**1 567**	**(19 677)**	**18 110**

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

31. december 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	**592 414**	**592 414**	**-**	**592 414**	**-**
Financial assets at amortised cost	**3 534 496**	**3 438 747**	**382 551**	**84 579**	**2 971 617**
Debt securities	511 087	454 168	382 551	27 288	44 329
Loans and advances	2 988 263	2 949 433	-	22 145	2 927 288
Other financial assets	35 146	35 146	-	35 146	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	**3 953 969**	**3 785 844**	**-**	**3 785 844**	**-**
Deposits	3 774 074	3 605 949	-	3 605 949	-
Debt securities issued	124 981	124 981	-	124 981	-
Other financial liabilities	54 914	54 914	-	54 914	-

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	-

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	58 682	63 820	62 135	71 789	6 158	3 004	126 975	138 613
Interest expense	(3 687)	(3 511)	(181)	(30)	(3 734)	(1 335)	(7 602)	(4 876)
Net interest income	**54 995**	**60 309**	**61 954**	**71 759**	**2 424**	**1 669**	**119 373**	**133 737**
Fee and commission income	57 070	46 801	14 177	14 975	508	1 092	71 755	62 868
Fee and commission expense	(21 039)	(20 326)	(5 491)	(5 722)	(1 620)	(1 262)	(28 150)	(27 310)
Net fee and commission income	**36 031**	**26 475**	**8 686**	**9 253**	**(1 112)**	**(170)**	**43 605**	**35 558**
Net interest and fee margin	**91 026**	**86 784**	**70 640**	**81 012**	**1 312**	**1 499**	**162 978**	**169 295**
Impairment losses and provisions	(3 462)	(13 411)	18 995	(4 225)	(2 443)	(115)	13 090	(17 751)

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Assets	2 142 170	1 764 625	1 071 577	1 786 234	1 527 682	1 354 027	4 741 429	4 904 886
Liabilities	3 224 836	3 295 552	246 951	284 052	500 613	576 218	3 972 400	4 155 822

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 is exposed 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 at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	441 974	307 533	60 206	60 000	144 682	266 897	-	-	-	-
Credit institutions	31 154	30 990	35 519	23 270	27 045	28 346	-	-	-	-
Other financial corporations	1 362	1 424	305 072	553 697	25 896	29 180	10 396	9 346	-	-
Non-financial corporations	44 190	46 627	503 021	845 625	34 727	61 014	12 641	52 822	8 128	16 657
A Agriculture, forestry and fishing	-	-	36 445	17 887	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	39 045	59 798	-	-	22	438	76	76
D Electricity, gas, steam and air conditioning supply	-	-	27 208	67 609	-	-	-	-	-	-
E Water supply	-	-	458	305	-	-	-	-	-	-
F Construction	-	-	15 335	113 848	-	-	56	2 108	43	2 972
G Wholesale and retail trade	-	-	23 390	25 397	-	-	185	446	365	487
H Transport and storage	-	-	1 917	1 097	-	-	20	23	3	3
I Accommodation and food service activities	-	-	35 643	75 463	-	-	6 004	64	-	-
J Information and communication	-	-	8 662	10 104	-	-	5 850	3 979	150	150
K Financial and insurance activities	-	-	-	53 508	-	-	394	45 600	-	5 230
L Real estate activities	44 190	46 627	160 331	157 878	-	-	10	44	-	-
M Professional, scientific and technical activities	-	-	77 044	92 511	-	-	70	87	7 491	7 739
N Administrative and support service activities	-	-	70 752	78 890	-	-	26	29	-	-
O Public administration and defence, compulso ry social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	3	13	-	-	-	-	-	-
Q Human health services and social work activities	-	-	24	19 246	-	-	-	-		
R Arts, entertainment and recreation	-	-	1 304	69 187	34 727	61 014	-	-	-	-
S Other services	-	-	5 460	2 884	-	-	4	4	-	-
Households	-	-	2 238 738	1 890 972	-	-	141 658	212 449	-	-
Total	518 680	386 574	3 142 556	3 373 564	232 350	385 437	164 695	274 617	8 128	16 657

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Slovak Republic	473 073	320 481	2 761 099	2 481 397	173 087	247 927	164 285	228 877	442	3 750
Czech Republic	-	-	185 574	348 281	7 303	29 462	398	30 547	265	257
Cyprus	-	-	72 778	298 390	-	-	1	14 977	-	-
Luxemburg	1 362	1 424	107 074	133 395	9 781	11 621	-	-	-	-
Switzerland	-	-	1 038	69 171	-	-	2	2	-	-
France	-	-	12 644	1 100	-	51 375	1	1	-	-
Netherlands	-	20 000	2 000	21 991	-	-	-	-	-	5 230
Lithuania	10 046	10 110	-	-	12 034	13 329	-	-	-	-
Latvia	2 155	2 181	-	-	17 243	17 663	-	-	-	-
Germany	-	-	2	19 537	-	-	1	1	-	-
Other countries	32 044	32 378	347	302	12 902	14 060	7	212	7 421	7 420
Total	**518 680**	**386 574**	**3 142 556**	**3 373 564**	**232 350**	**385 437**	**164 695**	**274 617**	**8 128**	**16 657**

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:

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 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 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2021: EUR 300 thousand) are assessed individually in the staging process.

The same principles are also applied 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 non-fundable rating; (rating E, F);
- forbearance indicator.

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

Retail:

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

Non-retail:

Assessed by 2 types of criteria:

i. Criteria, if identified by the Bank, that the receivable immediately becomes defaulted
   - a receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1% of the total obligation of the borrower, for a period of 90 consecutive days
   - The Borrower has declared bankruptcy or other form of reorganisation;
   - The Borrower has asked the Bank for concession due to economic or contractual reasons, related to the borrower's financial difficulties and a significant reduction in the quality of the loan;
   - The loan was forfeited;
   - Fraud.

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

Forward-looking information

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.

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

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

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

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

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

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

II. Portfolio-based exposures

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

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

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

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

Calculation of ECL

The 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. 2022	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 651	6,54 %	(3 165)	-3,66 %
Mortgage loans	840	52	6,18 %	(22)	-2,57 %
Corporate exposures	77 101	22 225	28,83 %	(5 511)	-7,15 %
Total	**164 318**	**27 928**	**17,00 %**	**(8 698)**	**-5,29 %**

31. 12. 2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	121 238	5 724	4,72 %	(3 248)	-2,68 %
Mortgage loans	790	249	31,50 %	(129)	-16,31 %
Corporate exposures	99 764	39 503	39,60 %	(17 914)	-17,96 %
Total	**221 792**	**45 476**	**20,50 %**	**(21 291)**	**-9,60 %**

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

Changes of the LGD parameter

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

31. 12. 2022	ECL	LGD +5 %		LGD -5 %		LGD +10 %		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 331	6,17 %	(5 331)	-6,17 %	10 647	12,33 %	(10 662)	-12,34 %
Mortgage loans	840	63	7,53 %	(63)	-7,53 %	127	15,07 %	(127)	-15,07 %
Corporate exposures	77 101	3 523	4,57 %	(3 523)	-4,57 %	7 046	9,14 %	(7 046)	-9,14 %
Other	3 048	10	0,32 %	(10)	-0,32 %	19	0,64 %	(19)	-0,64 %
Total	**167 365**	**8 927**	**5,33 %**	**(8 927)**	**-5,33 %**	**17 840**	**10,66 %**	**(17 855)**	**-10,67 %**

31. 12. 2021	ECL	LGD +5 %		LGD -5 %		LGD +10 %		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	121 238	7 063	5,83 %	(7 063)	-5,83 %	13 647	11,26%	(14 126)	-11,65 %
Mortgage loans	790	42	5,33 %	(42)	-5,33 %	84	10,67%	(84)	-10,67 %
Corporate exposures	99 764	5 093	5,10 %	(5 093)	-5,10 %	10 186	10,21%	(10 186)	-10,21 %
Other	3 692	10	0,27 %	(10)	-0,27 %	20	0,53%	(20)	-0,53 %
Total	**225 484**	**12 208**	**5,41 %**	**(12 208)**	**-5,41 %**	**23 937**	**10,62%**	**(24 416)**	**-10,83 %**

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

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

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at AC - Debt securities										
Low credit risk	474 490	339 947	-	-	-	-	-	-	474 490	339 947
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	44 190	46 627	-	-	-	-	44 190	46 627
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**474 490**	**339 947**	**44 190**	**46 627**	**-**	**-**	**-**	**-**	**518 680**	**386 574**
Impairment allowance	(152)	(98)	(7 441)	(7 514)	-	-	-	-	(7 593)	(7 612)
Carrying amount	**474 338**	**339 849**	**36 749**	**39 113**	**-**	**-**	**-**	**-**	**511 087**	**378 962**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at AC - Loans and advances										
Low credit risk	1 165 062	933 024	12 090	61 128	-	-	-	-	1 177 152	994 152
Moderate credit risk	1 290 716	1 493 070	26 924	74 907	-	-	-	-	1 317 640	1 567 977
High credit risk	287 666	308 649	160 666	285 596	-	-	4 464	4 649	452 796	598 894
Default	-	-	-	-	144 078	167 865	7 773	8 226	151 851	176 091
Not rated	35 776	23 270	5 390	9 438	1 951	3 737	-	5	43 117	36 450
Gross amount	**2 779 220**	**2 758 013**	**205 070**	**431 069**	**146 029**	**171 602**	**12 237**	**12 880**	**3 142 556**	**3 373 564**
Impairment allowance	(15 237)	(21 004)	(20 411)	(33 075)	(110 086)	(147 085)	(8 559)	(8 946)	(154 293)	(210 110)
Carrying amount	**2 763 983**	**2 737 009**	**184 659**	**397 994**	**35 943**	**24 517**	**3 678**	**3 934**	**2 988 263**	**3 163 454**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at FVOCI - Debt securities										
Low credit risk	181 508	306 864	-	-	-	-	-	-	181 508	306 864
Moderate credit risk	16 115	40 605	-	-	-	-	-	-	16 115	40 605
High credit risk	-	-	34 727	37 968	-	-	-	-	34 727	37 968
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**197 623**	**347 469**	**34 727**	**37 968**	**-**	**-**	**-**	**-**	**232 350**	**385 437**
Impairment allowance in OCI	(118)	(355)	(8 314)	(8 260)	-	-	-	-	(8 432)	(8 615)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Loan and other commitments given										
Low credit risk	80 391	131 448	-	-	-	-	-	-	80 391	131 448
Moderate credit risk	73 928	132 050	-	-	-	-	-	-	73 928	132 050
High credit risk	396	1 733	4 464	1 939	-	-	-	-	4 860	3 672
Default	-	-	-	-	18	6	-	-	18	6
Not rated	3 000	3 000	2 498	4 441	-	-	-	-	5 498	7 441
Gross amount	**157 715**	**268 231**	**6 962**	**6 380**	**18**	**6**	**-**	**-**	**164 695**	**274 617**
Provision	**148**	**299**	**424**	**273**	**6**	**1**	**-**	**-**	**578**	**573**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial guarantees given										
Low credit risk	76	76	-	-	-	-	-	-	76	76
Moderate credit risk	518	13 334	-	-	-	-	-	-	518	13 334
High credit risk	7 534	1 618	-	1 629	-	-	-	-	7 534	3 247
Default	-	-	-	-	-	-	-	-	-	-
Not rated	–	-	-	-	-	-	-	-	-	-
Gross amount	**8 128**	**15 028**	**-**	**1 629**	**-**	**-**	**-**	**-**	**8 128**	**16 657**
Provision	**9**	**112**	**-**	**78**	**-**	**-**	**-**	**-**	**9**	**190**

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 (so called claimable value):

EUR'000	31. 12. 2022	31. 12. 2021
Real-estates	1 522 139	1 182 368
Securities	199 665	226 588
Cash	-	3
Other	35 548	139 218
Total	**1 757 352**	**1 548 177**

Collateral in default loans and advances at amortised cost:

EUR'000	31. 12. 2022	31. 12. 2021
Gross amount	153 802	179 828
Impairment allowance	(119 194)	(155 316)
Carrying amount	**34 608**	**24 512**
Collateral	**18 671**	**7 122**

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.

