Tatra banka

Annual report 2021

Slovak Republic

Member of RBI Group

TATRA BANKA

Content of Annual Report

About

Survey of key data according to International Financial Reporting Standards

Tatra banka Group (in EUR thousands)

	2021	2020	Change
Consolidated Statement of Comprehensive Income			
Net interest income	299 839	291 690	2.8 %
Net fees and commission income	154 686	132 653	16.6 %
Net trading income and fair value result	25 758	30 157	(14.6) %
General administrative expenses	(230 162)	(231 507)	(0.6) %
Cash contributions to resolution funds and deposit guarantee schemes	(10 349)	(5 393)	91.9 %
Impairment losses on financial assets	(28 599)	(49 497)	(42.2) %
Consolidated profit before income taxes	210 302	139 984	50.2 %
Consolidated profit after income taxes	162 054	105 707	53.3 %
Comprehensive consolidated profit after tax	160 481	106 161	51.2 %
Consolidated Statement of Financial Position			
Loans to banks, gross	74 240	109 854	(32.4) %
Loans to customers, gross	12 705 451	11 539 683	10.1 %
Deposits from banks	3 481 524	1 129 176	208.3 %
Deposits from customers	13 473 856	12 270 445	9.8 %
Equity (including consolidated profit)	1 432 806	1 345 246	6.5 %
Total assets	19 511 524	15 640 731	24.7 %
Key ratios			
Return on equity (ROE) before tax	16.1 %	11.3 %	42.5 %
Cost/income ratio [2]	48.7 %	48.7 %	0.0 %
Return on assets (ROA) before tax	1.2 %	0.9 %	33.3 %
Tier 1 ratio, total	16.9 %	18.5 %	(8.2) %
Own funds ratio	19.0 %	20.8 %	(8.4) %
Stock data			
Earnings per ordinary share (nominal value per share: 800 EUR)	2 001	1 328	50.7 %
Earnings per ordinary share (nominal value per share: 4 000 EUR)	10 005	6 640	50.7 %
Resources			
Number of staff on balance sheet date	3 327	3 591	(7.4) %
Branches on balance sheet date [1]	149	163	(8.6) %

Ratings	Long-term deposits	Outlook	Short-term deposits	Baseline Credit Assessment
Moody's Investors Service	A2	stable	Prime-1	Baa2

1) Inclusive of Corporate centres, "Centrum bývania" branches, Raiffesen bank branches and Tatra-Leasing, s.r.o. branches
2) excluded special levy of selected financial institutions

Statements

Statement by the Chairman of the Management Board

Dear shareholders, business partners and clients,

Tatra banka had an exceptional year. We made major achievements in three areas: ***internal***, comparing the bank with previous periods, ***local***, where we are part of the Slovak banking market, and ***global***.

Looking at the history of the bank, 2021 was our most successful period, with record high economic results. We increased our market shares, improved our operational efficiency, and balanced the relationship between provisioning, capital strengthening, and profitability. Tatra banka is a strong and stable bank, as demonstrated during this challenging period. We are happy that this fact was also confirmed by Moody's Investors Service, which increased its long-term deposit rating for Tatra banka from A3 to A2, highlighting in particular the consistently strong capital adequacy, the return to a healthy profitability rate in the first half of 2021, and our clients' good discipline in repaying loans.

Tatra banka was successful on the Slovak banking market as well, achieving a significant increase in the number of retail clients. This success was achieved due to the strong acquisition efforts of Tatra banka and Raiffeisen Bank in the past five years. This was another milestone for us, which confirms that our decision to act under two brands on the local market was right.

Acquisition activities in the student segment were supported by the continuing **Bejby Blue** concept. We are proud that the unique endeavor of creating our own digital influencer was also recognized by expert juries in several marketing competitions in Slovakia and abroad, so far earning the Bejby Blue campaign 26 prestigious awards. The Bejby Blue campaign helped us to become the most awarded client at the Zlatý klinec (Golden Nail) advertising competition with the highest number of awards ever. Bejby Blue even received the gold prize in the "main" category – Campaign of the Year. The campaign was also very successful internationally at the Golden Drum and the New York Festivals Advertising Awards, which is something far from typical in Slovakia.

The bank's global achievements in 2021 also included another two significant events. Harvard professor Felix Oberholzer-Gee cited Tatra banka in his latest textbook as an example of how important it is to have a meaningful strategy based on a good understanding of the market, to communicate it, and to keep it alive so that everyone interested can understand and identify with it.

The other event is associated with our *#forthebluеplanet* (premodruplanetu) approach, through which we confirm that social responsibility is one of our key strategic activities. In April 2021, we became the first bank in Slovakia to issue **green bonds**, with a commitment to investors that the funds collected will be used solely to finance environmentally responsible projects. Moreover, this issue made us a leader in three areas: the first green bond issued in Slovakia, the first green bond issued within the RBI Group (except for our parent company RBI), and according to Bloomberg, the first publicly issued bank green bond in the Central and Eastern European region. The fact that the demand for bonds was twice the offering also testifies to the success of our EUR 300 million issue. More than 50 institutional investors showed interest in our bonds. The issue also attracted the attention of the Nasdaq Sustainable Bond Network, with which we subsequently formed a partnership in November. To mark this cooperation, the Tatra banka logo appeared in New York's Times Square.

Our activities are only meaningful if they benefit our clients. They have always been our center of attention and we introduced further innovations to increase their satisfaction and comfort. Of all our new products and services, I would like to mention two that relate to Tatra banka's mobile banking. In July, we introduced a unique new feature – the **Lite version of the Tatra banka** app. Our primary motivation was to simplify the world of finance for each client, whether they are encountering it for the first time or are more experienced clients who need to navigate it because of its complexity. The **Tatra banka POS** app also confirmed our position as an innovation leader in banking for legal entities. This service offers corporate clients a convenient and fast method of accepting payments anytime and anywhere.

Looking beyond banking boundaries, we believe that from a long-term perspective, it is meaningful to support the arts and education, which have been key areas of our partnerships and the Tatra banka Foundation's activities for 26 years. We are also pleased that in 2021, we were a proud partner of the Slovak National Theatre and the Slovak National Gallery. Thanks to Tatra banka, entry to the Slovak National Gallery was free for all visitors. Last year, we continued to follow through on our commitment to a mindful approach #forthebluеplanet (premodruplanetu), sustainability principles and lasting values to be left to upcoming generations and donating another gift for all of society to the Slovak National Gallery. This time it was a set of works by five Slovak artists. Each one of them offers a very original take on art.

Finally, I would like to thank you, our shareholders, business partners and clients, for your continued support. I believe that 2022 will be a good one for all of us, bringing us many joyful moments and hopefully more in-person encounters.

Michal Liday
Chairman of the Management Board and CEO

Report of the Supervisory Board

Ladies and Gentlemen,

Despite the continuing spread of the coronavirus and the ensuing restrictions and uncertainty, 2021 was a successful year for the Tatra banka Group. It achieved a consolidated profit after tax of EUR 162 million. The bank also introduced further innovations for its clients in the private individuals and legal entities segments. Thanks to its innovative approach, Elevator Lab powered by Tatra banka was recognized as one of the best financial innovation labs in the world for the second year in a row. Global Finance recognized Tatra banka as an exceptional innovator in corporate finance for its fully digital lending to single-person companies. According to Global Finance, Tatra banka dominates in financial innovation, and according to PWM Magazine, Tatra banka is the best private bank for portfolio management technology in Central and Eastern Europe.

During the 2021 financial year, the members of the Supervisory Board held four ordinary and no extraordinary meetings. The overall attendance rate for Supervisory Board meetings was 100 percent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Tatra banka. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor, and the heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in relevant business areas. Between meetings, the Supervisory Board maintained close contact with the chairman and the members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, with the involvement of experts on the matters being addressed, where applicable.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board performed its obligations fully in accordance with generally binding legislation and the Tatra banka's Articles of Association. It reviewed the separate and consolidated financial statements, as well as the proposed profit distribution, and recommended approval thereof by the General Meeting without any comments.

After yet another challenging year due to the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all Tatra banka Group employees for their unwavering commitment, and also our customers for their continued trust.

On behalf of the Supervisory Board,

Andrii Stepanenko
Chairman of the Supervisory Board

Mission, Vision and Values of Tatra banka

Mission

We transform continuous innovation into superior customer experience.

Vision

We are the most recommended banking group in Slovakia.

Values

Ambition
Creativity
Partnership
Courage

Raiffeisen Bank International at a glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 46,000 RBI employees serve 19 million customers from around 1,800 business outlets, the vast majority of which are in CEE. At year-end 2021, RBI's total assets was approximately EUR 192 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

Summary of Consolidated Performance

The consolidated after-tax profit of Tatra banka Group increased 53.3 percent year on year, to a record EUR 162.1 million from EUR 105.7 million in 2020. This increase in profit was mainly the result of lower provisions for loans since the concerns about worse repayment as a result of the COVID-19 pandemic did not materialize. Compared to 2020, the provisions for loans decreased 62.1 percent to EUR 24.3 million from the previous value of EUR 64.1 million. Abolition of the banking levy and extraordinary interest income from the TLTRO scheme also had a positive effect on profit. Net interest income increased slightly from EUR 291.7 million to EUR 299.8 million, while net fee and commission income increased from EUR 132.7 million to EUR 154.7 million due to an increase in client numbers.

In 2021, the return on equity increased to 12.4 percent year on year from 8.5 percent in the previous year. The increase was the result of substantial profit growth. The amount of own funds increased slightly compared to the previous year. The ratio of operating expenses to operating income, expressing efficiency, remained at 48.7 percent, almost unchanged against the previous year.

In October 2021, Moody's rating agency decided to upgrade Tatra banka's long-term deposit rating from A3 to A2. This is the highest level that can be currently achieved by a commercial bank in Slovakia.

Development of Income and Expenses

Net interest income increased 2.8 percent year on year to EUR 299.8 million. This increase was mainly due to extraordinary interest income from the TLTRO scheme, which more than offset the continuing decline in client interest income this year.

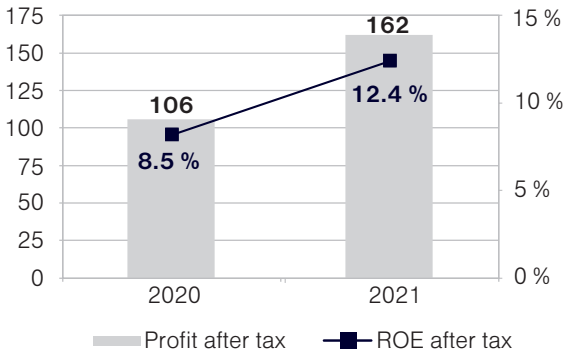
In the improving macroeconomic environment, the gross volume of loans provided to clients increased 10.1 percent year on year. In line with the trend seen in previous years, personal loans grew faster than corporate loans.

Net commission and fee income grew 16.6 percent year on year to EUR 154.7 million.

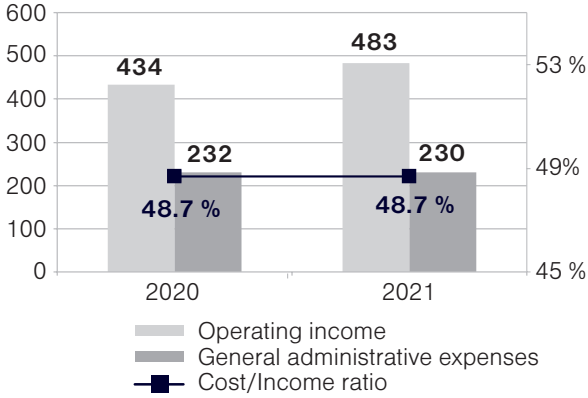
General administrative expenses reduced by 0.6 per cent to EUR 230.2 million against 2020. Personnel costs decreased by 4.2 percent to EUR 129.3 million.