Mortgage classification by LTV categories:

EUR'000	31. 12. 2022	31. 12. 2021
LTV < 50%	320 376	215 093
LTV 50 - 60%	234 401	148 962
LTV 60 - 70%	407 853	257 755
LTV 70 - 80%	350 051	266 908
LTV 80 - 90%	85 474	117 133
LTV 90 - 100%	12 354	21 407
LTV > 100%	8 172	1 429
Total	**1 418 681**	**1 028 687**

Net value of assets acquired by ownership of the collateral as at the end of 2022 and 2021 is nil.

EUR'000	31. 12. 2022	31. 12. 2021
Net value of assets obtained by taking possession of collateral	-	-

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.

Forbearance

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

31. 12. 2022	Grace period	Interest rate reduction	Extension of maturity	Rescheduled payments	Debt forgiveness	Other measures
Gross amount						
Households	22 409	6 401	31 472	1	-	2 573
Non-financial corporations	9 515	-	14 194	6 421	-	-
Total	**31 924**	**6 401**	**45 666**	**6 422**	**-**	**2 573**
Impairment allowances						
Households	(10 976)	(3 287)	(5 733)	-	-	(931)
Non-financial corporations	(1 260)	-	(7 713)	(6 421)	-	-
Total	**(12 236)**	**(3 287)**	**(13 446)**	**(6 421)**	**-**	**(931)**

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. 2022	31. 12. 2021
End of the period	3,00	1,58
Average for the period	1,90	2,04
Maximum for the period	3,00	3,00
Minimum for the period	1,27	1,58

The Net Stable Funding Ratio requirement 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. 2022	31. 12. 2021
End of the period	1,32	1,27

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

EUR'000	31 December 2022			31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	592 414	-	592 414	450 029	-	450 029
Financial assets held for trading	16	-	16	2	-	2
Non-trading financial assets mandatorily at fair value through profit or loss	-	179 784	179 784	-	298 231	298 231
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	49 266	183 149	232 415	96 380	289 122	385 502
Financial assets at amortised cost	464 995	3 069 501	3 534 496	560 654	3 002 945	3 563 599
Debt securities	24 764	486 323	511 087	19 999	358 963	378 962
Loans and advances	405 085	2 583 178	2 988 263	519 472	2 643 982	3 163 454
Other financial assets	35 146	-	35 146	21 183	-	21 183
Derivatives – Hedge accounting	8 089	-	8 089	1 091	-	1 091
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	56 040	56 040	-	68 662	68 662
Tangible assets	-	57 095	57 095	-	64 532	64 532
Intangible assets	-	35 374	35 374	-	33 446	33 446
Deferred tax assets	-	24 761	24 761	-	23 008	23 008
Other assets	20 945	-	20 945	16 784	-	16 784
Total assets	**1 135 725**	**3 605 704**	**4 741 429**	**1 124 940**	**3 779 946**	**4 904 886**
Liabilities						
Financial liabilities held for trading	2 102	-	2 102	3 695	-	3 695
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3 201 035	752 934	3 953 969	3 505 132	624 649	4 129 781
Deposits	3 178 610	595 464	3 774 074	3 479 928	526 418	4 006 346
Debt securities issued	-	124 981	124 981	-	64 794	64 794
Other financial liabilities	22 425	32 489	54 914	25 204	33 437	58 641
thereof: lease liabilities	3 484	32 489	35 973	6 325	33 437	39 762
Derivatives – Hedge accounting	37	-	37	981	3 996	4 977
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Provisions	2 587	-	2 587	769	-	769
Current tax liabilities	2 438	-	2 438	2 766	-	2 766
Other liabilities	11 267	-	11 267	13 834	-	13 834
Total liabilities	**3 219 466**	**752 934**	**3 972 400**	**3 527 177**	**628 645**	**4 155 822**

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. Actual cash flows may be different from the analysis below.

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3 037 093	164 203	717 421	49 077	3 967 794	3 953 969
Deposits	3 017 457	161 384	574 341	34 222	3 787 404	3 774 074
Debt securities issued	-	-	124 981	-	124 981	124 981
Other financial liabilities	19 636	2 819	18 099	14 855	55 409	54 914
thereof: lease liabilities	695	2 819	18 099	14 855	36 468	35 973
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	**3 037 130**	**164 203**	**717 421**	**49 077**	**3 967 831**	**3 954 006**
31 December 2021						
Financial liabilities measured at AC	3 294 523	219 213	565 778	74 835	4 154 349	4 129 781
Deposits	3 274 033	214 449	480 606	59 357	4 028 445	4 006 346
Debt securities issued	-	-	64 794	-	64 794	64 794
Other financial liabilities	20 490	4 764	20 378	15 478	61 110	58 641
thereof: lease liabilities	1 611	4 764	20 378	15 478	42 231	39 762
Derivatives – Hedge accounting	129	2 053	4 110	506	6 798	4 977
Total	**3 294 652**	**221 266**	**569 888**	**75 341**	**4 161 147**	**4 134 758**

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Loan and other commitments given	164 695	-	-	-	164 695	164 695
Financial guarantees given	-	458	7 667	3	8 128	8 128
Total	**164 695**	**458**	**7 667**	**3**	**172 823**	**172 823**
31 December 2021						
Loan and other commitments given	274 617	-	-	-	274 617	274 617
Financial guarantees given	16 657	-	-	-	16 657	16 657
Total	**291 274**	**-**	**-**	**-**	**291 274**	**291 274**

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

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

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

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022	-	-	-	-	-	-
Financial liabilities measured at amortised cost	339 248	651 971	1 918 556	1 058 020	3 967 794	3 953 969
Deposits	319 612	584 312	1 840 316	1 043 165	3 787 404	3 774 074
Debt securities issued	-	64 840	60 141	-	124 981	124 981
Other financial liabilities	19 636	2 819	18 099	14 855	55 409	54 914
thereof: lease liabilities	695	2 819	18 099	14 855	36 468	35 973
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	**339 285**	**651 971**	**1 918 556**	**1 058 020**	**3 967 831**	**3 954 006**

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Loan and other commitments given	164 695	-	-	-	164 695	164 695
Financial guarantees given	-	458	7 667	3	8 128	8 128
Total	**164 695**	**458**	**7 667**	**3**	**172 823**	**172 823**

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. 2022	Average	Maximum	Minimum
VaR trading book	1	2	43	0
VaR banking book	3 768	4 098	4 965	2 210
VaR total	3 768	4 098	4 965	2 210
Out of which interest rate risk	3 169	3 745	4 942	1 446
Out of which credit spread risk	1 730	1 588	4 060	1 232
Out of which foreign exchange risk	1	2	43	0

EUR'000	31. 12. 2021	Average	Maximum	Minimum
VaR trading book	6	15	102	-
VaR banking book	2 269	2 535	2 994	2 241
VaR total	2 264	2 596	3 921	2 240
Out of which interest rate risk	1 321	1 310	2 126	882
Out of which credit spread risk	1 549	2 248	3 782	1 549
Out of which foreign exchange risk	6	15	102	-

Interest rate risk

The main source of the 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 and net interest income due to movements in interest rates:

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

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

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

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

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

Changes in the 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 2022, which will be affected by the IBOR reform as amended on 1 January 2022.

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

Derivatives

The 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

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

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

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

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

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

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

From 2022, when the MREL requirement is effective, this requirement for the bank increases linearly during the transition period (17.90% for 2022, 19.31% for 2023) and from 1.1.2024 the final MREL requirement will be in force at the level of 20.73%.
In addition to the MREL requirement, the bank also maintains a requirement for a combined capital buffer according to the Banking Act, and other internal reserves for the prudent management of the bank's business strategy. As of December 31, 2022, the bank fulfills all the specified limits with a reserve.
In December 2021, the bank successfully issued unsecured bonds in the amount of EUR 65 million for a period of 3 years, and in December 2022 in the amount of EUR 60 million for a period of 4 years, which are eligible for MREL. In the coming years, the bank plans a linear increase in the issuance of instruments eligible for MREL.
The dividend policy is planned so that all regulatory capital limits, including the MREL requirement, are met.

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Tier I Capital	**663 569**	**670 036**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	69 827	63 997
Selected components of accumulated other comprehensive income	(13 121)	6 665
Profit or loss of previous years	252 114	249 646
Intangible assets	(20 182)	(33 446)
Additional valuation adjustments	(485)	(761)
Other transitional adjustments to CET1 Capital	8 446	16 892
Insufficient coverage for non-performing exposures	(73)	
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**671 569**	**678 036**

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

EUR'000	31. 12. 2022	31. 12. 2021
Capital required to cover:		
Credit risk	201 219	259 620
Credit value adjustment risk	578	202
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	22 314	23 535
Total capital requirements	**224 111**	**283 357**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	23,97 %	19,14 %
Tier I capital as a percentage of total risk weighted assets	23,69 %	18,92 %
Common Equity Tier I capital as a percentage of total risk weighted assets	23,69 %	18,92 %

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. 2022	31. 12. 2021
Available capital (amounts)		
Common Equity Tier I (CET1) capital	663 569	670 036
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	655 123	653 144
Tier I capital	663 569	670 036
Tier I capital as if IFRS 9 transitional arrangements were not applied	655 123	653 144
Total capital	671 569	678 036
Total capital as if IFRS 9 transitional arrangements were not applied	663 123	661 144
Risk-weighted assets (amounts)		
Risk-weighted assets	2 801 388	3 541 963
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	2 792 301	3 524 522
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	23,69 %	18,92 %
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	23,46 %	18,53 %
Tier I capital (as a percentage of risk exposure amount)	23,69 %	18,92 %
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	23,46 %	18,53 %
Total capital (as a percentage of risk exposure amount)	23,97 %	19,14 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	23,75 %	18,76 %

The expected impact of the upcoming legislative changes related to the implementation of CRRIII (effective from 1 January 2025) is an increase in the total capital requirement by 2.5%. The result is an expected slight decrease in capital adequacy by 0.44% and Tier I adequacy by 0.43%.

39. Post balance-sheet events

After the date of preparation of the financial statements, no significant events have occurred that would require modification or disclosure in these financial statements.

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 2022
(English translation)

365 bank

2022

Contents

Independent Auditors‘ Report

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

Tel +421 (0)2 59 98 41 11
Web 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 2022;

and, for the period then ended:

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

and

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with IFRS Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2022: € 3 135 084 thousand; release of impairment loss recognized for the year then ended: € 7 093 thousand; total impairment loss as at 31 December 2022: € 177 362 thousand.

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

Key audit matter	Our response
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within financial assets at amortized cost at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment and assumptions from the Management Board. Impairment allowances for most performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing exposures (Stage 3) below € 300 thousand individually (together "collective impairment allowance") are determined by modelling techniques. Historical experience, forward-looking information, identification of exposures with a significant deterioration in credit quality and management judgment are incorporated into the model assumptions.	Our audit procedures in this area, performed assisted by our own information technology (IT) specialists, included, among others: • Updating our understanding of the Group's ECL impairment methods and assessing their compliance with the relevant requirements of the financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate; • Making relevant inquiries of the Group's risk management, internal audit and IT personnel, in order to update our understanding of the ECL process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Group's IT control environment for data security and access;

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the Group's knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows analysis. For the above reasons, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.	• Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and the overall ECL estimate; • Assessing whether the definitions of default and significant increase in credit risk, and the financial instruments standard's staging criteria, were all appropriately and consistently applied; • For collective impairment allowance: — Obtaining the Group's forward-looking information used in the ECL assessment. Evaluating the information by means of comparison to publicly available information and corroborating inquiries of the Management Board; — Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances. • For impairment allowances calculated individually: — For a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2022; — For the exposures identified as Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values, by reference to publicly available market

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

Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2022: € 418 938 thousand; change in fair value recognized in profit or loss for the year then ended: € 4 941 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2022: € 29 700 thousand.