Compared to 2020, provisions for loans fell by as much as 62.1 percent to EUR 24.3 million from the previous value of EUR 64.1 million, since concerns about an increase in loan defaults did not materialize due to the improving macroeconomic environment.

Development of profit and return on equity EUR million



Development of Cost/Income ratio EUR million



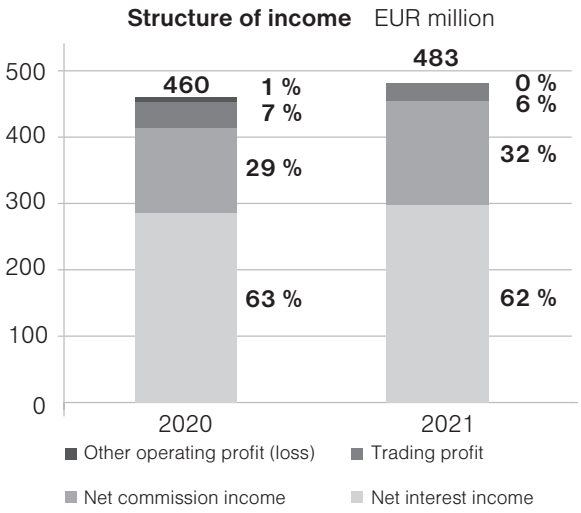
Development of Assets

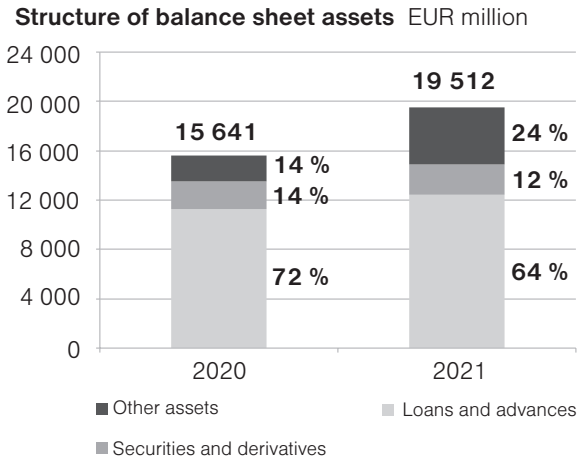
Tatra banka Group consolidated assets grew 24.7 percent to EUR 19.5 billion. Client loans significantly contributed to this growth, with a 10.1 percent increase to EUR 12.7 billion. Strong growth was again achieved mainly in housing loans, with year on year consolidated growth also seen in consumer loans. The share of non-performing loans in the total portfolio remained below 2 percent, which attests to the very good quality of the loan portfolio.

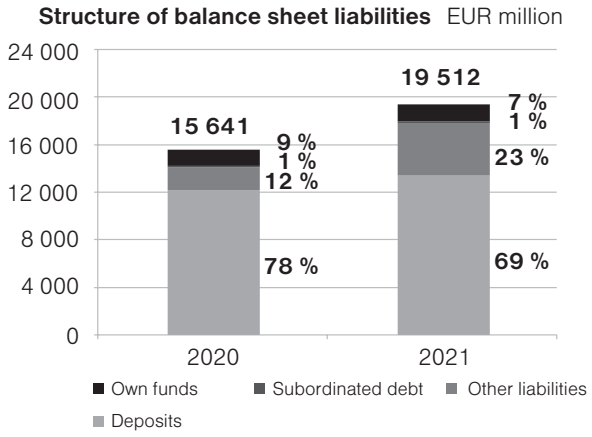
Development of Liabilities and Equity

Client deposits increased 9.8 percent to EUR 13.5 billion year on year. In contrast to the previous year, there was an increase not only in current account deposits, but also in term deposits, with a 32.4 percent growth year on year to EUR 0.9 billion. Current account deposits grew 8.6 percent to EUR 12.4 billion.

The consolidated ratio of loans to deposits was 94.3 percent as of December 31, 2021. The consolidated capital adequacy ratio slightly decreased to 19 percent from 20.8 percent, which is still substantially more than required by the National Bank of Slovakia and the European Central Bank.







Objectives for 2022

The 2022 priorities and activities will be clearly defined by continuing efforts to turn innovations into a unique client experience and the vision to become the most recommended banking group in Slovakia. They will inevitably include even more intensive focus on the topics of sustainability that resonate in society and in all client segments.

The bank continuously and consistently continues to fulfill the 20.25 Strategy and quarterly objectives defined in the Roadmap for this year. The Roadmap is the basis for the evaluation of key activities and objectives, while also making a significant contribution to promoting cooperation between teams and having a direct impact on how each employee understands their contribution to the bank's success.

Continuing development of digital channels is built on achieving a unique client experience while leading to further streamlining of processes and actions related to personal or corporate finance management. The most eagerly anticipated new services scheduled to be introduced in 2022 definitely include **digital signing of documents** for corporate banking clients and **instant payments**. However, there are also other solutions in the pipeline in the mass segment that will take the use of a current account to a completely new experience level. A major achievement will be expanding the current account products and services to include new unique features aimed at sustainability and changing the name of the account to **Account for the Blue Planet** (Účet pre modrú planétu™). With this change, the bank will clearly anchor its innovation leadership in the context of social responsibility. It will follow up with additional products linked to the concept introduced in 2021 under the joint designation #fortheblueplanet (#premodruplanetu). In 2022, Tatra banka will continue to actively support responsible consumer and business behavior through more favorable financing and other campaign activities across all client segments.

Being a digital leader, Tatra banka also pays close attention to security in the online environment and raising awareness of this important topic among its own clients and society as a whole. Therefore, in 2022 it will continue its education in order to improve clients' digital security skills to eliminate social engineering fraudsters' chances of success.

The priority for Raiffeisen Bank remains to continue fulfilling its acquisition plans with an emphasis on maintaining above-average customer satisfaction results and an exceptional customer experience. This will be further enhanced by the processes that have already started to be implemented in relation to the introduction of product innovations such as the option to initiate the opening of an account online or draw a pre-approved loan via Internet banking.

Corporate Social Responsibility

Tatra banka's Approach to Corporate Social Responsibility

The financial sector plays a key role in the economy. In their role as lenders, investors, asset managers, financial service providers, and risk managers, banks have a significant impact on sustainability objectives. It is banks that are able to redirect investments into more sustainable projects. This is why Tatra banka's approach to sustainability is of vital importance in terms of both its internal philosophy and specific solutions and products. One of the major steps in 2021 was systemic coverage of sustainability initiatives and projects by the newly-created sustainability manager position. The bank's primary goal is to manage the sustainability theme in the framework of the bank's overall strategy.

As an institution, Tatra banka believes that innovations push the boundaries of banking, adding the dimension of social responsibility. In this respect, it is important to achieve the triple bottom line: a balance between people, the planet, and profit. Tatra banka's business is built on ethical principles that its people not only adhere to, but actually live. The bank's ethical principles are also formalized in the "Tatra banka Group Ethical Conduct Principles", which are based on the RBI Banking Group standards. Together with other affiliated banks in the RBI Group, Tatra banka is actively contributing to 11 of the 17 sustainable development goals (SDGs) defined in the 2030 Agenda.

The path to sustainability also has its challenges and risks. One of them is the departure from fossil fuel project financing, which will also affect businesses operating in this segment. Funding of these activities will be more expensive and eventually unavailable, so it is necessary to start thinking about the transition of the industry towards environmentally responsible business. At the beginning of 2021, the RBI Management Board adopted a group policy that requires RBI, including Tatra banka, to significantly reduce its portfolio of carbon financing, namely its total coal and coal trade related assets. In other words, this policy prohibits transactions with companies that generate more than 25 percent of their income from coal mining. The same principle applies to energy and trading companies. No new credit exposures can be entered into with such customers and any outstanding balances must be repaid by 2030. The measurement of environmental risk has been introduced, where in addition to considering traditional financial risk, it will also be necessary to manage climate risk.

Products and Communication

Banks have an impact on whether to support sustainable or unsustainable projects. In view of the long-term positive effects of responsible funding, Tatra banka considers the ESG principles (Environmental, Social, and Governance) as crucial. Therefore, the bank examines the effects of its business on the economy, the environment, and society, taking into account the ecological and social impact of its products and services. The following are examples of such products offered by Tatra banka:

- **Mortgage for the Blue Planet** (Hypotéka pre modrú planétu[TB]) with more favorable conditions for energy efficient buildings,
- **Funds for the Blue Planet** (Fondy pre modrú planétu[TB]) as an investment product taking into account ESG criteria,
- **Loan for the Blue Planet** (Úver pre modrú planétu[TB]) with preferential financing of selected sustainable products,
- **green bonds** to support the funding of green projects,
- **electric car lease** with a favorable interest rate and a ZSE Drive charging card.

Tatra banka also cares about the way in which sustainability is communicated. Activities, including communication, are considered very carefully. This is why in mid-2021 the bank introduced the **#forthebluеplanet** (premodruplanetu) communication campaign. It represents a framework for Tatra banka's approach to sustainability. The communication carries a clear message that the bank cares about the future, that our planet remains blue, so from the very beginning it has focused on innovations and on supporting projects that significantly affect the waste of resources.

Environmental Protection and Responsible Governance

Since 2021, Tatra banka has also supported renewable energy sources at its branches. Energy supplier ZSE Energia guarantees the origin of green electricity at all contract locations of the bank. In order to save energy, old heating and cooling systems are gradually being replaced with new, more energy efficient versions. LED lights and motion-activated light switches have been installed in the head office and continue to be installed in branches. By the end of 2021, 74 branches had seen this improvement. At its offices, Tatra banka has implemented the environmental management system according to ISO 14001, which is in line with the bank's sustainability strategy and further confirms the adoption of environmental protection principles in order to reduce the negative impact on the planet.

The head office premises underwent a major change in 2021. Head office employees moved from three buildings in various locations in Bratislava into a single office building. This allows the bank not only to manage its resources more effectively, but also to commit to greener behavior by eliminating the need for transfers and travel between buildings. Moreover, the IT department have replaced their old desktop computers and screens with more energy efficient equipment. Tatra banka owns 3 fully electric cars used for short-distance or city business trips. The impact of travel is further eliminated by the possibility of working from home and by online meetings, which have become standard at the bank.

In 2021, the bank started to actively measure its business carbon footprint. At the end of the year, with the assistance of the Circular Economy Institute, the bank calculated its 2020 carbon footprint, which will be analyzed and specific goals will be set to reduce it in areas that have the biggest impact on greenhouse gas formation.

As part of its social responsibility, Tatra banka also supports education. It educates students about financial literacy and digital security. Activities concerning data ethics and a cashless economy form an integral part of responsible governance. One of the specific actions is a substantial extension of Tatra banka's digital services. ATMs with a deposit function, POS terminals, and a mobile app contribute to reducing cash flow and help achieve a more transparent economy.

Tatra banka acts in accordance with its accepted values, and its conduct is sustainable and transparent with respect to each employee, client, contractor, shareholder, and society as a whole. RBI Group issues a separate annual Sustainability Report, in which it presents its approach to CSR. The Report includes the CSR results achieved by all subsidiary banks, including Tatra banka. Among others, the document contains information on Group diversity, its green initiatives, as well as the wealth of charity and volunteering activities undertaken by RBI Group banks in their respective countries. The Sustainability Report is available at www.rbinternational.com/sustainability.

Protection of Human Rights

Tatra banka respects and supports the protection of human rights stipulated in the European Convention on Human Rights as well as the Universal Declaration of Human Rights. It aims to engage in business that adheres to these principles. The bank strives to neither directly nor indirectly finance any transactions, projects or parties, nor cooperate with any business partners (including customers, service providers and suppliers) that do not adhere to these standards or are suspected of human rights violations. The bank seeks not to be involved in business with products that are intended to be used to suppress demonstrations or political unrest, or for other violations of human rights.

Employee Relations

As well as focusing on systematically improving the client experience, the bank enhances employee relations by continuously improving the employee experience. The bank has made a special effort to take care of employees' health and improve their working conditions. In connection with the ongoing COVID-19 pandemic, employees were regularly supplied with protective equipment and the bank also made antigen testing available in the workplace. Moreover, employees had free psychological assistance available as part of their mental health care. Remote work was also significantly extended for branch positions.

The bank introduced a new generation of the employee performance management system (Performance Management 2.0), including remuneration improvements. The Be Better concept offers opportunities for long-term education and development for all. The onboarding process for new employees has been redesigned to substantially improve the experience of candidates and new hires.

In 2021, head office employees in Bratislava were moved from three buildings into one – the renovated premises of Tatracentrum at Hodžovo námestie. The bank continued to renovate its branches, improving the working conditions for employees.

Internal communication using advanced online communication channels was positively evaluated not only by employees. The Internal Communication Association (AICO) recognized the Adam's School and Mr. Hackman projects as part of its Grand Prix awards and they were both nominated for the European round. Mr. Hackman is a popular internal communication and education series raising awareness of the protection of sensitive bank information and cyber security topics. Among the European competition at the FEIA Grand Prix, Adam's School achieved phenomenal success, taking 1st place in the Best Game Changing Internal Communications Strategy category. This achievement is the work of our employees, who regularly participate in teaching our chatbot Adam and win awards for their efforts.

Tatra banka Group's vision as an employer is: We are the employer of the future for smart people and a place where we like to be, to create and to advance. The achievement of this vision is based on 3 fundamental pillars:

- Ambience
- Meaningful and creative work
- A place for work and life

The results of the regular loyalty and engagement survey of Tatra banka Group employees again showed progress in all three pillars. As many as 82 percent of employees participated and expressed their opinion. The total index value was 77 points, a year-on-year increase of 2 points and at the same time the highest ever score for the Tatra banka Group.

A total of 89 percent of employees are proud to work at our bank. As many as 74 percent of employees expressed a willingness to recommend work at the bank to their family or friends. The evaluation by employees also confirms the right direction in the area of sustainable and responsible business conduct, where as many as 95 percent consider the bank to be a socially responsible enterprise that supports technology, sustainable innovations, education, and the arts. We are building the bank culture on values. In their day-to-day work, 94 percent of colleagues believe that their team acts in line with our bank's values.

Up to 13 percent of employees personally participated in one of the bank's employee volunteering and donation programs. Each employee is allocated 2 working days for these activities.

Customer Relations

Confidential Information, Personal Data

The bank adequately protects and uses the personal data and confidential information of its customers. Information is only provided to authorized parties in accordance with the applicable legal regulations. For more information, please visit our website https://www.tatrabanka.sk/sk/o-banke/pravne-informacie/#ochrana-osobnych-udajov

Excellent Products and Services

Tatra banka provides products and services for which it holds the relevant licenses and has the required expertise and infrastructure in place. The bank ensures the highest quality of its products and services provided to customers.

Fairness

In its business activities, the bank fulfills all applicable legal and regulatory obligations, including consumer protection. The bank treats its customers respectfully. False or misleading marketing and advertising are unacceptable. The bank seeks to avoid the risk of borrowers becoming over-indebted and treats customers who experience repayment difficulties fairly.

Investor Protection

Tatra banka gives clear and appropriate information and individual advice to customers and investors.

Conflicts of Interest

Tatra banka has internal processes in place to identify and avoid potential conflicts of interest in its business activities and has stringent internal guidelines in this respect. Staff members must ensure that their own interests do not conflict with their obligations towards the bank or with the bank's obligations towards its customers.

Fight Against Financial Crime

Bribery and Corruption

Corruption can take many forms, including the offer or acceptance of direct or indirect payments, services, excessive gifts, charitable donations, sponsorships, preferential treatment or facilitation payments. Every attempt at bribery or illegal gratuities must be rejected by staff. Any acts of bribery or corruption are unacceptable. Particular care must be taken when dealing with public officials. The bank does not participate in any transaction in which there is a reason to believe that bribery or corruption is involved.

Accepting and Giving Gifts and Invitations

Staff members are only permitted to accept or offer gifts and invitations that are appropriate under the circumstances, and subject to the limitations, approvals and recording requirements defined in the internal rules. Gifts of cash or cash equivalents may not be offered or received under any Circumstances.

Prevention of Money Laundering and Financing Terrorism

All staff members must comply with the applicable anti-money laundering and counter-terrorism financing laws. The bank aims to conduct business only with reputable customers involved in legitimate business activities, with funds derived from legitimate sources. The bank follows riskbased Know Your Customer due diligence procedures and takes reasonable steps to prevent, detect and report suspicious business transactions.

To prevent abuse of the bank and its subsidiary entities for the purposes of money laundering and financing terrorism, the bank has issued its Policy on Protection Against Abuse of the Bank and Its Subsidiary Entities for the Purposes of Money Laundering and Financing Terrorism. This protection policy represents the basic outline of an advanced strategy by the Tatra banka Group in the fight against money laundering and financing terrorism, which reflects the latest knowledge and trends in the development of this issue. The protection policy is available on the Tatra banka website in the Important Documents section.

Economic sanctions, embargoes

Business dealings with individuals or legal entities trading in certain goods and technologies (including financial services) that are affected by sanctions or embargoes are permitted only if done in strict compliance with the applicable sanction and embargo legislation. In addition to complying with generally binding legal regulations, Tatra banka has internal regulations, procedures and controls for complying with the relevant legislation. Each staff member is responsible for applying the relevant rules in daily business transactions.

Insider trading and market abuse

Violations related to insider trading and market manipulation may have severe consequences, including termination of employment as well as civil and/or criminal penalties, and they may have a serious impact on the bank's reputation and the public's trust. Therefore, trading in securities of any company while in possession of material, non-public information regarding the company is prohibited. The bank does not tolerate any attempt to manipulate or tamper with the markets or the prices of securities, options, futures or other financial instruments.

Sponsorship and the Tatra banka Foundation

Since its foundation, Tatra banka has been a supporter of the arts, education, and digital technologies. The bank is a proud general partner of the Slovak National Theater (SND) and all major regional theaters, the Slovak National Gallery (SNG), and the Academy of Fine Arts in Bratislava. It is also a general partner of Forbes 30 Under 30, TEDx, and TEDx Youth conferences and many other important events. In 2021, the bank also donated works by five Slovak artists to the SNG, a gift for the whole of society. In addition, thanks to the partnership with the SNG, admission is free for all visitors to the gallery all year round.

Since it was established in 2004, the Foundation has given away more than EUR 10 million to more than 4,000 projects. In 2021, for the 26th year, the Foundation presented the Tatra banka Foundation Art Awards and gave financial rewards to all nominees, not just the winners. Thanks to the Tatra banka Foundation, three-time Pulitzer Prize winner Matt Apuzzo, a well-known American investigative journalist, came to Comenius University as part of the Pulitzer Prize Lecture Series.

In 2021, Tatra banka and the Tatra banka Foundation supported almost 300 projects donating more than EUR 1.6 million.

Charity

Inspired by the motto, “if we want to change something, we need to start with ourselves”, Tatra banka views its employees as the most valuable essence of corporate philanthropy. Volunteering during working time with wage compensation and donations are an inseparable part of its activities. The **More for Regions** (Viac pre regióny[TB]) employee grant program was organized for the eighth time in 2021 in cooperation with the Tatra banka Foundation. The program supports NGO projects nominated by Tatra banka Group employees, in which employees also participate as volunteers. In 2021, 12 such projects were supported with a total of EUR 14,183. In the program, 55 employees participated, working a total of 480 volunteering hours.

Tatra banka’s employees can also participate in the **Our Town** event, which has been the biggest corporate volunteering event in Slovakia since it started. In 2021, 449 employees in 9 Slovak towns took part in the 15th year of this event. Together, they put in 1,773 volunteering hours.

The **First Aid** (Prvá pomoc[TB]) grant program is designed for employees and close family members who are experiencing a difficult life situation. A financial support application can be filed by employees themselves, but often they also give a helping hand to their colleagues through this program. In 2021, Tatra banka supported 56 applicants with a total of EUR 57,479 as part of this program.

The blood donation program, **Blood Bank** (Krvná banka[TB]), which Tatra banka organizes in cooperation with the National Transfusion Service, has an eleven-year tradition. In 2021, due to the pandemic, the mobile blood donation only took place once, at the head office in Bratislava. There were 35 blood donors among employees.

For 12 years, in cooperation with the Pontis Foundation, Tatra banka has participated in **Pass On** (Posuň ďalej[TB]), the collection of clothes and other items for non-profit organizations. Last year, hundreds of employees in Bratislava, Prešov, Banská Bystrica, and the Nitra region took part.

In 2021, Tatra banka organized the **Christmas Tree of Fulfilled Wishes** for the fourth time. Hundreds of employees from all departments of the Tatra banka Group participated. Together, they fulfilled the Christmas wishes of 1,003 children from 17 children and family centers around Slovakia.

Moreover, Tatra banka employees also assisted as expert volunteers – as student mentors in the **Duke of Edinburgh's International Award** and, in cooperation with **LEAF**, assisted in mentoring managers at schools or other non-profit organizations as part of their expertise.

Corporate Governance Statement

The corporate governance system of Tatra banka is regulated by the Corporate Governance Code in Slovakia issued by the Slovak Association of Corporate Governance. The Code is publicly available on the Association's website at www.sacg.sk

General Meeting

The General Meeting is the supreme body of the bank via which shareholders take part in the bank's management. Every shareholder has rights that allow the shareholder to exercise influence on the bank, namely:

a. the right to attend the General Meeting

   A shareholder may personally attend the General Meeting or do so by proxy. A shareholder's right of attendance is supported primarily by the obligation of the Management Board to convene a General Meeting at least once a year, to notify each shareholder of the General Meeting by sending an invitation at least thirty days in advance, and to ensure that the notice of the General Meeting is published in at least one periodical with nationwide coverage that publishes stock exchange news.

b. the right to vote at the General Meeting

   The shareholder's voting right is derived from the nominal value of the shares held. One share with a nominal value of EUR 800 corresponds to one vote and one share with a nominal value of EUR 4,000 corresponds to five votes. The General Meeting usually decides by a simple majority of shareholder votes, unless otherwise stipulated by law or the Articles of Association. Preferred shares do not carry the right to vote at the General Meeting, except where stipulated by law.

c. the right to propose motions at the General Meeting

   The agenda of each General Meeting is structured to allow shareholders to present their motions, comments and suggestions concerning the bank.

d. the right to a share of the bank's profit (dividend)

   The distribution of profit and dividend pay-out is decided by the General Meeting based on operating results.

e. the right to information about the bank

   A shareholder has the right to request information and explanations at the General Meeting regarding the agenda of the General Meeting. This right corresponds to the obligation of the Management Board to provide the requested information and explanations at the General Meeting or, subject to statutory requirements, in writing within 15 days of the date of the General Meeting. A shareholder is also entitled to inspect documents entered into the collection of documents or the register of financial statements and minutes of general meetings at the bank's head office, to ask for copies of such documents, or to have them sent, and has the right to inspect the minutes of Supervisory Board meetings.

f. the right to request convening of an Extraordinary General Meeting

A motion to convene a General Meeting to discuss proposed issues may be filed by any shareholder(s) holding shares with a nominal value of at least 5 percent of the share capital of the bank.

g. the right to a secure shareholding registration system

Book-entry shares of the bank are registered with the Centrálny depozitár cenných papierov SR, a.s. (Central Securities Depository of the Slovak Republic).

h. the right to transfer shares

Ordinary shares are freely transferable. The transferability of preferred shares is limited, subject to the terms and conditions stipulated in the bank's Articles of Association and pursuant to effective legal regulations.