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

Key audit matter	Our response
Securities held at fair value include primarily debt and equity securities within the portfolios of non-trading financial assets mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income. For both security types, the Group determines their respective fair values based on, as considered appropriate: — For securities traded in an active market (such as publicly traded corporate bonds and shares) – by reference to current market quotations; — For securities not traded in an active market (such as not actively traded corporate bonds) – based on the discounted cash-flow (DCF) model with observable and unobservable inputs and assumptions, such as, primarily, contractual cash flows, risk free interest rate and credit spread, among other things.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others: • Updating our understanding of the Group's fair value measurement methods and assessing their compliance with the requirements of the relevant financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate in the context of said requirements; • For debt and equity securities traded in an active market: — for a sample of securities, challenging the Group's evaluation of the underlying markets as active, by assessing whether transactions in a given market take place with sufficient frequency and volume for

Significant management judgement is involved in determination of the appropriate valuation method and in the determination of the model assumptions and inputs. In addition, comprehensive models tend to be more susceptible to the risk of management bias, error and inconsistent application. These require more attention during the audit process to assess the objectivity of the sources used in developing the assumptions and their consistent application. Due the above factors, measurement of the fair value of the securities held by the Group required our increased attention in the audit and was considered by us to be a key audit matter.	pricing information to be provided on an ongoing basis; and — for the entire portfolio held, tracing the recognized fair values of quoted securities in the portfolio to publicly available market quotations; • For a sample of valuations based on inputs other than quoted prices, developing our own independent estimate of the fair value. As part of the procedure, we developed the key DCF model inputs as follows: — contractual cash flows – by reference to our inspection of the underlying contractual provisions; — risk-free interest rate – by reference to government bonds data provided by external financial data platforms; and — credit spread – by reference to the comparable securities approach or market curve approach, as considered relevant. • Assessing the appropriateness of the fair value – related disclosures in the consolidated financial statements, including the disclosures in respect of the methods and inputs used in the Group's determination of the fair values, against the requirements of the applicable financial reporting framework.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Consolidated Annual Report

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

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

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

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

- the other information given in the Consolidated Annual Report for the year ended 31 December 2022 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

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

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

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of 365.bank, a. s. on 9 September 2020 on the basis of approval by the General Meeting of 365.bank, a. s. held on 18 June 2020. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 20 years.

Consistency with the additional report to the audit committee

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

Non-audit services

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

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

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

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

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

Bratislava, 24 March 2023

A. Consolidated statement of financial position

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Assets			
Cash, cash balances at central banks and other demand deposits	4	594 686	453 523
thereof: Cash and cash equivalents	4	562 341	48 723
Financial assets held for trading	5	16	2
Non-trading financial assets mandatorily at fair value through profit or loss	6	186 523	317 729
Financial assets at fair value through other comprehensive income	7	232 415	385 502
Financial assets at amortised cost	8	3 545 098	3 579 240
Debt securities	8	512 690	380 576
Loans and advances	8	2 993 535	3 173 993
thereof: Loans and advances to banks	8	35 813	23 553
thereof: Loans and advances to customers	8	2 957 722	3 150 440
Other financial assets	8	38 873	24 671
Derivatives – Hedge accounting	9	8 089	1 091
Investments in joint ventures and associates	10	1 106	937
Tangible assets	11	60 095	68 081
Intangible assets	12	56 009	57 481
Current tax assets		142	-
Deferred tax assets	13	27 291	24 223
Other assets	14	19 799	16 086
TOTAL ASSETS		**4 731 269**	**4 903 895**

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Liabilities			
Financial liabilities held for trading	5	2 102	3 695
Financial liabilities at amortised cost	15	3 953 365	4 136 783
Deposits	15	3 769 899	4 007 447
thereof: Subordinated debt	15	8 019	8 014
Debt securities issued	15	124 981	64 794
Other financial liabilities	15	58 485	64 542
Derivatives – Hedge accounting	9	37	4 977
Provisions	16	2 577	736
Current tax liabilities		2 773	4 346
Other liabilities	17	13 272	14 284
Total liabilities		**3 974 126**	**4 164 821**
Share capital and share premium	18	367 043	367 043
Retained earnings	18	334 830	297 821
Other equity	18	55 270	74 094
Non-controlling interests	18	-	116
Total equity	**18**	**757 143**	**739 074**
TOTAL EQUITY AND LIABILITIES		**4 731 269**	**4 903 895**

These consolidated financial statements, which include the notes on pages 198 – 297, were approved by the Board of Directors on 22 March 2023.

Chairman of the Board of Directors
Andrej Zaťko

Member of the Board of Directors
Ladislav Korec

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

EUR'000	Notes	2022	2021
Statement of profit or loss			
Net interest income	21	134 094	148 882
Interest income	21	141 905	154 006
Interest expenses	21	(7 811)	(5 124)
Net fee and commission income	22	69 604	59 640
Fee and commission income	22	96 819	90 209
Fee and commission expenses	22	(27 215)	(30 569)
Dividend income	23	8 355	24 415
Net gains/(losses) from sale of subsidiaries and other financial transactions	24	22 468	(10 611)
Other operating income and expenses	25	4 372	6 195
Staff expenses	26	(59 649)	(56 294)
Other administrative expenses	26	(46 812)	(48 882)
Depreciation	27	(24 847)	(28 359)
Net earned premium	28	-	8 915
Claim costs	29	-	(2 588)
Release/(creation) of provisions	30	(1 840)	1 860
Net impairment of financial assets not valued at fair value through profit and loss	30	7 139	(29 009)
Net impairment on non-financial assets	30	780	84
Share of the profit of investments in joint ventures and associates	10	243	430
Profit before tax		**113 907**	**74 678**
Income tax	31	(22 150)	(17 792)
Profit after tax		**91 757**	**56 886**
Profit after tax attributable to ordinary shareholders		91 757	56 455
Profit after tax attributable to non-controlling interest		-	431

EUR'000	2022	2021
Statement of other comprehensive income		
Items that may be reclassified to profit or loss	(23 561)	3 233
Revaluation of debt securities at fair value through other comprehensive income	(29 700)	(3 939)
Impairment losses for debt securities at fair value through other comprehensive income	(183)	8 137
Deferred tax related to items that may be reclassified to profit or loss	6 322	(967)
Foreign currency translation	-	2
Total other comprehensive income	**(23 561)**	**3 233**
Total comprehensive income for the year	**68 196**	**60 119**
Total comprehensive income attributable to ordinary shareholders	68 196	59 688
Total comprehensive income attributable to non-controlling interest	-	431

The notes on pages 198 – 297 are an integral part of these consolidated financial statements.

C. Consolidated statement of changes in equity

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	Non-controlling interests	TOTAL EQUITY
Opening balance as of 1 January 2022	**366 305**	**738**	**63 426**	**10 668**	**-**	**297 821**	**738 958**	**116**	**739 074**
Total comprehensive income	**-**	**-**	**-**	**(23 561)**	**-**	**91 757**	**68 196**	**-**	**68 196**
Profit after tax	-	-	-	-	-	91 757	91 757	-	91 757
Other comprehensive income	-	-	-	(23 561)	-	-	(23 561)	-	(23 561)
Other transactions	**-**	**-**	**4 737**	**-**	**-**	**(54 748)**	**(50 011)**	**(116)**	**(50 127)**
Transfer to legal reserve fund	-	-	4 737	-	-	(4 737)	-	-	-
Dividends	-	-	-	-	-	(50 000)	(50 000)	-	(50 000)
Change in non-controlling interests without change in control	-	-	-	-	-	143	143	(116)	27
Other	-	-	-	-	-	(154)	(154)	-	(154)
Closing balance as of 31 December 2022	**366 305**	**738**	**68 163**	**(12 893)**	**-**	**334 830**	**757 143**	**-**	**757 143**

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

The notes on pages 198 – 297 are an integral part of these consolidated financial statements.

D. Consolidated statement of cash-flows

EUR'000	Notes	31. 12. 2022	31. 12. 2021
Profit before tax		**113 907**	**74 678**
Adjustments:			
Net interest income	21	(134 094)	(148 882)
Dividend income	23	(8 355)	(24 415)
Depreciation	27	24 847	28 359
Release/(creation) of provisions	30	1 840	(1 860)
Creation of insurance provisions		-	217
Gains/(losses) on derecognition of non-financial assets, net	25	223	216
Gain from sale of subsidiaries	24	(19 582)	-
Net impairment of financial assets not valued at fair value through profit and loss	30	(7 139)	29 009
Net impairment on non-financial assets	30	(780)	(84)
Share of profit in jointly controlled entities and associates		(243)	(430)
Cash flows from/(used in) operating activities before changes in working capital		**(29 376)**	**(43 192)**
(Increase)/decrease in operating assets:			
Cash balances at central banks	4	372 455	(161 795)
Financial assets held for trading	5	(14)	2 646
Non-trading financial assets mandatorily at fair value through profit or loss	6	131 206	21 191
Financial assets at amortised cost		169 544	(389 120)
Loans and advances		183 746	(401 122)
Other financial assets		(14 202)	12 002
Derivatives – Hedge accounting	9	(6 998)	-
Other assets	14	(3 714)	1 424
Increase/(decrease) in operating liabilities:			
Financial liabilities held for trading		(1 593)	2 949
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		(239 574)	346 246
Deposits		(237 527)	346 656
Other financial liabilities		(2 047)	(410)
Derivatives – Hedge accounting		6 875	(5 341)
Other liabilities	17	(1 012)	(764)
Cash flows from operating activities before interest and income tax		**397 799**	**(225 756)**
Interest received		144 459	164 501
Dividends received	23	8 352	24 415
Interest paid		(10 126)	(13 045)
Income tax paid		(20 694)	(14 943)
Net cash flows from/(used in) operating activities		**519 790**	**(64 828)**
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(157 511)	(39 652)
Proceeds from sale and maturity		22 576	23 951
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		(15 676)	(67 827)
Proceeds from sale and maturity		134 125	107 872
Investments in subsidiaries, joint ventures and associates			
Proceeds from disposal of subsidiary, net of cash held by subsidiary		24 672	-
Tangible and intangible assets			
Purchase	11,12	(19 819)	(23 726)
Proceeds from sale		814	722
Net cash flows from/(used in) investing activities		**(10 819)**	**1 340**
Cash flows from financing activities			
Dividends paid		(49 229)	-
Owners of the parent		(49 229)	-
Debt securities issued			
Proceeds from issue of debt securities		60 000	65 000
Financial liabilities at amortised cost - received loans			
Loan received		10 035	-
Loan repayments		(10 100)	-
Financial liabilities at amortised cost - lease liabilities			
Lease payments		(6 059)	(5 982)
Net cash flows from/(used in) financing activities		**4 647**	**59 018**
Net increase/(decrease) in cash and cash equivalents	4	**513 618**	**(4 470)**
Cash and cash equivalents at the beginning of the period	4	**48 723**	**53 193**
Cash and cash equivalents at the end of the period	4	**562 341**	**48 723**

The notes on pages 198 – 297 are an integral part of these consolidated financial statements.

E. Notes to the consolidated financial statements

1. General information

365.bank, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992 and commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. 365.bank has become the main Bank of the Group and provides both digital and branch network services. Poštová banka (365.bank, a. s., organizational unit Poštová banka) continues to provide its services at Slovenská pošta's offices. The registered office of the Bank is Dvořákovo nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2022294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of 365.bank Group.

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

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

The principal activities of the Group are as follows:

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

The shareholder's structure is as:

Name of shareholder	Address	31. 12. 2022		31. 12. 2021	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech Republic	325 794	98,45 %	325 794	98,45 %
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak Republic	4 918	1,49 %	4 918	1,49 %
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak Republic	100	0,03 %	100	0,03 %
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, Austria	87	0,03%	87	0,03 %
Total		**330 899**	**100,00 %**	**330 899**	**100,00 %**

Members of the Board of Directors

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

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Jan Kotek	Board member

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Board of Directors on 9 March 2022.

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

2. Accounting policies

2.1 Basis of preparation of the consolidated financial statements

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

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

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

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

2.2 Subsidiaries, joint ventures and associates

As at 31 December 2022 the Bank held significant direct shares in the following subsidiaries, joint ventures and associates:

Company name	Activity	Ownership in %	
		31. 12. 2022	31. 12. 2021
Subsidiaries			
365.invest, správ. spol., a. s.	Asset management	100,00 %	100,00 %
365.life, d. s. s., a. s.	Management of pension funds	x	100,00 %
Ahoj, a. s.	Consumer loans	100,00 %	100,00 %
PB Servis, a. s.	Real estate administration	100,00 %	100,00 %
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100,00 %	100,00 %
365.fintech, a. s.	Investment fund	100,00 %	100,00 %
Cards&Co, a. s.	Information technology services industry	100,00 %	87,99 %
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	100,00 %	100,00 %
365.nadácia	Charitable foundation	x	x
Joint ventures			
SKPAY, a. s.	Payment services	40,00 %	40,00 %
Monilogi, s. r. o.	Cash management	8,00 %	x

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

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

2.3 Changes in accounting policies

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

2.4 Significant accounting policies

(a) Basis for consolidation

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

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

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

i. Business combinations

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

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

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

ii. Subsidiaries

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

iii. Minority interests

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

iv. Loss of control

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

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

Company name	Share in %		Method of consolidation
	31. 12. 2022	31. 12. 2021	
Subsidiaries			
365.invest, správ. spol., a. s.	100,00%	100,00%	full consolidation
365.life, d. s. s., a. s.	x	100,00%	full consolidation
Ahoj, a. s.	100,00%	100,00%	full consolidation
PB Servis, a. s.	100,00%	100,00%	full consolidation
PB Finančné služby, a. s.	100,00%	100,00%	full consolidation
365.fintech, a. s.	100,00%	100,00%	full consolidation
Cards&Co, a. s.	100,00%	100,00%	full consolidation
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	100,00%	87,99%	full consolidation
Joint ventures			
SKPAY, a. s.	40,00%	40,00%	equity method
Monilogi, s. r. o.	8,00%	x	equity method

(b) Foreign currency

I. Foreign currency transactions

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

II. Foreign operations

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

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

(c) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate ('EIR') method. EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. EIR is determined on initial recognition of the financial asset and liability and is not revised subsequently. When deciding on the timing and amount of recognised income, the Group follows the IFRS 15 standard.

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

(d) Fee and commission income and expenses

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

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

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

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

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

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

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

(e) Net gains or losses from financial transactions

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

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

(f) Dividend income

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

(g) Income tax

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

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

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is calculated using the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(h) Financial assets

I. Initial recognition

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

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

II. Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depends on:

a. Business model for managing assets

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

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

b. Cash flow characteristics of the assets

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

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

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

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

- Amortised cost

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

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

(B) Financial assets at amortised cost

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

- Fair value through profit or loss

(A) Financial assets held for trading

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

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

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

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

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

- Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income

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

Equity instruments

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

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

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

No expected credit losses are reported for equity instruments.

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

III. Identification and measurement of credit losses

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

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

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

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

IV. Derecognition

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

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

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

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

V. Modifications of financial assets

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

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

(i) Derivatives

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

Hedging derivatives

Under the Group's strategy, hedging derivatives are designed to hedge and manage selected risks. The Group has elected to adopt IFRS 9 for hedge accounting purposes and in the area of macro hedging derivatives, it decided to continue to apply IAS 39 standard.

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

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

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

I. Fair value hedge

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

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

Interest expense and interest income from hedging instruments are presented together with interest income and expense from hedged items, in the consolidated profit and loss statement under Net interest income. The positive value of hedging instruments is recognised in the consolidated statement of financial position as an asset in Derivatives - Hedge accounting. The negative value of hedging instruments is recognised as a liability in Derivatives – Hedge accounting. A summary of hedging derivatives is presented in Note 10. Hedging derivatives.

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

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

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

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

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

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

(j) Tangible and intangible assets

I. Recognition and measurement

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

II. Subsequent costs

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

III. Depreciation

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

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

Type of asset	Period	Method
Buildings	40 years	straight line
Hardware	2-8 years	straight line
Fittings and other equipment	2-15 years	straight line
Software	individual	straight line
Other intangible assets	individual	straight line

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

iv. Goodwill

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

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

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

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

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

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

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

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

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

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

(l) Impairment losses on non-financial assets

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

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

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

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

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

(m) Financial liabilities

I. Initial recognition

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

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

II. Classification and subsequent measurement

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

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

III. Derecognition

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

(n) Financial guarantees and loan commitments

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

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

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

(o) Provisions

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

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

(p) Employee benefits

I. Termination benefits

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

II. Short-term employee benefits

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

(q) Insurance and investment contracts

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

i. Revenue (premium)

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

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

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

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

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

ii. Unearned premium reserve

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

iii. Claim costs of non-life insurance

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

iv. Claim costs of life insurance

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

v. Provision for insurance benefits

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

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

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

vi. Life assurance provision

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

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 and organisers of the network of SDS brokers.

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

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

(s) Offsetting

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

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

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

(t) Basic and diluted earnings per share

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

(u) New standards and interpretations not yet adopted

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

- „Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments - The amendments to IAS 1 require companies to disclose their material accounting policies and not their significant accounting policies. The Company does not expect the amendments to have a material impact on its financial statements when initially applied. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted).

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments introduce a definition of accounting estimates and involve other amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates. The distinction is important as the changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. (Effective for annual periods beginning on or after 1 January 2023 . Early application is permitted)

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

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

3. Use of estimates and judgements

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

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

Expected credit losses

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

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

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

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

Determining fair values

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

Further information about the amounts of financial instruments at fair value, analysed according to the valuation methodology (broken down into individual valuation levels), are included in Note 33. Fair values of financial assets and liabilities.

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

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Cash on hand	30 750	29 835
Cash balances at central banks	520 399	404 800
Other demand deposits	43 537	18 888
Total	**594 686**	**453 523**

The above-mentioned financial assets are not restricted.

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

The balance of cash and cash equivalents is as follows:

EUR'000	31. 12. 2022	31. 12. 2021	31. 12. 2020
Cash on hand	30 750	29 835	25 880
Other demand deposits	520 399	–	–
Other demand deposits	43 537	18 888	27 313
Total	**594 686**	**48 723**	**53 193**

5. Financial assets and liabilities held for trading

EUR'000	31. 12. 2022	31. 12. 2021
Financial assets held for trading		
Derivatives	**16**	**2**
Foreign exchange	16	2
Total	**16**	**2**
Financial liabilities held for trading		
Derivatives	**2 102**	**3 695**
Foreign exchange	2 102	3 695
Total	**2 102**	**3 695**

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

EUR'000	31. 12. 2022			31. 12. 2021		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	65 909	16	2 102	143 237	2	3 695
Total	**65 909**	**16**	**2 102**	**143 237**	**2**	**3 695**

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

EUR'000	31. 12. 2022	31. 12. 2021
Equity instruments	**186 523**	**317 729**
Share certificates	186 523	317 729
Total	**186 523**	**317 729**

7. Financial assets at fair value through other comprehensive income

EUR'000	31. 12. 2022	31. 12. 2021
Equity instruments	**65**	**65**
Shares	65	65
Debt securities	**232 350**	**385 437**
General governments	146 152	266 897
Credit institutions	27 114	28 346
Other financial corporations	26 248	29 180
Non-financial corporations	32 836	61 014
Total	**232 415**	**385 502**
Impairment allowances to debt securities in OCI	(8 432)	(8 615)

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

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(355)**	**(8 260)**	**-**	**-**	**(8 615)**
Increases due to origination and acquisition	(3)	-	-	-	(3)
Decreases due to derecognition	80	-	-	-	80
Changes due to change in credit risk (net)	160	(54)	-	-	106
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2022	**(118)**	**(8 314)**	**-**	**-**	**(8 432)**

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

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Debt securities	**520 283**	**388 188**	**(7 593)**	**(7 612)**	**512 690**	**380 576**
Central banks	-	-	-	-	-	-
General governments	441 973	307 533	(151)	(96)	441 822	307 437
Credit institutions	32 758	30 990	-	(2)	32 758	30 988
Other financial corporations	1 362	3 038	-	-	1 362	3 038
Non-financial corporations	44 190	46 627	(7 442)	(7 514)	36 748	39 113
Loans and advances	**3 170 905**	**3 401 114**	**(177 370)**	**(227 121)**	**2 993 535**	**3 173 993**
Central banks		-		-	-	-
General governments	60 206	60 000	(20)	(19)	60 186	59 981
Credit institutions	35 821	23 571	(8)	(18)	35 813	23 553
Other financial corporations	260 030	491 554	(8 514)	(15 454)	251 516	476 100
Non-financial corporations	497 089	865 689	(55 138)	(73 650)	441 951	792 039
Households	2 317 759	1 960 300	(113 690)	(137 980)	2 204 069	1 822 320
Lending for house purchase	1 418 682	1 028 687	(890)	(787)	1 417 792	1 027 900
Credit for consumption	890 756	918 543	(110 745)	(134 571)	780 011	783 972
Other	8 321	13 070	(2 055)	(2 622)	6 266	10 448
Other financial assets	**40 413**	**24 954**	**(1 540)**	**(283)**	**38 873**	**24 671**
Total	**3 731 601**	**3 814 256**	**(186 503)**	**(235 016)**	**3 545 098**	**3 579 240**

Loans and advances include finance lease receivables:

EUR'000	31. 12. 2022	31. 12. 2021
Minimum value of leasing payments		
Receivables from leasing	18 480	19 056
Up to 1 year	6 451	5 733
1-5 years	11 817	12 591
Over 5 years	212	732
Unrealized income on finance leases	(1 680)	(1 977)
Present value of future lease payments	**16 800**	**17 079**
Impairment allowances	(208)	(164)
Total	**16 592**	**16 915**

EUR'000	31. 12. 2022	31. 12. 2021
Present value of future lease payments		
Receivables from leasing	16 800	17 079
Up to 1 year	5 358	4 944
1-5 years	11 233	11 420
Over 5 years	209	715
Present value of future lease payments	**16 800**	**17 079**
Impairment allowances	(208)	(164)
Total	**16 592**	**16 915**

Other financial assets comprise the following:

EUR'000	31. 12. 2022	31. 12. 2021
Other financial assets, gross	**40 413**	**24 954**
Clearing and settlement items	15 277	3 227
Cash collateral	7 164	6 750
Tax receivables	7	55
Dividends from investments in subsidiaries, joint ventures and associates	-	-
Receivables from disposal of subsidiaries, joint ventures and associates	-	-
Trade receivables	10 427	9 687
Other	7 538	5 235
Impairment allowances	**(1 540)**	**(283)**
Total	**38 873**	**24 671**

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

31. 12. 2022	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**476 093**	**44 190**	**-**	**-**	**520 283**	**(151)**	**(7 442)**	**-**	**-**	**(7 593)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	441 973	-	-	-	441 973	(151)	-	-	-	(151)
Credit institutions	32 758	-	-	-	32 758	-	-	-	-	-
Other financial corporations	1 362	-	-	-	1 362	-	-	-	-	-
Non-financial corporations	-	44 190	-	-	44 190	-	(7 442)	-	-	(7 442)
Loans and advances	**2 780 077**	**207 759**	**170 832**	**12 237**	**3 170 905**	**(16 334)**	**(20 527)**	**(131 950)**	**(8 559)**	**(177 370)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	60 202	4	-	-	60 206	(20)	-	-	-	(20)
Credit institutions	35 821	-	-	-	35 821	(8)	-	-	-	(8)
Other financial corporations	252 256	-	1	7 773	260 030	(740)	-	(1)	(7 773)	(8 514)
Non-financial corporations	309 615	131 855	51 155	4 464	497 089	(8 350)	(11 341)	(34 661)	(786)	(55 138)
Households	2 122 183	75 900	119 676		2 317 759	(7 216)	(9 186)	(97 288)	-	(113 690)
Lending for house purchase	1 395 895	18 242	4 545	-	1 418 682	(34)	(99)	(757)	-	(890)
Credit for consumption	720 338	57 519	112 899		890 756	(7 124)	(9 052)	(94 569)	-	(110 745)
Other	5 950	139	2 232	-	8 321	(58)	(35)	(1 962)	-	(2 055)
Other financial assets	**-**	**40 413**	**-**	**-**	**40 413**	**-**	**(1 540)**	**-**	**-**	**(1 540)**
Total	**3 256 170**	**292 362**	**170 832**	**12 237**	**3 731 601**	**(16 485)**	**(29 509)**	**(131 950)**	**(8 559)**	**(186 503)**

31. 12. 2021	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**341 561**	**46 627**	**-**	**-**	**388 188**	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	307 533	-	-	-	307 533	(96)	-	-	-	(96)
Credit institutions	30 990	-	-	-	30 990	(2)	-	-	-	(2)
Other financial corporations	3 038	-	-	-	3 038	-	-	-	-	-
Non-financial corporations	-	46 627	-	-	46 627	-	(7 514)	-	-	(7 514)
Loans and advances	**2 757 081**	**437 705**	**193 448**	**12 880**	**3 401 114**	**(21 360)**	**(35 099)**	**(161 716)**	**(8 946)**	**(227 121)**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	60 000	-	-	-	60 000	(19)	-	-	-	(19)
Credit institutions	23 571	-	-	-	23 571	(18)	-	-	-	(18)
Other financial corporations	437 367	45 976	11	8 200	491 554	(1 504)	(5 730)	(10)	(8 210)	(15 454)
Non-financial corporations	613 922	196 006	51 124	4 637	865 689	(14 886)	(16 909)	(41 144)	(711)	(73 650)
Households	1 622 221	195 723	142 313	43	1 960 300	(4 933)	(12 460)	(120 562)	(25)	(137 980)
Lending for house purchase	972 781	52 988	2 918	-	1 028 687	(107)	(155)	(525)	-	(787)
Credit for consumption	643 182	138 614	136 704	43	918 543	(4 755)	(12 286)	(117 505)	(25)	(134 571)
Other	6 258	4 121	2 691	-	13 070	(71)	(19)	(2 532)	-	(2 622)
Other financial assets	**-**	**24 954**	**-**	**-**	**24 954**	**-**	**(283)**	**-**	**-**	**(283)**
Total	**3 098 642**	**509 286**	**193 448**	**12 880**	**3 814 256**	**(21 458)**	**(42 896)**	**(161 716)**	**(8 946)**	**(235 016)**

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

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**(98)**	**(7 514)**	**-**	**-**	**(7 612)**
Increases due to origination and acquisition	(23)	-	-	-	(23)
Decreases due to derecognition	-	-	-	-	-
Changes due to change in credit risk (net)	(30)	72	-	-	42
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
Other adjustments	-	-	-	-	-
As of 31 December 2022	**(151)**	**(7 442)**	**-**	**-**	**(7 593)**

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

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

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

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

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

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

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

9. Hedging derivatives

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

The table below summarises notional and fair values of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss relating to the market or credit risks of these transactions. Macro hedging derivatives are in accordance with IAS 39 standards and micro hedging derivatives follow the IFRS 9 standard.