The authority of the General Meeting includes:
a. amendments to the Articles of Association;
b. decisions to increase or decrease the share capital and to authorize the Management Board to increase the share capital;
c. approval and removal of an auditor;
d. election and removal of the Supervisory Board members, except for members who are elected and removed by bank employees;
e. approval of annual separate financial statements and extraordinary separate financial statements, decisions on profit distribution or loss settlement and on determining directors' fees;
f. decisions on other issues conferred by law or the Articles of Association to the authority of the General Meeting.

In the event of an amendment to the Articles of Association, the bank must comply with applicable legislation and its Articles of Association. Where an amendment to the Articles of Association is on the agenda of the General Meeting, an invitation to, and notice of the General Meeting, must, in addition to legal requirements, specify at least the nature of the proposed amendment(s). Any draft amendment to the bank's Articles of Association is available for inspection at the bank's head office, or a copy can be sent upon request. The General Meeting decides on an amendment to the Articles of Association by a two thirds majority of the votes of shareholders present. To be valid, the Articles of Association require approval by the National Bank of Slovakia/European Central Bank, subject to a written application filed along with the amendment to the Articles of Association and the full wording of the Articles of Association before and after such an amendment.

In 2021, the Annual General Meeting was held on April 30, 2021. Shareholders holding ordinary shares representing a total of 64,550 votes, which accounted for 90.8 percent of the voting rights, took part in the voting at the General Meeting. The General Meeting approved the Annual Separate Financial Statements and Consolidated Financial Statements for 2020, the Annual Report for 2020 and the proposed profit distribution. The General Meeting also decided on the appointment of an auditor and a Supervisory Board member, and on an amendment to the Articles of Association.

Supervisory Board

The Supervisory Board is the supreme control body of the bank, which supervises the financial and business activities of the bank, the execution of powers by the Management Board and the bank's other activities. The Supervisory Board consists of nine members, six elected by the General Meeting and three by bank employees. Their terms of office are up to five years.

The Supervisory Board meets at least three times a year. A simple majority of all members is required to adopt a resolution. The authority of the Supervisory Board includes:

a. checking adherence to the bank's Articles of Association and generally binding legal regulations;
b. monitoring that business targets set by the bank are achieved;
c. checking that accounting records are factual;
d. reviewing the bank's financial statements and proposed profit distribution or loss settlement and submitting its opinion to the General Meeting;
e. convening the General Meeting or submitting a motion for convening the General Meeting to the Management Board where required by the bank's interests;
f. electing and removing members of the Management Board, approving service contracts of members of the Management Board, approving conditions of compensation and other benefits of Management Board members;
g. granting approval or filing a motion for granting or withdrawing a power of attorney;
h. granting approval of the remuneration principles;
i. granting approval of or filing a motion for appointment and removal of the head of internal control and internal audit division of the bank and determining their salary;
j. approving the nominated auditor;
k. granting approval to the Management Board to perform specific activities; and
l. other activities under applicable legal regulations and the bank's Articles of Association.

The names of the bank's Supervisory Board members are listed in the Top Management section.

Management Board

The Management Board is the statutory body that manages and acts on behalf of the bank. The Management Board decides on all bank affairs, unless conferred to the authority of the General Meeting or the Supervisory Board by applicable legal regulations or the Articles of Association. All members of the Management Board are authorized to act on behalf of the bank. Two members of the Management Board jointly, or two confidential clerks jointly, always act and sign on behalf of the bank. The Management Board consists of seven members with office terms of up to five years.

The Management Board holds meetings as necessary, generally once a week. The Management Board is quorate when the majority of its members are present. The consent of all members present is required to adopt a resolution.

Under the Articles of Association, the election and removal of members of the Management Board is within the authority of the Supervisory Board. The number of nominees for an election corresponds to the number of members of the Management Board to be filled. A simple majority of the votes of all members of the Supervisory Board is required for appointment. When more than one member of the Management Board is to be elected, the first vote will be conducted en bloc for all nominated candidates. If members of the Management Board are not elected en bloc, each

candidate is voted on individually. If any of the nominated candidates is not elected, a new election with the same rules must be held to elect a member of the Management Board. Removal of a member of the Management Board requires a majority of votes of the Supervisory Board members. Removal is effective on the date of adopting the removal decision, unless otherwise stipulated in the decision. An election of new members of the Management Board is only valid with the prior consent of the National Bank of Slovakia/European Central Bank.

The authority of the Management Board includes:

a. convening the General Meeting;
b. ensuring development, approval of, and compliance with the bank's organizational structure;
c. ensuring implementation of, and compliance with, the bank's governance system;
d. management and supervision of the performance of authorized banking activities;
e. adoption and regular review of general remuneration principles;
f. ensuring proper accounting is maintained by the bank;
g. ensuring the preparation and publication of the Annual Report and its submission to the General Meeting for discussion;
h. ensuring the preparation and publication of the financial statements and their submission to the General Meeting for authorization;
i. submitting the proposed profit distribution or loss settlement to the General Meeting for authorization;
j. deciding on share issuance or repurchase under an authorization granted by the General Meeting;
k. providing information concerning the principal business management objectives of the bank for the future period and the projected development of the bank‘s assets, funds and revenues to the Supervisory Board;
l. submitting a written report of the bank's business activities and assets compared with the anticipated development at the request of the Supervisory Board;
m. notifying the Supervisory Board immediately of all facts that could have a material effect on the development of business and the balance of the bank‘s assets, particularly on the bank‘s liquidity; and
n. other activities under applicable legal regulations and the bank's Articles of Association.

The names of Management Board members are listed in the Top Management section.

When nominating members to the Management Board and the Supervisory Board, the bank applies the policy of selection and evaluation of each candidate for membership. The above policy stipulates specific requirements and individual steps in the selection and evaluation process. It stipulates the qualification criteria for a candidate or a member of the Management Board and the Supervisory Board under consideration, in particular personal criteria (concerning the reputation, expertise and experience of the person under consideration) and objective criteria (concerning governance, such as potential conflict of interest, overall composition of the body, collective knowledge and experience of the body as a whole, and time commitment). When selecting and evaluating the suitability of a candidate or a member of a body, the bank pays particular attention to diversity regarding age, gender, education and professional experience. The purpose of the diversity policy is to find and fill the positions in the bodies of the bank, which is a complex organism with a wide range of activities, with experienced professionals and managers in various specific areas. The bank‘s policy in this area is fully compliant with generally binding legislation.

Committees

Committees Set up by the Supervisory Board

Audit Committee – its activities are performed by the bank's Supervisory Board.

Risk Management Committee – monitors and reviews the bank's risk management activities and procedures and risk management strategies and performs other activities in accordance with the law. Its members include designated Supervisory Board members.

Remuneration Committee – independently evaluates the remuneration rules and principles, participates in preparing remuneration decisions, and monitors the remuneration of members of the bank's bodies and individuals discharging key functions. Its members include designated Supervisory Board members.

Nomination Committee – identifies, evaluates, and recommends nominations, periodically evaluates the suitability and qualification of each member as a member of a bank body and defines the selection and evaluation criteria for a bank body member. Its members include designated Supervisory Board members.

Committees Set up by the Management Board

Cost Management Committee – defines the cost management strategy and fulfills defined tasks related to cost management. Its members include designated members of the Management Board and designated employees.

Credit Committee – decides on credit limits. Its members include designated members of the Management Board and designated employees.

Data Governance Commission – defines the data governance strategy, policies, rules, and overall framework. Its members include designated members of the Management Board and designated employees.

End-to-End Committee Corporate – fulfills defined tasks in setting processes and fulfilling the bank's strategy in the corporate segment. Its members include designated members of the Management Board and designated employees.

Occupational Health and Safety Commission – executes powers concerning occupational health and safety. Its members include designated employees.

Operational Risk Committee – decides on measures to mitigate operational risk at the bank and ensures alignment of approved measures and tasks with the bank's strategic interests. Its members include designated members of the Management Board and designated employees.

Problem Loan Committee – formulates the strategy for addressing non-performing loans. Its members include designated members of the Management Board and designated employees.

Retail Problem Loan Committee – decides on a strategy for addressing non-performing retail loans. Its members include designated members of the Management Board and designated employees.

Project Commission – executes entrusted project management powers. Its members include the members of the Management Board and designated employees.

Risk Committee – fulfills defined roles in defining the framework, strategy, procedures, and rules for risk management and control. Its members include designated members of the Management Board and designated employees.

Security Council – exercises authority regarding the bank's security policy to ensure maximum security and eliminate the bank's operational risks and proposes the bank's strategic objectives. Its members include designated members of the Management Board and designated employees.

Damage Commission – focused on resolving damage caused to the bank's assets. Its members include a designated member of the Management Board and designated employees.

Assets and Liabilities Committee – formulates the bank's strategy and policy concerning management of the bank's assets and liabilities and the associated risks. Its members include the members of the Management Board and designated employees.

Investment Product Approval Committee – responsible for reviewing and adjusting new products in the investment banking segment. Its members include designated employees.

Green Bonds Committee – in charge of managing activities related to issuance and management of green bonds in accordance with international standards. Its members include designated members of the Management Board and designated employees.

Contingency Committee – exercises authority in the event of an unfavorable liquidity situation in the bank. Its members include designated members of the Management Board and designated employees.

Recovery Committee – fulfills the defined tasks in the event of an unfavorable economic situation in the bank focused on resolving the situation and ensuring the recovery of the bank. Its members include designated members of the Management Board and designated employees.

Resolution Committee – exercises entrusted competences in the event of a crisis and resolution procedure. Its members include designated members of the Management Board and designated employees.

Management Methods

The bank's management methods primarily include direct management methods, methods combining direct and technical (indirect) management and project management methods.

Direct management is generally executed by setting objectives, tasks and rules and via the operational guidance of activities of the managed organizational unit or employee.

Technical (indirect) management is performed by using internal control mechanisms, leaving space for independent management and organization by an organizational unit or an employee within their scope of work and by employing progressive economic incentives in line with efficient risk management.

Project management requires the temporary allocation of specific organizational units or employees. They report temporarily to the project manager to a defined extent to achieve the project objective.

Information on management methods is provided in the bank's Articles of Association and internal regulations.