EUR'000	31. 12. 2022			31. 12. 2021		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives – Hedge accounting	**90 366**	**9 081**	**37**	**134 476**	**-**	**3 549**
Interest rate	90 366	9 081	37	134 476	-	3 549
Portfolio fair value hedges of interest rate risk	**396 400**	**5 148**	**-**	**93 400**	**-**	**1 428**
Total	**486 766**	**14 229**	**37**	**227 876**	**-**	**4 977**

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

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	
Fair value hedges					
Portfolio hedge of interest rate risk	396 400	200 037	(7 232)	1 091	Financial assets at amortised cost
Interest rate	76 225	145 078	(11 814)	(2 260)	Financial assets at fair value through OCI

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

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

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

10. Investments in joint ventures and associates

EUR'000	SKPAY	
	31. 12. 2022	31. 12. 2021
Statement on financial position		
Total assets	76 272	4 173
Total liabilities	73 936	1 830
Net assets	**2 336**	**2 343**
Group share on net assets	**934**	**937**

EUR'000	Monilogi	
	2022	2021
Statement of profit or loss		
Profit before tax	1 426	1 391
Profit after tax	1 126	1 075
Total comprehensive income for the year	**1 126**	**1 075**
Group share of profit/(loss) after tax	**450**	**430**

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

EUR'000	31. 12. 2022	31. 12. 2021
Net assets		
Jointly controlled entity SKPAY, a.s.	934	937
Jointly controlled entity MONILOGI, a.s.	172	-
Total	**1 106**	**937**

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

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

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

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

11. Tangible assets

EUR'000	31. 12. 2022	31. 12. 2021
Tangible assets owned	24 603	28 357
Property, plant and equipment	24 603	28 357
Right of use assets	35 492	39 724
Total	**60 095**	**68 081**

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

EUR'000	Tangible assets owned					
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	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 combination	-	-	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**	**1 145**	**879**	**28 356**

EUR'000	Righ of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2022	50 376	211	4 058	54 645
Additions	476	-	109	585
Loan modifications	1 481	-	-	1 481
Disposals	(497)	-	(105)	(602)
As of 31 December 2022	**51 836**	**211**	**4 062**	**56 109**
Accumulated depreciation				
As of 1 January 2022	(13 237)	(159)	(1 525)	(14 921)
Depreciation for the year	(5 408)	(53)	(598)	(6 059)
Disposals	272	-	90	362
As of 31 December 2022	**(18 373)**	**(211)**	**(2 033)**	**(20 617)**
Accumulated impairment losses	-	-	-	-
Carrying amount as at 31.12.2022	**33 463**	**-**	**2 029**	**35 492**

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Opening balance as at 1 January	(642)	(940)
Net creation/(release) of impairment losses	488	298
Closing balance	**(154)**	**(642)**

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Insurance amount of fixed assets	48 743	54 079

12. Intangible assets

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

EUR'000	Goodwill	DAC	Software	Other intangible assets	Assets not yet in use	Total
Cost						
As of 1 January 2021	15 200	3 629	90 569	401	5 994	115 793
Additions	-	759	27	223	15 939	16 948
Additions from business combinations	297	-	-	-	-	297
Transfers	-	-	14 566	(200)	(14 366)	–
Disposals	(1 473)	(982)	(3 543)	(14)	(276)	(6 288)
As of 31 December 2021	**14 024**	**3 406**	**101 619**	**410**	**7 291**	**126 750**
Accumulated amortisation						
As of 1 January 2021	-	-	(52 499)	(148)	-	(52 647)
Additions from acquisition of the business						
Amortisation for the year	-	-	(16 446)	(32)	-	(16 478)
Disposals	-	-	3 380	(7)	-	3 373
As of 31 December 2021	**-**	**-**	**(65 565)**	**(187)**	**-**	**(65 752)**
Accumulated impairment losses	**(3 221)**	**-**	**(225)**	**-**	**(71)**	**(3 517)**
Carrying amount as at 31.12.2021	**10 803**	**3 406**	**35 829**	**223**	**7 220**	**57 481**

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

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

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

	31. 12. 2022	31. 12. 2021
365.invest, správ. spol., a. s.	10,14 %	9,49 %
Cards&Co, a. s.	10,14 %	9,49 %
Ahoj, a. s.	10,49 %	10,49 %
PB Finančné služby, a. s.	10,14 %	9.49 %

13. Deferred tax assets and liabilities

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

	31. 12. 2022	31. 12. 2021
Companies in SK	21%	21%

EUR'000	31. 12. 2022	31. 12. 2021
SK		
Impairment allowances - financial assets at AC	19 212	22 176
Impairment allowances - other	8	2
Provisions for off-balance sheet exposures	123	160
Revaluation of financial assets at FVOCI - debt securities	5 494	(3 199)
Revaluation of financial assets at FVOCI - derivatives	(2 006)	475
Tangible assets	469	306
Other	3 991	4 303
Total	**27 291**	**24 223**

Movements in deferred tax were as follows:

EUR'000	1. 1. 2022	Profit or loss	OCI	Sale of subsidiary	31. 12. 2022
Impairment on financial assets at AC	22 176	(2 964)	-	-	19 212
Impairment on other assets	2	6	-	-	8
Provisions for off-balance sheet exposures	160	(64)	-	27	123
Revaluation of financial assets at FVOCI	(2 724)	-	6 322	(110)	3 488
Tangible assets	306	163	-	-	469
Other	4 303	(312)	-	-	3 991
Total	**24 223**	**(3 171)**	**6 322**	**(83)**	**27 291**

EUR'000	1. 1. 2021	Profit or loss	OCI	Sale of subsidiary	31. 12. 2021
Impairment on financial assets at amortised cost	22 782	(606)	-	-	22 176
Impairment on other assets	7	(5)	-	-	2
Provisions for off-balance sheet exposures	286	149	-	(275)	160
Revaluation of financial assets at FVOCI	(1 892)	-	(967)	135	(2 724)
Tangible assets	124	182	-	-	306
Other	4 219	84	-	-	4 303
Total	**25 526**	**(196)**	**(967)**	**(140)**	**24 223**

14. Other assets

EUR'000	31. 12. 2022	31. 12. 2021
Deferred expenses	9 830	9 085
Accrued income	3 567	3 595
Inventories	301	543
Prepayments	6 099	2 863
Total	**19 798**	**16 086**

15. Financial liabilities measured at amortised cost

EUR'000	31. 12. 2022	31. 12. 2021
Deposits	**3 769 899**	**4 007 447**
Central banks	249 040	249 931
General governments	3 532	3 613
Credit institutions	35 123	92 601
Credit institutions excluding subordinated debt	27 104	84 587
Credit institutions - subordinated debt	8 019	8 014
Other financial corporations	127 128	148 645
Non-financial corporations	125 245	146 302
Households	3 229 831	3 366 355
Debt securities issued	**124 981**	**64 794**
Non-convertible debt securities issued	124 981	64 794
Other financial liabilities	**58 485**	**64 542**
Clearing and settlement items	7 616	5 930
Liabilities to employees	3 778	3 633
Liabilities from social and health insurance and social fund	2 129	1 955
Tax liabilities	1 310	1 232
Received prepayments	4 596	5 116
Liabilities from dividends	799	28
Lease liabilities	36 257	40 267
Other creditors	2 000	6 381
Total	**3 953 365**	**4 136 783**

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

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	31. 12. 2022	31. 12. 2021
Debt securities issued	22. 11. 2021	22. 11. 2024	3,50 %	15	1 000	EUR	15 009	14 984
Debt securities issued	22. 12. 2021	22. 12. 2024	3,50 %	500	100	EUR	49 832	49 810
Debt securities issued	19. 12. 2022	19. 12. 2026	7,04 %	60	1 000	EUR	60 140	-
Total							**124 981**	**64 794**

The interest rate for first two security issues is fixed at 3.5% per annum for the first two years. Subsequently, for 2024 the float interest rate of 3-month EURIBOR + the original spread p. a. paid quarterly is agreed (3.82 % or 3.85 %). The first issue of debt securities in the amount of 15 mil. EUR is private, the second issue comprises debt securities in the amount of 50 mil. deposited on the Luxembourg Stock Exchange.
The security issue from 2022 has a fixed interest rate of 7.04% per annum and was placed privately.

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

EUR'000	31. 12. 2022	31. 12. 2021
Subordinated debt	8 019	8 014
Other received loans	10 035	10 100

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

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a. s.	365.bank, a. s.	8 019	3M EURIBOR + 6 %	31. 12. 2026

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

EUR'000	Debt securities		Subordinated debt		Other received loans	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Opening balance as at 1 January	**64 794**	**-**	**8 014**	**8 014**	**10 100**	**10 100**
Proceeds from issue of debt securities	60 000	65 000	-	-	-	-
Loans received	-	-	-	-	10 035	-
Loan repayments	-	-	-	-	(10 100)	-
Interest expenses	2 548	104	506	480	193	222
Interest paid	(2 361)	(310)	(501)	(480)	(193)	(222)
Closing balance	**124 981**	**64 794**	**8 019**	**8 014**	**10 035**	**10 100**

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

16. Provision

EUR'000	31. 12. 2022	31. 12. 2021
Commitments and guarantees given	577	730
Loan commitments	568	541
Guarantees given	9	189
Other provisions	2 000	6
Total	**2 577**	**736**

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

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	**378**	**351**	**1**	**-**	**730**
Increases due to origination and acquisition	599	-	-	-	599
Decreases due to derecognition	(661)	(638)	-	-	(1 299)
Changes due to change in credit risk (net)	(90)	629	5	-	544
Transfers:	(82)	82	-	-	-
to/(from) Stage 1	x	82	-	-	82
to/(from) Stage 2	(82)	x	-	-	(82)
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	3	-	-	-	3
As of 31 December 2022	**147**	**424**	**6**	**-**	**577**

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2021	**422**	**439**	**620**	**-**	**1 481**
Increases due to origination and acquisition	796	-	-	-	796
Decreases due to derecognition	(636)	(700)	(425)	-	(1 761)
Changes due to change in credit risk (net)	(264)	671	(194)	-	213
Unwinding of discount	-	-	-	-	-
Transfers:	60	(60)	-	-	-
to/(from) Stage 1	x	(60)	-	-	(60)
to/(from) Stage 2	60	x	-	-	60
to/(from) Stage 3	-	-	x	-	-
Changes due to modifications without derecognition (net)	-	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-	-
Changes due to movements in FX rates	-	1	-	-	1
As of 31 December 2021	**378**	**351**	**1**	**-**	**730**

Movements in the insurance provisions were as follows:

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

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

17. Other liabilities

EUR'000	31. 12. 2022	31. 12. 2021
Estimated payables (PEREX, OPEX)	12 385	14 545
Deferred income	393	(545)
Accrued expenses	267	284
Other non-financial liabilities	-	-
Total	**13 045**	**14 284**

18. Equity

a) Share capital

	31. 12. 2022	31. 12. 2021
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR'000	**366 305**	**366 305**

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

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

c) Revaluation of financial instruments measured through other comprehensive income

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

d) Translation reserve

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

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR'000	31. 12. 2022	31. 12. 2021
Loan commitments given	159 599	264 432
Financial guarantees given	8 128	16 507
Total	**167 727**	**280 939**

b) Assets' management and custody

EUR'000	31. 12. 2022	31. 12. 2021
Asset management	2 179 623	2 784 880
Custody assets	106 811	104 068
Total	**2 286 434**	**2 888 948**

c) Securities provided as collateral

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

EUR'000	31. 12. 2022	31. 12. 2021
Financial assets at fair value through other comprehensive income	97 657	185 995
Financial assets at amortised cost	361 079	270 682
Total	**458 736**	**456 677**

20. Offsetting of financial assets and liabilities

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

31. 12. 2022	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	16	-	16	16	-	-	-
Hedging derivatives	14 229	-	14 229	-	15 514	-	(1 285)
Total assets	**14 245**	**-**	**14 245**	**16**	**15 514**	**-**	**(1 285)**
Financial liabilities							
Derivatives	2 102	-	2 102	16	2 023	-	63
Hedging derivatives	37	-	37	-	-	-	37
Total liabilities	**2 139**	**-**	**2 139**	**16**	**2 023**	**-**	**100**

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**

21. Net interest income

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

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

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

22. Net fee and commission income

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

23. Dividend income

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

24. Net gains/(losses) from financial transactions

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

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

25. Net other operating expenses income/(expenses)

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

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

26. Administrative expenses

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

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

Management consists of Board of Directors members and managers directly responsible to the Board of Directors (B-1 positions) throughout the group.

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

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

27. Depreciation

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

28. Net earned premium

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

29. Claim costs

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

30. Impairment losses and provisions

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

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

31. Income tax

EUR'000	2022	2021
Current income tax	**(18 979)**	**(17 596)**
Current year	(18 713)	(18 169)
Correction of prior period	(214)	667
Withholding tax	(52)	(94)
Deferred tax	**(3 171)**	**(196)**
Total	**(22 150)**	**(17 792)**

Reconciliation of the effective tax rate is as follows:

EUR'000	2022	2021
Profit before tax	113 907	74 678
Income tax rate	21 %	21 %
Theoretical income tax	**(23 920)**	**(15 682)**
Non - tax expenses	(1 985)	(9 028)
Other	(1 985)	(9 028)
Non - taxable income	1 092	5 621
Dividends	1 108	49
Impairment allowances	(44)	898
Other	28	4 674
Deferred tax	877	(196)
Correction of prior period	(214)	667
Withholding tax	(52)	(94)
Other	2 052	920
Total	**(22 150)**	**(17 792)**
Effective tax rate	**19,45 %**	**23,82 %**

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

32. Related party transactions

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

(a) Entities that directly or indirectly, through one or more intermediaries' control, or are controlled, have significant influence, or are under joint control of the reporting company;

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

(c) Individuals owning, directly or indirectly, shares in the voting right of the Group that gives them significant influence over the Group, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Group;

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

(e) Companies in which a significant share of voting rights is owned, directly or indirectly, by any person described in points (a), (c) or (d) above, or over which such party may have a significant influence. This includes companies owned by directors or major shareholders of the Group and companies that have key member of management common with the Group.

31. 12. 2022	Share-holders	Members of J&T FINANCE GROUP SE	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**-**	**119 309**	**1 416**	**-**	**2 445**	**17 741**
Other demand deposits	-	10 102	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100 065	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-
Financial assets at FVOCI	-	8 812	-	-	-	-
Financial assets at amortised cost	-	330	1 416	-	2 445	17 741
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	2 445	17 741
Other financial assets	-	330	1 416	-	-	-
Liabilities	**41**	**26 066**	**7 679**	**-**	**1 776**	**5 667**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	41	26 066	7 679	-	1 776	5 667
Deposits	41	26 054	7 679	-	1 776	5 655
Other financial liabilities	-	12	-	-	-	12
Derivatives – Hedge accounting	-	-	-	-	-	-

2022						
Income/expenses						
Net interest income	460	(111)	-	-	16	760
Net fee and commission income	42	751	7 022	-	1	146
Net gains/(losses) from financial transactions	-	3 087	-	-	-	-
Net other operating expenses	-	61	90	-	-	-
Administrative expenses	-	(52)	(807)	-	-	(1 662)

31. 12. 2021	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	-	-	1887	142 027
Other financial assets	-	140	561	-	-	-
Liabilities	**-**	**17 154**	**3 799**	**-**	**1 499**	**1 739**
Financial liabilities held for trading	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	17 154	3 799	-	1 499	1 739
Deposits	-	17 147	3 799	-	1 499	1 724
Other financial liabilities	-	7	-	-	-	15
Derivatives – Hedge accounting	-	-	-	-	-	-

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

The total remuneration of the members of the Board of Directors and executive officers directly supervised by the Board of Directors members of 365.bank for the year ended 31 December 2022 is in the amount of EUR 3 308 thousand. EUR (2021: EUR 2 271 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

33. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

EUR'000	Level 1		Level 2		Level 3		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
ASSETS								
Financial assets held for trading	**-**	**-**	**16**	**2**	**-**	**-**	**16**	**2**
Derivatives	-	-	16	2	-	-	16	2
Non-trading financial assets mandatorily at FVPL	**6 739**	**16 753**	**179 784**	**300 976**	**-**	**-**	**186 523**	**317 729**
Equity instruments	6 739	16 753	179 784	300 976	-	-	186 523	317 729
Financial assets at FVOCI	**182 977**	**337 413**	**14 646**	**-**	**34 792**	**48 089**	**232 415**	**385 502**
Equity instruments	-	-	-	-	65	65	65	65
Debt securities	182 977	337 413	14 646	-	34 727	48 024	232 350	385 437
Derivatives – Hedge accounting	**-**	**-**	**8 089**	**1 091**	**-**	**-**	**8 089**	**1 091**
Total assets	**189 716**	**354 166**	**202 535**	**302 069**	**34 792**	**48 089**	**427 043**	**704 324**

EUR'000	Level 1		Level 2		Level 3		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
LIABILITIES								
Financial liabilities held for trading	**-**	**-**	**2 102**	**3 695**	**-**	**-**	**2 102**	**3 695**
Derivatives	-	-	2 102	3 695	-	-	2 102	3 695
Derivatives – Hedge accounting	**-**	**-**	**37**	**4 977**			**37**	**4 977**
Total liabilities	**-**	**-**	**2 139**	**8 672**	**-**	**-**	**2 139**	**8 672**

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

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

EUR'000	1. 1. 2022	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2022
Financial assets at fair value through OCI	48 089	95	(3 336)	-	-	-	(10 056)	34 792
Total	**48 089**	**95**	**(3 336)**	**-**	**-**	**-**	**(10 056)**	**34 792**

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

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

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

EUR'000	31. december 2022			31. december 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Non-trading financial assets mandatorily at FVPL						
Transfers into the category	-	-	-	2 669	1 102	-
Transfers out of the category	-	-	-	(1 102)	(2 669)	-
Financial assets at fair value through OCI						
Transfers into the category	-	14 646	-	-	-	18 110
Transfers out of the category	(5 834)	-	(8 812)	-	(18 110)	-
Total assets	**(5 834)**	**14 646**	**(8 812)**	**1 567**	**(19 677)**	**18 110**

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

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

31. december 2021	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**453 523**	**453 523**	**-**	**453 523**	**-**
Financial assets at amortised cost	**3 579 240**	**3 628 930**	**396 710**	**87 643**	**3 144 577**
Debt securities	380 576	398 959	351 455	-	47 504
Loans and advances	3 173 993	3 205 300	45 255	62 972	3 097 073
Other financial assets	24 671	24 671	-	24 671	-
Financial liabilities					
Financial liabilities measured at amortised cost	**4 136 783**	**4 158 856**	**-**	**4 158 856**	**-**
Deposits	4 007 447	4 029 520		4 029 520	-
Debt securities issued	64 794	64 794	-	64 794	-
Other financial liabilities	64 542	64 542	-	64 542	-

34. Segment reporting

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

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

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

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

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	72 448	76 791	63 299	74 211	6 158	3 004	141 905	154 006
Interest expenses	(3 564)	(3 083)	(502)	(695)	(3 745)	(1 346)	(7 811)	(5 124)
Net interest income	**68 884**	**73 708**	**62 797**	**73 516**	**2 413**	**1 658**	**134 094**	**148 882**
Fee and commission income	55 107	48 260	14 182	14 990	27 530	26 959	96 819	90 209
Fee and commission expenses	(14 357)	(17 379)	(5 522)	(5 835)	(7 336)	(7 355)	(27 215)	(30 569)
Net fee and commission income	**40 750**	**30 881**	**8 660**	**9 155**	**20 194**	**19 604**	**69 604**	**59 640**
Net interest and fee margin	**109 634**	**104 589**	**71 457**	**82 671**	**22 607**	**21 262**	**203 698**	**208 522**
Impairment losses and provisions	(11 011)	(22 466)	19 537	(4 480)	(2 447)	(119)	6 079	(27 065)

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets	2 108 301	1 712 652	1 076 403	1 818 926	1 546 565	1 372 317	4 731 269	4 903 895
Liabilities	3 190 967	3 243 579	251 777	316 744	531 382	604 498	3 974 126	4 164 821

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

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

35. Risk management

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

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

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

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

The Group has exposure to the following main risks:

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

Settlement risk

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

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

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

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

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

36. Credit risk

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

Credit risk management includes:

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

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

When analysing client deals the Group uses:

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

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

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

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

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

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

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	441 973	307 533	60 206	60 000	146 152	266 897	-	-	-	-
Credit institutions	32 758	30 990	35 821	23 571	27 114	28 346	-	-	-	-
Other financial corporations	1 362	3 038	260 030	491 554	26 248	29 180	-	-	-	-
Non-financial corporations	44 190	46 627	497 089	865 689	32 836	61 014	58 358	51 842	8 128	16 507
A Agriculture, forestry and fishing	-	-	37 838	35 943	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	39 095	60 442	-	-	44	438	76	76
D Electricity, gas, steam and air conditioning supply	-	-	27 213	67 645	-	-	-	-	-	-
E Water supply	-	-	458	385	-	-	-	-	-	-
F Construction	-	-	15 781	115 440	-	-	87	2 108	43	2 972
G Wholesale and retail trade	-	-	23 674	25 106	-	-	359	445	365	487
H Transport and storage	-	-	2 076	2 802	-	-	21	23	3	3
I Accommodation and food service activities	-	-	35 674	75 697	-	-	4 157	64	-	-
J Information and communication	-	-	79	2 534	-	-	3 000	3 000	150	-
K Financial and insurance activities	-	-	-	53 508	-	-	50 546	45 600		5 230
L Real estate activities	44 190	46 627	160 366	158 285		-	20	44	-	-
M Professional, scientific and technical activities	-	-	77 047	92 841	-	-	84	86	7 491	7 739
N Administrative and support service activities	-	-	70 801	80 360	-	-	29	30	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	3	13	-	-	-	-	-	-
Q Human health services and social work activities	-	-	24	19 246	-	-	-	-	–	
R Arts, entertainment and recreation	-	-	1 461	69 415	32 836	61 014	-	-	-	-
S Other services	-	-	5 499	6 027	-	-	11	4	-	-
Households	-	-	**2 317 759**	**1 960 300**	-	-	**101 241**	**212 590**	-	-
Total	**520 283**	**388 188**	**3 170 905**	**3 401 114**	**232 350**	**385 437**	**159 599**	**264 432**	**8 128**	**16 507**

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Slovak Republic	473 073	320 481	2 789 414	2 508 947	173 087	247 927	109 046	218 692	443	3 600
Czech Republic	-	-	185 574	348 281	7 303	29 462	50 377	30 547	265	257
Cyprus	-	-	72 778	298 390	-	-	1	14 977	-	-
Luxemburg	1 362	1 424	107 074	133 395	9 781	11 621	-	-	-	-
Switzerland	-	-	1 038	69 171	-	-	-	2	-	-
France	-	-	12 644	1 100	-	51 375	1	1	-	5 230
Netherlands	1 603	21 614	2 000	21 991	-	-	-	-	-	-
Lithuania	2 155	-	-	-	17 243	17 663	-	-	-	-
Latvia	10 046	10 110	-	-	12 034	13 329	-	-	-	-
Poland	-	10 980	-	19 537	-		1			
Germany	-	2 181	1	1	12 902	14 060	1	1	-	-
Sweden	-	10 460	-	-	-	-	-	-	7 420	7 420
Other countries	32 044	10 938	382	301	-	-	172	212	-	-
Total	**520 283**	**388 188**	**3 170 905**	**3 401 114**	**232 350**	**385 437**	**159 599**	**264 432**	**8 128**	**16 507**

Rating system

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

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

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

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

<table>
<tr><th>Credit risk</th><th>Exteral rating Moody´s</th><th>Internal rating corporate</th><th>Internal rating retail</th><th>1YPD</th></tr>
<tr><td>Low credit risk</td><td>Aaa – Aa3</td><td rowspan="4">1 – 3</td><td rowspan="4">A1 – A3</td><td rowspan="4">0,2 % – 1 %</td></tr>
<tr><td>Low credit risk</td><td>A1 – A3</td></tr>
<tr><td>Low credit risk</td><td>Baa1 – Baa3</td></tr>
<tr><td>Low credit risk</td><td>Ba1 – Ba2</td></tr>
<tr><td>Moderate credit risk</td><td>Ba3</td><td rowspan="3">4C – 5C</td><td rowspan="3">B1 – C1</td><td rowspan="3">2 % – 8 %</td></tr>
<tr><td>Moderate credit risk</td><td>B1 – B3</td></tr>
<tr><td>Moderate credit risk</td><td>Caa1</td></tr>
<tr><td>High credit risk</td><td>Caa2 – Caa3</td><td rowspan="2">6 – 8</td><td>C2 – C3</td><td rowspan="2">12 % – 35 %</td></tr>
<tr><td>High credit risk</td><td>Ca – C</td><td>D – F</td></tr>
<tr><td>Default</td><td>D</td><td>9 – 10</td><td>Default</td><td>100 %</td></tr>
</table>

Measurement of expected credit losses

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

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

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

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

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

The Group sets the level of significance at EUR 300 thousand (31 December 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2021: EUR 300 thousand) are assessed individually in the staging process.