Internal Control System

Internal controls applied at the bank constitute a system covering all levels of the organizational structure. It includes direct and indirect process controls and out-of-process control. The bank's Internal Control System is currently based on the guidelines of the parent RBI Group which, together with internal manuals and procedures, constitute one of the basic pillars of this system. The operational model of the three lines of defense sets out appropriate responsibility for risk management and internal control.

In 2021, the bank continued to perform its activities under the established Internal Control System framework. It includes regular monitoring and validations, the results of which were presented to the competent authorities and to the Supervisory Board acting as the Audit Committee. The bank and the RBI Group systematically enhance the Internal Governance Framework, and within it the Internal Control System, in accordance with the principles of the three lines of defense, both in terms of legislative and regulatory requirements, and in order to address the latest developments in the internal and external environments.

As part of the continuous enhancement of the Internal Control System, to mitigate operational risk and the risk of non-compliance with legislative and internal work regulations, the bank promotes and continuously implements control mechanisms in its day-to-day activities and processes. The bank will continue to implement the defined Internal Control System framework focusing on areas posing the biggest risk to the bank.

The Internal Control System Officer is responsible for supporting the implementation of the Internal Control System framework. Monitoring and reporting is part of the Regulatory Affairs & Controls Department under the Compliance Division. In 2021, the Internal Control System Officer also participated in working groups tasked with revising the control system in selected processes, projects, and regulatory requirements. The Control System Officer fulfills responsibilities stipulated by the bank's Management Board.

Internal controls are designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with applicable regulations, and to eliminate risks to prevent losses or other damage.

Direct process control represents all ongoing control measures, procedures and mechanisms at individual bank units, which are a direct and natural part of work processes on a daily basis. A work process is not complete without these controls. Direct process control is undertaken by employees or the organizational units directly involved in the specific processes.

Indirect process control includes all ongoing control measures, procedures and mechanisms at individual units of the bank, which are an indirect part of processes. Indirect process control is carried out by the managers of the individual bank units responsible for controlled processes and for control results, or by their authorized employees.

Out-of-process control is independent of operational and business procedures. It is conducted by a separate and independent internal control and internal audit unit as a regular review of the Internal Control System functionality and evaluation of its efficacy.

Risk Management System

As part of risk management, the bank monitors, evaluates and manages in particular the following types of risk: credit, market, liquidity and operational. These risks and the bank's overall risk profile are also subject to internal and external controls compliant with legislative and regulatory requirements, as well as the bank's internal requirements. As part of the Internal Capital Adequacy Assessment Process (ICAAP), the bank also analyzes other types of risk to which it is or might be exposed.

Credit risk, i.e. the risk that a counterparty will not be able or willing to repay the full amount owed upon maturity, is monitored regularly and the financial position of each client is reviewed and assessed at least once a year. The highest exposure to any single borrower or a group of related borrowers is restricted by capital exposure limits, which are consistently monitored and reported to the National Bank of Slovakia on a monthly basis. Retail borrowers are assessed using scoring models developed for individual products. Other clients are assessed using rating models.

The bank is exposed to **market risk** in connection with its activity from open positions, chiefly from transactions with interest-rate, cross-currency and equity products. To determine the level of market risk of its positions, the bank applies internal procedures and models for individual types of risks to which the bank is exposed. These limits are monitored daily.

By managing **liquidity risk**, the bank secures its solvency, the ability to duly fulfill its financial obligations on time and to manage assets and liabilities to assure constant liquidity. Liquidity risk is closely monitored and is subject to internal limits set by the bank and the limits defined by the RBI Group and the National Bank of Slovakia.

The bank calculates the amount of regulatory capital to cover **operational risk** using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

The bank actively monitors new risk management legislation.

Bank's share capital and shares

The bank's share capital amounts to EUR 64,326,228 and has the following structure:
ISIN: SK1110001502
Nominal value: EUR 800
Number: 60,616 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote, and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 75.386 percent
Held for trading: 60,616 shares

ISIN: SK1110015510
Nominal value: EUR 4,000
Number: 2,095 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote, and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 13.027 percent
Held for trading: 2,095 shares

ISIN: SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937, SK1110014901, SK1110016237, SK1110016591
Nominal value: EUR 4
Number: 1,863,357 shares
Class: preferred share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend and to present motions at the General Meeting; the priority right to a share of profit and liquidation balance; the right to vote at the General Meeting subject to statutory conditions; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any settlements unlawfully provided; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.

Transferability: restricted
Percentage of share capital: 11.587 percent
Held for trading: 0 shares

Pursuant to Act No. 566/2001 Coll. on securities and investment services and on amendment to certain acts as amended, a qualified participation in the bank's share capital is held by the shareholder, Raiffeisen CEE Region Holding GmbH, with its registered office at Am Stadtpark 9, 1030 Vienna, Austria, with a 78.782 percent share and an 89.107 percent share in the bank's share capital and voting rights, respectively.

The bank's share capital structure does not include any shares whose holders have special control rights. The bank is not aware of any agreements between securities holders that could lead to any restrictions with respect to the transferability of securities or voting rights.

The bank has not entered into any agreements that would take effect or be subject to change or termination as a result of a change in control in relation to a takeover bid. The bank has not entered into any agreements with members of its bodies or employees under which they are entitled to compensation if their office or employment ends due to resignation, notice given by an employee, dismissal, notice given by the employer without stating the reason, or if their employment terminates as a result of a takeover bid.

Remuneration Report for Tatra banka Management Board and Supervisory Board Members in 2021 pursuant to Section 201e(2) of the Commercial Code

This Remuneration Report provides an overview of all remuneration components of individual members of the Tatra banka, a.s. Management Board and the Tatra banka, a.s. Supervisory Board (the "Company Body Members") for 2021. Total remuneration consists of a fixed component, which includes monthly remuneration, bonuses, supplementary health insurance, accident insurance and the employer's contribution to the supplementary pension insurance, and a variable component. In 2021, the Management Board consisted of seven members, without any change compared to 2020. The Supervisory Board consisted of nine members, without any change compared to 2020; one of the members did not hold the office for the whole year.

Fixed remuneration component

In particular, the fixed remuneration component reflects the relevant professional experience and organizational responsibility and provides a stable source of income for Company Body Members. The fixed remuneration component does not depend on the performance of the company or the Company Body Member.

The fixed remuneration component of company Management Board members is represented by the monthly remuneration set out in the service agreement. In 2021, the annual fixed remuneration component of individual members of the company Management Board ranged from EUR 132,000 to 222,000, other bonuses and additional health insurance ranged from EUR 0 to EUR 29,690.40, accident insurance was in a lump sum of EUR 75.65, and the employer's supplementary pension insurance contribution ranged from EUR 1,350 to EUR 6,660.

The fixed remuneration component of Supervisory Board members is represented by fixed annual remuneration paid at the end of the year or at the end of the office term. In 2021, the annual fixed remuneration component of individual members of the company Supervisory Board ranged from EUR 33,698.63 to EUR 60,000, in full compliance with the decision of the company General Meeting on the remuneration of the company Supervisory Board members depending on the function discharged on the company Supervisory Board and the length of office term in 2021.

Variable remuneration component

The variable remuneration component depends on performance. The amount of the variable remuneration component is based on a combination of an individual's performance and the evaluation of overall results of the company or the parent company. Financial and non-financial criteria are considered when evaluating individual performance.

The variable remuneration component of each company Management Board member is represented by an annual bonus. The variable remuneration component awarded after considering the performance, relevant targets and performance indicators, is reasonably balanced and never exceeds the fixed remuneration component of any Management Board member.

The fixed remuneration component is determined by the following performance indicators:
- Return on equity (ROE) of the company (usual weight 50 percent of 2/3)
- Cost income ratio (CIR) of the company (usual weight 50 percent of 2/3)
- Return on equity (ROE) of the RBI Group (usual weight 50 percent of 1/3)
- Cost income ratio (CIR) of the RBI Group (usual weight 50 percent of 1/3)

The performance indicators are evaluated as a ratio of the achieved indicator value and the strategic indicator value for the evaluated period. The final bonus is determined as the multiple of the ratio (coefficient) and the target bonus amount.

Management Board members have been awarded no variable remuneration component for 2021 as of the date of this report. Consequently, as of the report date, the share of the fixed and variable components in total remuneration for 2021 is unknown. The maximum estimated corresponding target amount of the variable remuneration component of each Management Board member ranges from EUR 32,000 to EUR 83,000.

Tatra banka has specific criteria in place for the application of malus and clawback, under which in specific circumstances it is obliged to reduce or withhold the remuneration granted, or to recover the remuneration already paid. As of the date of this Report, there have been no circumstances that would give rise to the obligation to recover the variable component of the total remuneration.

The variable remuneration component of each Supervisory Board member for 2021 was EUR 0. The share of the fixed and variable components in the total remuneration for 2021 was 100 percent.

Company Body Members received no remuneration from any company under a special law. Company Body Members were not provided with any shares or share options in relation to the office held.

The company awards no Company Body Member the variable remuneration component in the form of shares.

Annual overview of fixed and variable remuneration components for 2020 and 2021

The total of the fixed and variable remuneration components of the company Management Board members for 2020 ranged from EUR 144,398.65 to EUR 277,066.65.

The total of the fixed and estimated variable remuneration components of the company Management Board members for 2021 ranged from EUR 167,175.65 to EUR 311,735.65. Pursuant to Section 768r(2) of the Commercial Code (transitional provisions to amendments effective from July 1, 2019), the management board of a public company limited by shares is obliged to submit a remuneration report pursuant to Section 201e to the General Meeting for discussion for the first time for the accounting period starting after July 1, 2019. Accordingly, no information on remuneration for the periods preceding January 1, 2020, is provided in the report.

The ratio of staff costs of company body members to the staff costs of other Tatra banka employees was 3.3 percent in 2021.

Section 201a(3) of the Commercial Code was not applied to 2021.

The requested company statement pursuant to Section 201e(3) of the Commercial Code is irrelevant since no shareholders' proposals were put forward at the General Meeting in 2021.

Risk Management and Rules Concerning General Prudential Requirements

Well-organized and consolidated risk management plays a vital role in a sustainable, efficient operation of the bank. This role is perceived very responsibly in Tatra banka, also in the context of its systemic importance for the whole banking sector. The bank has consistently fulfilled the requirements of European directives implementing the regulations known as Basel III, with the actual implementation being subject to the applicable regulations in Slovakia. During the negotiation and approval of Slovak legislative standards, the bank works actively with the Slovak Banking Association and its committees and working groups. The bank plays an equally important role in multilateral meetings with regulatory authorities and other organizations.

The concept, methodology and documentation of risk management and Basel III activities are prepared in close cooperation with the RBI Group while respecting the local specificities of Tatra banka and the banking environment as a whole.

The relevant methodological concepts and procedural techniques are integrated into the management process in various areas of the bank, are regularly updated in line with legislative and internal changes and are meticulously reviewed by internal audit.

Risk management and Basel III activities are aimed at ensuring the most accurate evaluation, quality management and mitigation or elimination of credit, market and operational risks as well as other risks to which the bank is exposed.

Achieving this goal mainly depends on:
- identification of risks resulting from bank products and processes;
- ensuring the quality collation and preservation of relevant and potentially-relevant data,
- development of a reliable methodology for measuring individual types of risk;
- ensuring effective and high-quality processes for prudent management of individual risk types and predicting their development;
- use of efficient instruments to mitigate risk exposure;
- to ensure quality and secure IT systems for automating processes, the collection and analysis of data,
- undertaking calculations and providing outputs.