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

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

Significant increase in credit risk

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

I. Quantitative criteria:

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

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

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

The following thresholds apply to retail portfolios:
- deterioration of the internal rating to the non-fundable rating (rating E, F);
- forbearance indicator.

The following thresholds apply to corporate portfolios:
- deterioration of the internal rating to rating 7 and higher;
- forbearance indicator
- non-compliance with financial covenants.

II. Qualitative criteria:

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

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

Definition of default and credit impaired financial assets

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

Retail:

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

Non-retail:

Assessed by 2 types of criteria:

i. Criteria, if identified by the Bank, that the receivable immediately becomes defaulted
   - a receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1% of the total obligation of the borrower, for a period of 90 consecutive days
   - The Borrower has declared bankruptcy or other form of reorganisation;
   - The Borrower has asked the Bank for concession due to economic or contractual reasons, related to the borrower‘s financial difficulties and a significant reduction in the quality of the loan;
   - The loan was forfeited;
   - Fraud.

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

Forward-looking information

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

I. Individually assessed exposures

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

In 2022, measures for the forward looking element for rating, which determines the amount of OP in connection with the current economic situation and the strong impact of several external factors such as:
- global instability
- war in Ukraine
- rising energy prices

- growing inflation and uncertain macroeconomic development

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

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

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

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

II. Portfolio-based exposures

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

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

As at 31 December 2022, the setting of FLI parameters for retail portfolio-assessed exposures is based on the assumption of a worsening of the macroeconomic situation in Slovakia. The starting point is the weighted value of three scenarios of macroeconomic development, the baseline, positive and negative scenario in the ratio of 80%, 10%, 10%. The resulting impact on the probability of failure of retail clients is a relative increase of 15% for all retail rating categories.

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

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

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

Calculation of ECL

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

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

I. Individual calculation:

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

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

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

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

II. Portfolio calculation:

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

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

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

ECL sensitivity analysis

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

Changes in the credit quality of clients

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

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

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

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

ECL scenarios impact compared to the actual ECL value:

31. 12. 2022	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 651	6,54 %	(3 165)	-3,66 %
Mortgage loans	840	52	6,18 %	(22)	-2,57 %
Corporate exposures	77 101	22 225	28,83 %	(5 511)	-7,15 %
Total	**164 318**	**27 928**	**17,00 %**	**(8 698)**	**-5,29 %**

31. 12. 2021	Value of ECL	Rating downgrade		Rating improvement	
		EUR'000	in %	EUR'000	in %
Consumer credit	121 238	5 724	4,72 %	(3 248)	-2,68 %
Mortgage loans	790	249	31,50 %	(129)	-16,31 %
Corporate exposures	99 764	39 503	39,60 %	(17 914)	-17,96 %
Total	**221 792**	**45 476**	**20,50 %**	**(21 291)**	**-9,60 %**

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

PD changes

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

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

A change of the LGD parameter

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

31. 12. 2022	Value of ECL	LGD +5 %		LGD -5 %		LGD +10 %		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	86 377	5 331	6,17 %	(5 331)	-6,17 %	10 647	12,33 %	(10 662)	-12,34 %
Mortgage loans	840	63	7,53 %	(63)	-7,53 %	127	15,07 %	(127)	-15,07 %
Corporate exposures	77 101	3 523	4,57 %	(3 523)	-4,57 %	7 046	9,14 %	(7 046)	-9,14 %
Other	3 048	10	0,32 %	(10)	-0,32 %	19	0,64 %	(19)	-0,64 %
Total	**167 365**	**8 927**	**5,33 %**	**(8 927)**	**-5,33 %**	**17 840**	**10,66 %**	**(17 855)**	**-10,67 %**

31. 12. 2021	Value of ECL	LGD +5 %		LGD -5 %		LGD +10 %		LGD -10%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	121 238	7 063	5,83 %	(7 063)	-5,83 %	13 647	11,26%	(14 126)	-11,65 %
Mortgage loans	790	42	5,33 %	(42)	-5,33 %	84	10,67%	(84)	-10,67 %
Corporate exposures	99 764	5 093	5,10 %	(5 093)	-5,10 %	10 186	10,21%	(10 186)	-10,21 %
Other	3 692	10	0,27 %	(10)	-0,27 %	20	0,53%	(20)	-0,53 %
Total	**225 484**	**12 208**	**5,41 %**	**(12 208)**	**-5,41 %**	**23 937**	**10,62%**	**(24 416)**	**-10,83 %**

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

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

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at AC - Debt securities										
Low credit risk	474 490	341 561	-	-	-	-	-	-	474 490	341 561
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	44 190	46 627	-	-	-	-	44 190	46 627
Default	-	-	-	-	-	-	-	-	-	-
Not rated	1 603	-	-	-	-	-	-	-	1 603	-
Gross amount	**476 093**	**341 561**	**44 190**	**46 627**	**-**	**-**	**-**	**-**	**520 283**	**388 188**
Impairment allowance	(151)	(98)	(7 442)	(7 514)	-	-	-	-	(7 593)	(7 612)
Carrying amount	**475 942**	**341 463**	**36 748**	**39 113**	**-**	**-**	**-**	**-**	**512 690**	**380 576**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at AC - Loans and advances										
Low credit risk	1 165 424	954 222	11 492	55 728	285	130	-	-	1 177 201	1 010 080
Moderate credit risk	1 278 996	1 460 069	29 214	84 277	18 441	14 089	-	-	1 326 651	1 558 435
High credit risk	299 284	319 074	161 656	288 234	4 510	1 671	4 464	4 649	469 914	613 628
Default	-	-	-	-	145 645	173 793	7 773	8 226	153 418	182 019
Not rated	36 373	23 716	5 397	9 466	1 951	3 765	-	5	43 721	36 952
Gross amount	**2 780 077**	**2 757 081**	**207 759**	**437 705**	**170 832**	**193 448**	**12 237**	**12 880**	**3 170 905**	**3 401 114**
Impairment allowance	(16 334)	(21 360)	(20 527)	(35 099)	(131 950)	(161 716)	(8 559)	(8 946)	(177 370)	(227 121)
Carrying amount	**2 763 743**	**2 735 721**	**187 232**	**402 606**	**38 882**	**31 732**	**3 678**	**3 934**	**2 993 535**	**3 173 993**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial assets at FVOCI - Debt securities										
Low credit risk	181 508	306 864	-	-	-	-	-	-	181 508	306 864
Moderate credit risk	16 115	40 605	-	-	-	-	-	-	16 115	40 605
High credit risk	-	-	34 727	37 968	-	-	-	-	34 727	37 968
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**197 623**	**347 469**	**34 727**	**37 968**	**-**	**-**	**-**	**-**	**232 350**	**385 437**
Impairment allowance in OCI	(118)	(355)	(8 314)	(8 260)	-	-	-	-	(8 432)	(8 615)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Loan and other commitments given										
Low credit risk	83 555	131 589	-	-	-	-	-	-	83 555	131 589
Moderate credit risk	68 668	121 725	-	-	-	-	-	-	68 668	121 725
High credit risk	396	1 732	4 464	1 939	-	-	-	-	4 860	3 671
Default	-	-	-	-	18	6	-	-	18	6
Not rated	-	3 000	2 498	4 441	-	-	-	-	2 498	7 441
Gross amount	**152 619**	**258 046**	**6 962**	**6 380**	**18**	**6**	**-**	**-**	**159 599**	**264 432**
Provision	**138**	**267**	**424**	**273**	**6**	**1**	**-**	**-**	**568**	**541**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Financial guarantees given										
Low credit risk	76	76	-	-	-	-	-	-	76	76
Moderate credit risk	518	13 184	-	-	-	-	-	-	518	13 184
High credit risk	7 534	1 618	-	1 629	-	-	-	-	7 534	3 247
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**8 128**	**14 878**	**-**	**1 629**	**-**	**-**	**-**	**-**	**8 128**	**16 507**
Provision	**9**	**111**	**-**	**78**	**-**	**-**	**-**	**-**	**9**	**189**

Received collaterals

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

- Cash;
- Guarantees issued by banks, governments or reputable third parties;
- Securities;
- Receivables;

- Commercial and residential real estate;
- Tangible assets.

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Real-estates	1 525 759	1 185 359
Securities	199 665	226 588
Cash	-	3
Other	68 860	164 725
Total	**1 794 284**	**1 576 675**

Collateral in default loans and advances at amortised cost:

EUR'000	31. 12. 2022	31. 12. 2021
Gross amount	178 605	201 674
Impairment allowances	(120 159)	(170 034)
Carrying amount	**58 446**	**31 640**
Collateral	**19 253**	**11 615**

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

Mortgage classification by LTV categories:

EUR'000	31. 12. 2022	31. 12. 2021
LTV < 50%	320 376	215 093
LTV 50 - 60%	234 401	148 962
LTV 60 - 70%	407 853	257 755
LTV 70 - 80%	350 051	266 908
LTV 80 - 90%	85 474	117 133
LTV 90 - 100%	12 354	21 407
LTV > 100%	8 172	1 429
Total	**1 418 681**	**1 028 687**

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

EUR'000	31. 12. 2022	31. 12. 2021
Net value of assets obtained by taking possession of collateral	-	145

Recovery of receivables

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

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

Forbearance

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

31. 12. 2022	Grace period	Interest rate reduction	Extension of maturity	Resche-duled payments	Debt forgiveness	Other measures
Gross amount						
Households	22 409	6 401	31 472	1	-	2 573
Non-financial corporations	9 515	-	14 194	6 421	-	-
Total	**31 924**	**6 401**	**45 666**	**6 422**	**-**	**2 573**
Impairment allowances						
Households	(10 976)	(3 287)	(5 733)	-	-	(931)
Non-financial corporations	(1 260)	-	(7 713)	(6 421)	-	-
Total	**(12 236)**	**(3 287)**	**(13 446)**	**(6 421)**	**-**	**(931)**

37. Liquidity risk

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

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

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

Management of liquidity risk

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

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

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

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

Exposure to liquidity risk

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

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

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

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

	31. 12. 2022	31. 12. 2021
End of the period	3,00	1,58
Average for the period	1,90	2,04
Maximum for the period	3,00	3,00
Minimum for the period	1,27	1,58