These processes, in conjunction with changes in the economic environment, are a key element for ensuring the long-term stability of the bank's risk profile and its capital requirements, as well as its return on equity.

Pursuant to legislative requirements, the bank regularly publishes details about its activities, working procedures and results, which ensures transparency vis-à-vis regulators, business partners and clients regarding risk management.

Credit Risk

Since January 1, 2008, the bank has applied a standardized approach to quantifying risk-weighted assets and regulatory capital requirements for credit risk, which constitute the most significant bank risk; the bank's goal was to switch to the Internal Ratings-Based (IRB) Approach as soon as possible. This is based on the use of internal rating models and own estimates of risk parameters for the management, quantification and reporting of individual types of credit-related risks in line with its implementation plan.

Since January 1, 2009, the bank has calculated capital requirements for a large part of its non-retail portfolio (i.e. for sovereigns, institutions, corporations, project financing, insurers, investments in funds and purchased receivables) using the approved IRB Approach.

In December 2013, the bank was granted authorization to apply the IRB approach to small and medium business clients as well. Under this approach, the bank is authorized to quantify capital requirements for the above clients using its own estimates of the likelihood of a counterparty default, which makes the measurement of credit risk much more sensitive and capital requirements also correspond more closely to actual risk exposure. During turbulent economic times this approach enabled the bank to reflect the effects of a period of economic decline on its portfolio in its capital requirements.

Additionally, based on its implementation plan, the bank was granted authorization to apply the IRB approach from April 1, 2010 for the retail part of its portfolio, which allows the bank to calculate the risk profile of this portfolio based on its own estimates of all significant risk parameters, mainly regarding the likelihood of retail client default and their exposures, losses in the event of default, and credit conversion factors for off-balance sheet exposures, subsequently using these estimates for comprehensive portfolio risk management.

In relation to the application of the IRB approach, the bank and the RBI group work continuously on rating models to maximize their predictive strength. Each significant change is also reviewed by the supervisory authorities.

The basic principles of managing the credit risk of non-retail clients are set out in the RBI Group Credit Manual, which is obligatory for the whole group. The management of non-retail credit risk by the bank is detailed in Tatra banka‘s Credit Policy, which is approved by the Supervisory Board annually. The Credit Policy defines the targeted and restricted sectors for financing as well as the sectors excluded from financing, the minimum requirements for a client credit transaction (rating, value of collateral, required margin), and the target structure of the loan portfolio together with its key parameters for the forthcoming year.

With respect to its retail portfolio, the bank continues to focus on regular scorecard and risk management model development and update. The aim of building the risk management infrastructure is to develop a reliable solution allowing a flexible response to external changes. A fundamental part of this is to define targets for individual components of credit risk management, and also for employees themselves. This is a comprehensive process involving consistent preparation and subsequent application of credit risk principles, credit policy and guidelines and effective management tools.

Market Risk

In 2021, the bank continued to apply a prudent approach to security investments with the assistance of the implemented limits that ensure protection against the risk of an issuer being downgraded, and a conservative approach to the assessment of bank counterparties and the limits applicable to those counterparties. The established limits and the stress tests performed by the bank ensured sufficient protection against adverse effects of market fluctuations.

The close monitoring of all market risks remains a high priority. The methods and models used to monitor market risk remain subject to strict supervision, externally and internally, and the parameters affecting the outputs are regularly re-assessed and approved by the bank’s committees to reflect, as

accurately as possible, the current situation on financial and capital markets. The limits protecting the bank against market turbulence are subject to review and are set prudently and conservatively to limit losses in the event of negative developments. One of the fundamental aspects of market risk management at the bank is the promotion of new, innovative products while remaining highly prudent.

Liquidity risk is closely monitored and is subject to internal limits set by the bank and limits defined by the RBI Group and Basel III. The bank is compliant with the required Liquidity Coverage Ratio and Net Stable Funding Ratio.

Operational Risk

The bank calculates the amount of regulatory capital required to cover operational risk using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

Pillar 2 and Economic Capital

The bank has implemented and continuously modifies and supplements its methodology and procedural techniques for the internal determination of capital adequacy (Pillar 2). As part of this process, all relevant risks of the bank are regularly evaluated in line with the risk profile and then quantified and evaluated in the context of the risk level the bank is willing to take and the projected capital formation and subsequent reporting to bank management. The bank‘s risk profile and the related processes are subject to a detailed annual review by the supervisory authorities (ECB and NBS) under the Supervisory Review and Evaluation Process (SREP).

Based on the above, in line with its risk profile, the bank covered the identified risks by its internal capital with a sufficient reserve in 2021.

The process of capital allocation is an integral part of this, as it is closely linked to the budgeting process. As part of this process, by using an approved allocation key individual commercial units of the bank are assigned an expected level of the performance indicator Return on risk adjusted capital (RORAC). This indicator measures the rate of return in relation to anticipated risk from individual transactions, portfolios and business units to meet the targets set by the shareholder, while maintaining an acceptable risk level. As a prerequisite for the bank’s healthy growth, the risk-adjusted view of the bank’s performance will remain the priority in the forthcoming period.

Capital Adequacy Forecasting and Stress Testing

In view of the more advanced risk measurement methods and constant changes in the economic environment, an important aspect of capital adequacy management is the consistent prediction of its development, including stress testing of readiness for unforeseeable adverse events.

In 2021, the bank continued to develop its stress testing of capital adequacy for credit risk based on internal estimates of risk parameters in terms of potential changes to the estimated risk parameters, e.g. depending on changes in the macroeconomic environment, the migration of clients and receivables between rating levels, a fall in collateral values, economic recession, and other changes to the bank’s material sub-portfolios, making substantial use of the stress scenarios set by the National Bank of Slovakia.

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Supervisory Board

Dr. Andrii Stepanenko
Chairman of the Supervisory Board

Dr. Johann Strobl
Vice-Chairman of the Supervisory Board

Mag. Peter Lennkh
Member of the Supervisory Board

Mag. Andreas Gschwenter
Member of the Supervisory Board

Dr. Hannes Mösenbacher
Member of the Supervisory Board

JUDr. Tomáš Borec
Member of the Supervisory Board

Ing. Iveta Uhrinová
Member of the Supervisory Board

Mgr. Iveta Medveďová
Member of the Supervisory Board

Ing. Peter Golha
Member of the Supervisory Board

Management Board

Mgr. Michal Liday
Chairman of the Management Board and CEO

Dr. Johannes Schuster
Member of the Management Board

Ing. Peter Matúš
Member of the Management Board

Ing. Martin Kubík
Member of the Management Board

Mag. Bernhard Henhappel
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Client In The Spotlight

Retail Banking

Corporate Banking

Digital Banking

Retail Banking

(in EUR ths)	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016	12/2015
Net interest income	181 279	195 489	203 671	207 492	194 809	182 966	187 410
Net fees and commission income	110 926	94 405	89 433	95 128	100 718	95 380	102 423
Net provisioning	(15 933)	(35 480)	(17 823)	(33 006)	(22 576)	(17 606)	(12 344)
Other operating income	432	(15 632	(11 719)	(11 535)	(12 707)	(11 215)	(9 578)
Operating expenses	(176 816)	(178 577)	(184 384)	(176 956)	(172 756)	(165 453)	(165 455)
Profit before income taxes	**99 888**	**60 205**	**79 178**	**81 123**	**87 488**	**84 072**	**102 455**
Cost/Income ratio	60.51 %	61.60 %	62.91 %	58.47 %	58.46 %	59.44 %	57.09 %

Note: Private individuals, small business clients, micro companies, private banking clients and employees

Private Individuals

Despite the long-lasting global pandemic, in 2021 the bank fulfilled its acquisition targets and strategies due to fast adaptation and continually advancing digitalization. Digital persona Bejby Blue continued as the face of student campaigns and in addition to exceeding acquisition targets, she also won several prestigious awards. She won nine „nails“ and the grand prize in the 2021 Zlatý klinec (Golden Nail) creativity competition, in which Tatra banka became the most awarded client. Bejby Blue became a symbol inspiring the young to find the courage to start fulfilling their dreams. As a successful virtual influencer, she helped the bank to achieve record highs in the student portfolio in terms of both size and active use of digital channels and innovations.

The private individual segment was also extremely successful as concerns active use of digital channels to purchase and provide products and services. Tatra banka was the first in Slovakia to offer the mass segment a digital application for account transfers from another bank. Bank clients were also offered the option to view their insurance products in their **Internet** banking[TB]. The new insurance products tab shows clients their active insurance contracts with insurer UNIQA pojišťovna, pobočka poisťovne z iného členského štátu, arranged with Tatra banka, together with the telephone number for easier handling of their requirements.

The results achieved in 2021 by the premium segment were unparalleled in the history of Tatra banka premium banking. Sales of investment products exceeded 2020 levels by more than 300 percent as a result of a change in the service model with a focus on the growth of the investment portfolio. With the use of investment tools, clients' savings will thus have the chance to beat the pervasive inflation and maintain their purchase power.

Consumer Loans

The beginning of the year was marked by the gradual reduction of the main wave of loans with deferred instalments under the COVID-19 pandemic supporting measures (known as “Lex Corona”). The demand for consumer loans was further fueled by the release of restrictions and the summer holiday season. The customer experience with purchases on the internet was also reflected in the continuing popularity of digital channels. Consumer loans are made available via the **Tatra banka** mobile app and **Internet** banking[TB].

A new product accommodating these trends is a loan available to new clients even without the mobile app. New-generation face biometrics make it possible to receive money to an account within minutes from any device, without the need to have a current account with Tatra banka. Tatra banka also started to offer a new type of cooperation for partners operating online stores. The In Instalments (Na splátky[TB]) service allows completely new Tatra banka clients to pay in an online store using a consumer loan.

Housing Loans

The situation in 2021 once again showed that mortgages constantly attract the interest of clients and further action is required to improve the conditions and services in their provision. Tatra banka recorded the highest ever amounts of provided loans due to robust growth in the real estate market. Even the prevailing pandemic situation related to COVID-19 had no effect on this development trend in loans.
In the summer months, the bank offered its clients a limited promotion of cheaper mortgages for all those who attached an A0 or A1 Energy Certificate to their loan application, while applying for up to 80 percent of the pledged property value determined by the bank. With the **Mortgage for the Blue Planet** (Hypotéka pre modrú planétu[TB]), clients benefited from a 0.75 percent p.a. interest rate with a 3-year fixed-rate period and a reduced loan fee of EUR 99.

The dominant activity in housing loans was process automation and optimization with a positive impact on clients. The bank introduced a number of improvements that allowed clients to get selected confirmations or calculations instantly. For example, since the end of the year, selected clients have had the option to obtain a Tax Bonus Confirmation via their **Tatra banka** mobile app and **Internet** banking[TB] directly from the comfort of their home. When approving some of the changes requested by clients, the bank shortened the client waiting time for the decision by 50 percent.

Payment Cards

For its clients, both private individuals and legal entities, the bank introduced digital debit payment cards at the beginning of 2021. Later, the bank also added digital credit cards for legal entities, completing the digitalization of its card products. The digital card can be used right after signing or accepting the card agreement. Clients don’t have to wait for the physical card to be delivered. They can add the card with a few clicks to their virtual wallet (Apple Pay/Google Pay) and make payments.

Despite the pandemic, the bank increased its market share in outsourcing credit cards for private individuals, achieving a 32 percent share through gradual growth. The bank also saw an increase in its share of digital channel sales, to 13.5 percent. Due to the termination of MobilePay app support, the My Benefit and My Doctor features were moved to the core **Tatra banka** mobile app. During the year, the bank also terminated the issuance of Visa Electron debit cards, which are being gradually replaced after their original expiration date with Visa debit cards.

The total volume and number of transactions made by payment cards issued by Tatra banka also increased in 2021. The transaction volume was 24 percent and the transaction number was 18 percent higher than in 2020. There was also robust growth in e-commerce transactions - 32 percent higher in number and 22 percent higher in volume than in 2020.

Raiffeisen Bank

Raiffeisen Bank confirmed its position in 2021 as the bank with the most satisfied clients of all Slovak banks by NPS (Net Promoter Score). Despite another year marked by the COVID-19 pandemic and numerous restrictions, the bank was able to attract new clients considering a change in their bank and offer them useful products and services at a fair price.

Private Clients

Tatra banka private banking reaffirmed its position as a segment leader, again winning the Best Private Banking in Slovakia awards presented by renowned Global Finance and The Banker magazines.

The private banking strategy in 2021 focused on expanding the product range and increasing the quality of the bank's digital solutions. As concerns products, in cooperation with Tatra Asset Management, the bank expanded its range of funds to include funds that offer comprehensive model solutions through investments in ETF (Exchange Traded Funds) – the Wealth Growth Conservative, Balance, and Dynamic funds. Primary issues of investment certificates of EUR 112 million were launched in cooperation with Raiffeisen Centrobank, with the volume of funds invested in investment certificates totaling EUR 378 million. Private banking clients can also invest their funds in compliance with ESG criteria. Among ESG-compliant products, private banking clients can choose from fund solutions, investment certificates, ETF products, and bonds. The volume of funds managed for private banking clients in ESG-compliant products exceeded EUR 292 million.

As part of the private banking contractual documentation digitization project, the digitization of gold purchase and sale documentation for private banking clients was successfully completed. This successful project also contributes to reducing red tape and increasing efficiency.

Small Corporate Clients

The segment of small corporate clients was affected by the COVID-19 pandemic and the related restrictions in 2021. Nevertheless, even in this challenging period, Tatra banka was a stable partner for small corporate clients. It was the first bank in Slovakia to offer business owners the first Digital Business Account (Digitálny Podnikateľský účet[TB]) for single-person limited liability companies, which can be opened online from the comfort of the office or home. Together with the Digital Self-Employed Account (Digitálny Živnostenský účet[TB]), the solution covers almost 75 percent of legal forms that can open a business account with Tatra banka online, and by the end of 2021 almost 4 in 10 new business owners used this digital innovation at Tatra banka. Business debit and credit payment cards also became digital, which was particularly appreciated by clients in situations when they needed a replacement card.

Open banking is increasingly becoming part of the small corporate client segment as well. Premium APITB – accounts and Premium APITB – payments allow clients to connect a business account with a third-party app, for example an invoicing system.

In 2021, the bank continued to support the small and medium-sized enterprise segment affected by the COVID-19 pandemic through the provision of favorable loans under the State Guarantee Scheme in an additional amount of almost EUR 50 million, confirming its position as a leader on the banking market in the provision of this type of loan covered by ESIF funds totaling more than EUR 150 million. The bank continued to fulfill its plans of further digitalization of sales processes and introduced new innovations and options in the **Tatra banka** mobile app and **Internet** banking[TB]. In the second half of the year, the bank launched the option to apply for and draw a "double-offer" digital loan via the **Tatra banka** mobile app and **Internet** banking[TB]. With two loans, clients can cover both their long-term investment and short-term operating needs. Clients can draw any combination of an installment and overdraft loan up to the amount of their pre-approved credit line. This innovation also includes an educational and information section, which helps clients in the process of applying for funding to identify their needs and find a suitable product to address them. The bank also made it possible for its clients in the small corporate client segment to digitally sign loan agreements in the **Tatra banka** app and **Internet** banking[TB], increasing client comfort and saving them time. This activity in the micro-loan segment in the digital environment has had a positive impact on client satisfaction in the loan process while also protecting clients during the pandemic. Clients can sign loan agreements from the comfort of their office or home, just like other parties to the agreement. The introduction of this solution means that 75 percent of loan agreements are signed without the client's physical presence.

The culmination of this challenging yet successful year was the recognition of the bank as the best bank for small and medium-sized enterprises in Slovakia by renowned Global Finance magazine. This confirms and underlines that even in these challenging and turbulent times, Tatra banka is a stable and long-term partner for small and medium-sized enterprises.

Corporate Banking

(in EUR ths)	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016	12/2015
Net interest income	71 416	69 296	67 301	66 054	64 914	66 282	73 394
Net fees and commission income	31 024	32 473	28 277	30 357	29 429	32 014	31 196
Net provisioning	(7 804)	(28 753)	(370)	8 177	8 030	4 265	(21 631)
Other operating income	(1)	(7 214)	20 948	(5 890)	(4 732)	(4 829)	(4 618)
Operating expenses	(34 321)	(38 736)	(45 639)	(43 699)	(50 220)	(52 092)	(42 909)
Profit before income taxes	**60 314**	**27 066**	**70 517**	**54 999**	**47 421**	**45 640**	**35 432**
Cost/Income ratio	33.50 %	38.06 %	47.75 %	45.33 %	53.23 %	53.00 %	41.03 %

Note: Large and medium-sized corporate customers

Large Corporate Clients

For the large corporate client segment, 2021 was another very successful year with record growth especially in the volume of loans. With a background of prevailing low interest rates, the returns consisted mostly of interest income on assets, and fees. Given the relatively limited demand, there was significant pressure on product pricing. The segment's total revenues increased year on year. The value of assets substantially exceeded the budgeted levels, which, in the light of an exceptional year marked by COVID-19, is viewed as a major achievement.

The quality of the loan portfolio was maintained, with the development of risk costs significantly more positive than planned. Companies demonstrated sufficient financial reserves with a very low number of installment deferrals in this segment in relation to the total number.

Asset growth was largely the result of investments in infrastructure, healthcare, real estate financing, and an increase in existing credit trades. Last year, the bank completed several new key transactions acting as a syndicated loan arranger.

During the year, there was further significant growth in the demand for project financing, mainly directed at new residential properties. In 2021, Tatra banka funded a much larger number of green projects.

The bank continued to pay particular attention to increasing client satisfaction during the year. The segment again recorded an above-average satisfaction index. The bank invested significant effort in further development of **Business** banking[TB] for corporate clients and service digitalization, implementing the digital signature. It focused on further progress in optimizing a number of processes.

The bank also directed its energy into the acquisition of new corporate clients and new foreign investors in Slovakia, although with the pandemic and uncertainty in the background, there were fewer than in previous years.

Corporate Centers

Tatra banka evaluates 2021 as an extremely successful year in the medium-sized corporate client segment. By adapting the business model to new market conditions, the segment achieved excellent business results and recorded a noticeable increase in digitally processed requests. The results of a client satisfaction survey clearly put the bank in the leading position on the Slovak market in this segment.

Even in such a challenging economic environment, segment revenues grew year on year, mainly as a result of credit trades and foreign payments. Thanks to the economic recovery, the provision of loans increased 16 percent since Q2 compared to the year before. As much as 30 percent of new loans were used to finance commercial real estate, with another nearly 40 percent designated for clients' investment plans. After the end of loan installment deferral, most clients were able to resume their original repayment schedules, which contributed to a continuous improvement in the portfolio quality. Current accounts dominated deposit products due to prevailing low interest rates, and primary deposits reached record levels.

Corporate Products

The 2021 business results were considerably affected by the return to economic growth, although combined with uncertainty related to the development of the COVID-19 pandemic. Nevertheless, the demand for loans and other business and project financing products offered by the bank was relatively stable with increased dynamics particularly in the second half of the year.

Demand for real estate project financing continued to increase. The amount of loans drawn increased by more than EUR 100 million year on year, which reinforced Tatra banka's position as a clear leader on the Slovak market.

Factoring and financing of receivables was one of the market leaders again in 2021, with year-on-year sales growth. There was a slight decrease in the amount of loans drawn for financing agricultural and renewable energy source projects. The principal reason is the regular amortization of existing financed projects and a very low volume of new loans for renewable energy sources.

In electronic banking for corporate clients, Tatra banka continued its further development of **Business** banking[TB] and digital signing. **Business** banking[TB] was actively used by more than 50 percent of large and medium-sized bank business clients in 2021. Clients primarily use the app to make payments. **Business** banking[TB] is able to process a large number of payments with more than 8 million payments made annually. Moreover, clients can file almost 20 different applications online, including loan drawdown, guarantees, card management, standing orders, and changing authorized persons. Since summer 2021, our clients can also see an overview and details of their loan products, factoring, guarantees, and letters of credit.

The bank is making a great effort towards eliminating the paper world. Digital signing for corporate clients was introduced at the beginning of Q2 2021. It has considerably expanded since then and more than 2,000 contracts and documents have been signed in this way in 8 months. In addition to making processes much simpler and faster, it has a positive effect on the environment. Currently, our clients can digitally sign all service documents such as for opening an account, issuing a card, changing authorized persons, and confirming or modifying repayment schedules via **Business** banking[TB], **Internet** banking[TB], or the **Tatra banka** mobile app. In addition to the above, the bank can use this way to sign bank guarantees or bank information that clients often need for public tenders.

Capital Market Products

Last year, the financial markets were influenced by many different events and factors. Following a series of lockdowns and restrictions, the economies of several countries gradually began to open. From a macroeconomic perspective, the most significant factor was definitely the globally growing inflation. In many countries, it reached the highest level in several decades. Consequently, the affected central banks have been forced to carefully review their ultra-loose monetary policy and consider changes in their base interest rates.

After the Fed cut its interest rate to zero in March 2020, in 2021 financial markets began to reflect and factor in the likelihood of an increase in the near future while taking a guess when the Fed would end its bond-buying program. The Bank of England already increased its rates in mid-December. Unlike other central banks, the signals sent by the ECB have been that there are no plans to make any changes to the key interest rate, so as in 2021, it should also remain half a percent below zero in 2022. Nevertheless, it is quite clear that its response will have to be similar sooner or later. This divergence in the expectations of currency policy changes also meant that both USD and GBP ended the year almost 8 percent stronger than in Q1. From the neighboring countries, interest rate increases were seen mainly in the Czech Republic, Hungary, and Poland. As a result, the currencies of those countries, the most frequent business partners of Tatra banka's clients, were also considerably volatile.

In terms of corporate client activity, the second pandemic year could, from the perspective of their foreign currency transactions, be described as a "gradual return to normal". This was reflected in an increase in the number of spot transactions in which they needed to buy or sell a foreign currency as well as in increased interest in hedging foreign exchange risk, especially in their longer-term contracts, traditionally most often in the form of forwards. This increased activity may also be related to the fact that COVID-19 significantly disrupted many traditional supply and demand chains, and many of the bank's clients had to look for new business partners, often worldwide.

Thus, after a long time, an increase in interest rates of some currencies in which Tatra banka' clients hold their excess liquidity also sparked their interest in term deposits.

Concerns about possible interest rate hikes and uncertainty that came from financial markets and the ECB were reflected in clients' increased interest in pricing interest on their loans (whether new or current) at a fixed interest rate, but also in growing demand for interest rate collateral products, especially interest rate swaps and interest rate options. As concerns interest rate derivatives, it was still a rather low number of transactions, although of a large value, which will bring the bank's clients a more peaceful sleep and better planning of their cash flow in the future.