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

	31. 12. 2022	31. 12. 2021
End of the period	1,32	1,27

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

EUR'000	31 December 2022			31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	594 686	-	594 686	453 523	-	453 523
Financial assets held for trading	16	-	16	2	-	2
Non-trading financial assets mandatorily at fair value through profit or loss	2 841	183 682	186 523	17 203	300 526	317 729
Financial assets at fair value through other comprehensive income	49 266	183 149	232 415	96 380	289 122	385 502
Financial assets at amortised cost	418 139	3 126 959	3 545 098	509 696	3 069 544	3 579 240
Debt securities	24 764	487 926	512 690	21 613	358 963	380 576
Loans and advances	354 502	2 639 033	2 993 535	463 412	2 710 581	3 173 993
Other financial assets	38 873	-	38 873	24 671	-	24 671
Derivatives – Hedge accounting	8 089	-	8 089	1 091		1 091
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	1 106	1 106	-	937	937
Tangible assets	-	60 095	60 095	-	68 081	68 081
Intangible assets	-	56 009	56 009	-	57 481	57 481
Current tax assets	142	-	142	-	-	-
Deferred tax assets	-	27 291	27 291	-	24 223	24 223
Other assets	19 799	-	19 799	16 086	-	16 086
Total assets	**1 092 977**	**3 638 291**	**4 731 269**	**1 093 981**	**3 809 914**	**4 903 895**
Liabilities						
Financial liabilities held for trading	2 102	-	2 102	3 695	-	3 695
Financial liabilities measured at amortised cost	3 189 767	763 598	3 953 365	3 511 667	625 116	4 136 783
Deposits	3 164 014	605 885	3 769 899	3 481 029	526 418	4 007 447
Debt securities issued	-	124 981	124 981	-	64 794	64 794
Other financial liabilities	25 753	32 732	58 485	30 638	33 904	64 542
thereof: lease liabilities	3 484	32 773	36 257	6 363	33 904	40 267
Derivatives – Hedge accounting	37		37	981	3 996	4 977
Provisions	2 577	-	2 577	736	-	736
Current tax liabilities	2 773	-	2 773	4 346	-	4 346
Other liabilities	13 272	-	13 272	14 284	-	14 284
Total liabilities	**3 210 528**	**763 598**	**3 974 126**	**3 535 709**	**629 112**	**4 164 821**

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

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

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Financial liabilities measured at amortised cost	3 089 236	165 524	727 739	49 077	4 031 576	3 953 365
Deposits	3 067 593	161 384	584 375	34 222	3 847 574	3 769 899
Debt securities issued	-	-	124 981	-	124 981	124 981
Other financial liabilities	21 643	4 140	18 383	14 855	59 021	58 485
thereof: lease liabilities	695	2 819	18 383	14 855	36 752	36 257
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	**3 089 273**	**165 524**	**727 739**	**49 077**	**4 031 613**	**3 953 402**
31 December 2021						
Financial liabilities measured at amortised cost	3 293 587	229 800	566 257	74 835	4 164 479	4 136 783
Deposits	3 267 801	224 549	480 606	59 357	4 032 313	4 007 447
Debt securities issued	-	-	64 794	-	64 794	64 794
Other financial liabilities	25 786	5 251	20 857	15 478	67 372	64 542
thereof: lease liabilities	1 620	4 793	20 857	15 478	42 748	40 267
Derivatives – Hedge accounting	129	2 053	4 110	506	6 798	4 977
Total	**3 293 716**	**231 853**	**570 367**	**75 341**	**4 171 277**	**4 141 760**

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Loan and other commitments given	159 599	-	-	-	159 599	159 599
Financial guarantees given	8 128	-	-	-	8 128	8 128
Total	**167 727**	**-**	**-**	**-**	**167 727**	**167 727**
31 December 2021						
Loan and other commitments given	264 432	-	-	-	264 432	264 432
Financial guarantees given	16 507	-	-	-	16 507	16 507
Total	**280 939**	**-**	**-**	**-**	**280 939**	**280 939**

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

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

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

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Financial liabilities measured at amortised cost	339 248	651 971	1 918 556	1 058 020	3 967 794	3 953 969
Deposits	319 612	584 312	1 840 316	1 043 165	3 787 404	3 774 074
Debt securities issued	-	64 840	60 141	-	124 981	124 981
Other financial liabilities	19 636	2 819	18 099	14 855	55 409	54 914
thereof: lease liabilities	695	2 819	18 099	14 855	36 468	35 973
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	**339 285**	**651 971**	**1 918 556**	**1 058 020**	**3 967 831**	**3 954 006**

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2022						
Loan and other commitments given	164 695	-	-	-	164 695	164 695
Financial guarantees given	-	458	7 667	3	8 128	8 128
Total	**164 695**	**458**	**7 667**	**3**	**172 823**	**172 823**

38. Market risk

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

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

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

Management of market risks

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

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

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

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

- A holding period assumes that it is possible to acquire or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Group uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Group uses the stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

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

A summary of the VaR position of the Group:

EUR'000	31. 12. 2022	Average	Maximum	Minimum
VaR trading book	1	2	43	0
VaR banking book	3 768	4 098	4 965	2 210
VaR total	3 768	4 098	4 965	2 210
Out of which interest rate risk	3 169	3 745	4 942	1 446
Out of which credit spread risk	1 730	1 588	4 060	1 232
Out of which foreign exchange risk	1	2	43	0

EUR'000	31. 12. 2021	Average	Maximum	Minimum
VaR trading book	6	15	102	-
VaR banking book	2 269	2 535	2 994	2 241
VaR total	2 264	2 596	3 921	2 240
Out of which interest rate risk	1 321	1 310	2 126	882
Out of which credit spread risk	1 549	2 248	3 782	1 549
Out of which foreign exchange risk	6	15	102	-

Interest rate risk

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

Other sources of interest rate risk are:

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

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

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

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

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

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

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

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

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

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

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

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

Share price risk

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

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

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

Foreign exchange risk

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

IBOR reform

Risk Management

IBOR rates ("Interbank Offered Rates") are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, the so-called iborization. As part of the "iborization", IBOR rates will be gradually replaced by the so-called risk-free interest rates.
The Bank currently uses only EONIA and USD LIBOR of the rates terminated as at 1 January 2022 and 1 July 2023.
The yield curve from the USD LIBOR rate is used by the Bank to determine the fair values of interest rate sensitive instruments for accounting and internal risk management purposes. This yield curve is used to determine future float rates and discount to present value.

Non - derivative financial assets and liabilities

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

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

The Group does not recognise significant exposures as at 30 June 2022, which will be affected by the IBOR reform as amended on 1 January 2022.

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

Derivatives

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

Hedge accounting

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

39. Operational risk

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

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

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

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

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

Legal risk

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

Compliance risk

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

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

Risks related to outsourcing

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

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

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

40. Regulatory requirements of the asset management company

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

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

a) EUR 125 thousand plus 0.02% of the value of the assets in funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
b) EUR 125 thousand plus 0.02% of the value of the assets in alternative investment funds managed by the company exceeding EUR 250,000 thousand. This amount is

not further increased when it reaches EUR 10,000 thousand;

c) One quarter of the average general operating costs of the management company for the previous calendar year. If the management company exists for less than one year, a quarter of the amount of general operating costs according to its business plan.

41. Capital management

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

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

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

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

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

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

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

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

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

EUR'000	31. 12. 2022	31. 12. 2021
Tier I Capital	**643 060**	**644 274**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	70 004	65 076
Selected components of accumulated other comprehensive income	(12 893)	6 841
Profit or loss of previous years	240 999	237 345
Intangible assets	(29 601)	(47 860)
Additional valuation adjustments	(491)	(780)
Insufficient coverage for problematic exposures	(295)	-
Other transitional adjustments to CET1 Capital	8 294	16 609
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**651 060**	**652 274**

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

EUR'000	31. 12. 2022	31. 12. 2021
Capital required to cover:		
Credit risk	199 861	259 161
Credit value adjustment risk	578	202
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	28 545	29 598
Total capital requirements	**228 984**	**288 961**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	22,75 %	18,06 %
Tier I capital as a percentage of total risk weighted assets	22,47 %	17,84 %
Common Equity Tier I capital as a percentage of total risk weighted assets	22,47 %	17,84 %

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

EUR'000	31. 12. 2022	31. 12. 2021
Available capital (amounts)		
Common Equity Tier I (CET1) capital	643 060	644 274
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	634 766	627 665
Tier I capital	643 060	644 274
Tier I capital as if IFRS 9 transitional arrangements were not applied	634 766	627 665
Total capital	651 060	652 274
Total capital as if IFRS 9 transitional arrangements were not applied	642 766	635 665
Risk-weighted assets (amounts)		
Risk-weighted assets	2 862 304	3 612 010
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	2 853 224	3 593 371
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	22,47 %	17,84 %
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,25 %	17,47 %
Tier I capital (as a percentage of risk exposure amount)	22,47 %	17,84 %
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,25 %	17,47 %
Total capital (as a percentage of risk exposure amount)	22,75 %	18,06 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	22,53 %	17,69 %

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

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

42. Post balance-sheet events

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

16. Branches

No	Branch	Street	ZIP code
1	BA – Aupark	Einsteinova č. 18	851 01
2	BA – Nivy	Mlynské Nivy 5A	821 09
3	BA – Eurovea	Pribinova č. 8	811 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 – Tomášikova Hypotekárna pobočka	Tomášikova 21	821 01
8	BA – Twin City Špecializovaná pobočka na investovanie a hypotéky	Mlynské Nivy 14	821 09
9	BA – Vlast. nám.	Vlastenecké námestie č. 4	851 01
10	Pezinok	Moyzesova 4/B	902 01
11	Senec	Lichnerova 44	903 01
12	Dunajská Streda	Bacsákova ul.	929 01
13	Galanta	sídlisko Jas č. 5 (OC JASPARK)	924 01
14	Hlohovec	Hollého 1	920 01
15	Malacky	Zámocká 8	901 01
16	Nové Mesto nad Váhom	Hviezdoslavova 19	915 01
17	Piešťany	Andreja Hlinku 46	921 01
18	Senica	Námestie oslobodenia 9/21	905 01
19	Sereď	Námestie Slobody 36/A	926 01
20	Skalica	Potočná 20	909 01
21	Šaľa	Nám. Sv. Juraja 2244	927 01
22	Topoľčany	Námestie M. R. Štefánika 21	955 01
23	Trnava	Hlavná ulica 33	917 01
24	Banská Bystrica	Dolná 62	974 01
25	Banská Bystrica 2 – OC Europa	Na Troskách 25	974 01
26	Brezno	Námestie M. R. Štefánika 7	977 01
27	Komárno	Mederčská 4987/4	945 01
28	Levice	P. O. Hviezdoslava 2/A	934 01
29	Lučenec	T. G. Masaryka 19	984 01
30	Nitra 1	Štefánikova trieda 65	949 01
31	Nitra – Promenáda	Napervillská 4837/5	949 01
32	Nové Zámky	M. R. Štefánika 11	940 02
33	Partizánske	Hrnčírikova 1/B	958 01
34	Zvolen	Námestie SNP 19	960 01
35	Žiar nad Hronom	Nám. Matice slovenskej 2820/24	965 01
36	Bánovce nad Bebravou	Námestie Ľudovíta Štúra 8/8B	957 01
37	Dubnica nad Váhom	Nám. Matice slovenskej 35	018 41
38	Liptovský Mikuláš	Ulica 1. mája 41	031 01
39	Martin	Andreja Kmeťa 5397/23	036 01
40	Poprad	Vajanského 71	058 01
41	Považská Bystrica	Centrum 8	017 01
42	Prievidza	Gustáva Švéniho 3	971 01
43	Ružomberok	Podhora 55	034 01
44	Trenčín	Nám. sv. Anny 23	911 01
45	Trenčín 2 – Laugaricio	OC Laugaricio, 7271 Belá	911 01
46	Žilina	Na priekope 19	012 03
47	Žilina 2 – OC Aupark	Veľká Okružná 59A	010 01
48	Bardejov	Dlhý rad 2	085 01
49	Humenné	Nám. Slobody 3	066 01
50	Kežmarok	Dr. Alexandra 1377/52	060 01
51	Košice 1	Toryská 3	040 11
52	Košice 2	Štúrova 1 (OD Dargov)	040 01
53	Michalovce	ul. kpt. Nálepku 26	071 01
54	Prešov	Hlavná 54	080 01
55	Prešov 2	Arm. generála Svobodu 25	080 01
56	Rožňava	Janka Kráľa 4	048 01
57	Snina	Strojárska 4031	069 01
58	Spišská Nová Ves	Letná 51	052 01
59	Stará Ľubovňa	Levočská 2/336	064 01
60	Trebišov	M. R. Štefánika 52	075 01
61	Vranov nad Topľou	Námestie Slobody 5	093 01

List of branches as at 31 December 2022.

365 bank