Over the past year, the topic of ESG (Environment, Social, Governance) was not only fully present in a certain group of entities aware of it, but also increasingly resonated in relation to the financial markets and financial market products. One of the areas in which the topic was very actively present was the area of securities issues. This trend was more pronounced in new issues of debt securities, where investors started to prefer bonds that also contained this component, or issuers with a high ESG rating. These are "green issues", the frequency of which will increase with time.

Tatra banka tapped into this interest in the first half of the year and became the first banking institution in the CEE region to successfully launch its GREEN BOND with a 7-year maturity with a volume of EUR 300 million. The issue appealed to a wide range of investors, mostly financial institutions from the CEE region, including Slovakia, Germany, Austria, France, Italy, Benelux, and others.

Last year, Tatra banka again defended its position as the bank with the largest trading volumes of Slovak government bonds and based on this was again chosen as the arranger of a 15-year syndicated bond issue with a volume of EUR 1.5 billion.

In light of last year's developments and observations, ESG and digitization are expected to dominate services and products in 2022 as well. These are precisely the areas in which Tatra banka wants to offer its services and products to its clients and confirm its position as innovation leader on the Slovak banking market.

Digital Banking

In 2021, Tatra banka's digital banking confirmed its important role in fulfilling the bank's strategic goals. More than 99 percent of transactions at Tatra banka were made through digital channels. Over 44 million domestic payments were made via client apps such as **Internet** banking[TB], the **Tatra banka** mobile app, and **Tatra banka VIAMO**.

Internet Banking

Tatra banka offered clients a brand new redesigned **Spending** report[TB] with new categorization of income and expenses. For users, it means fewer uncategorized transactions. With more precise categorization based on tags, more than 90 percent of transactions are automatically classified into categories. Clients can also choose when their month begins and their own period for viewing income and expenses. We also introduced new default categories such as ‚culture', the new designation of categories by icon, as well as a new and clearer graphic display and interactive charts.

In 2021, **Internet** banking[TB] users were also offered the option to set up a simplified confirmation of payments by entering their PIN. For payments up to EUR 3,000 per day, they no longer need to use the Card and Reader (**Karta** a Čítačka[TB]), which makes it much easier and faster to send payments and authorize selected transactions.

For non-clients, the bank has prepared a web interface to verify their identity using face biometrics and their ID card. In this way, non-clients can also open an account with Tatra banka or set up online access to their supplementary pension savings account from the comfort of their home. Moreover, online verification of non-clients also allows them to receive an instalment loan from Tatra banka to make purchases at selected online stores.

The **TatraPay** internet payment service (credit transfer to a contract merchant's account) recorded an increase of 57 percent in the number of transactions and 51 percent growth in the value of transactions year on year. A total of 3.4 million payments with a value of more than EUR 176 million were made using **TatraPay**.

Mobile Applications

A number of new features were introduced in mobile banking in 2021 relating to sales, services, and client satisfaction. Our **Tatra banka** mobile app underwent the biggest changes and saw an increase of 15 percent in active users last year, reaching half a million logged-on active users per month.

The app maintained a high user satisfaction rating during the year with an NPS of more than 74 points. High satisfaction was also demonstrated by defending the wins in the nationwide Smart Bank and Nay Techbox surveys, where the **Tatra banka** mobile app was once again voted the best mobile banking app in Slovakia.

The most important changes implemented last year include a simpler Lite version of the Tatra banka mobile app. This unique new product offers much easier navigation and control of the basic app functions such as account, transactions, and payment. This simplifies the user experience for basic needs and products.

Another new feature is the new **Spending** report[TB]. The popular tool to analyze expenses has undergone several improvements in the mobile app as well as **Internet** banking[TB].

In sales, the option to open a Digital Business Account for single-person companies for both clients and non-clients was added, as well as the option to request an account transfer from another bank directly in the application for a new current account for natural persons. The end of the last year was marked by a number of analytical and preparation projects that will positively influence the already high user experience and will also contribute to the achievement of mobile banking objectives.

DIALOG Live and Raiffeisen Bank Infoline

DIALOG Live and Raiffeisen Infoline play an indispensable role in the multi-channel client service. In several respects 2021 was unique, with the client being the center of attention in any consideration of improving the services of the contact center. The client desktop upgrade has considerably simplified the work of the bank contact center operators. By adding additional views, features, and connecting it to key banking applications, it has been made much more efficient as well. This had a significant positive impact on client service. Working from home has become a standard part of work at the contact center, which in terms of service availability allows an even more flexible response to unforeseen situations.

In addition to the service, Raiffeisen Bank **Infoline** also promoted its sales objectives on a much larger scale in 2021. Opening an account, granting a loan, and opening a pension savings account have become permanent parts of its services.

Digital client education has acquired a new dimension. In addition to being handled the traditional way, client requirements on the phone are also „assisted“. This means that a contact center employee navigates the client in the mobile app in addressing service and product requirements without any interference with internal systems. With a high number of E2E processes that are part of the **Tatra banka** mobile app and **Internet** banking[TB], the client acquires further digital skills. The scope of the assistance provided by **Chatbot** Adam[TB], which is used as part of **DIALOG** Live services as an intermediary in service chats with clients, is continuously increasing. The chatbot is currently able to handle almost 75 percent of all chat queries received by **DIALOG** Live.

Acceptance of Payment Cards

Tatra banka maintained its position as a leader on the Slovak market in payment card acceptance in 2021. Despite prevailing restrictions related to COVID-19, Tatra banka's business partners generated a turnover of EUR 5.018 billion on POS terminals with a total of nearly 186.5 million transactions. In 2021, 23.2 million transactions totaling EUR 754 million were made using **CardPay** and **ComfortPay**. The number of payment transactions over the internet keeps growing and increased 35.7 percent compared to 2020.

In terms of innovations, the bank offered its clients, merchants accepting card payments, a groundbreaking solution. They no longer need a physical POS terminal to accept payments, they can use the **Tatra banka POS** app designed for Android cell phones.

At the end of 2021, Tatra banka had 17,253 active POS terminals, almost all of which supported contactless payments. The share of contactless transactions on Tatra banka's POS terminals was more than 82 percent in 2021.

Alternative payment methods (watch, cell phones) comprised about 12.5 percent of all payments on POS terminals.

ATMs

At the end of 2021, Tatra banka operated 350 ATMs. Of this number, 167 were cash dispensers and 183 were recycled ATM 2.0s. Throughout the year, cash dispensing ATMs were replaced with recycling ATM 2.0s with 38 new recycling additions into the network. In addition to standard ATM functions, such as cash withdrawal with a payment card or a cell phone, ATM 2.0s also offer cash deposits to any euro currency account with Tatra banka or Raiffeisen Bank by entering the account number or by selecting the last accounts to which the client made deposits, by scanning a QR code with the account number, or by using the Pay By Square option and scanning the code from invoices.

A total of more than 10.8 million cash withdrawals of almost EUR 3.38 billion were made via Tatra banka's ATMs. Clients made over 2.42 million deposits with a value exceeding EUR 2.28 billion.

During the year, clients showed increasing interest in cash withdrawals with a cell phone. More than 1.44 million withdrawals were made in this way totaling EUR 148.6 million. The number of withdrawals with a cell phone accounted for 13.3 percent of the total withdrawals from Tatra banka's ATMs.

Consolidated financial statements

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board, Audit Committee and Board of Directors
of the company Tatra banka, a.s.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Tatra banka, a.s. (further referred to as "the Bank") and its subsidiaries (further referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31st, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies and accounting methods.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) of the European Parliament and of the Council 537/2014 of April 16th, 2014 on special requirements for the statutory audit of Public Interest Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Act No. 423/2015 Coll. On Statutory Audit and on amendments and supplements to the Act on Accounting No. 431/2002 Coll. as per later amendments (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors, that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matter:

Provisions for loans and advances to customers

As disclosed in Note 22 to the consolidated financial statements, the Board of Directors created impairment allowances for total expected credit losses on loans and advances to customers in the amount of EUR 238,757 thousand (as at 31 December 2020: EUR 223,650 thousand).

Key Audit Matters	*How the Matter Was Addressed in the Audit*
Part II. Principal accounting principles of the consolidated financial statements states that the Group considers the creation of impairment allowances for expected credit losses to be significant accounting estimates that require management judgment to identify significant increases in credit risk and default, impairment estimates, including estimates of future cash flows and valuation of collateral received, as well as in the implementation of complex credit models. In addition, during 2021, the estimate of expected credit losses was significantly affected by the global pandemic Covid-19 and the associated expected decline in the economic activity of the Group's clients. If specific or portfolio expected credit losses on loans were not properly identified and estimated, the carrying amount of loans provided to clients could be materially incorrect, accordingly we have identified an estimate of expected credit losses as our significant risk. For the above reasons, we consider the creation of impairment allowances for expected credit losses to be a key audit matter.	• We became familiar with the Group's methodology related to creation of impairment allowances and assessed whether the methods, estimates and data sources and their application were appropriate in relation to the requirements of IFRS 9; • We requested relevant information in the area of risk management and information technology (IT) in order to gain an understanding of the provisioning process, the IT applications used, key data sources and assumptions used in expected credit loss models. We assessed and tested the Group's IT control environment in relation to security and data access in cooperation with IT specialists; • We have assessed and tested how selected controls are designed and operationally effective, including controls related to loss event/default identification, suitability of credit classification for standard and non-standard exposures, rating determination, calculation of default days, collateral valuation and overall estimate of expected credit losses; • We assessed whether the Group appropriately took into account the effects of market disruption resulting from the COVID-19 pandemic when determining the stages and measuring expected credit losses; • We used the work of an expert to assess the models used, including the prospective information implemented in them. Based on the sample, we tested and assessed their consistent application, the adequacy of the assumptions and the completeness and accuracy of the relevant data used by the Group to estimate portfolio expected credit losses that have similar credit risk characteristics; • We critically assessed the existence of indicators for classification into Stage 2 or Stage 3 as at 31 December 2021 through credit component analysis and discussions with relationship managers and credit risk management staff;

- For Stage 3 loans classification indicators, we assessed the key assumptions in the Board of Directors' estimates in projecting future cash flows in calculating impairment allowances, such as discount rates, loan collateral values and execution times, and making independent estimates (where relevant);
- We have examined whether relevant quantitative and qualitative information about expected credit losses and credit risk is adequately disclosed in the consolidated financial statements.

Other matters

The Group's consolidated financial statements for the previous year were audited by another auditor, who expressed an unmodified opinion in his report of March 9th, 2021.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

Board of Directors of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards adopted by European union, and for such internal controls as statutory body determines are 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, Board of Directors 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 Board of Directors 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 Groups' financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 skepticism 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 Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's 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.
- We obtain appropriate audit evidence about the financial information of the group's entities or business activities so that we can see the same view of the financial statements. We are responsible for the management, oversight and performance of group audits. We are solely responsible for our auditor's opinion.

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

We also provide those charged with governance with a statement on our compliance with the relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to threaten our independence, and where applicable, we discuss related protective measures. From the matters communicated with those charged with governance, we determine those matters that were most significant in the audit of the consolidated financial statements for the current period and are therefore the key audit matters.

We describe these matters in our auditor's 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

Report on other information contained in the annual report

The Board of Directors is responsible for other information. Other information consists of the information contained in the annual report, compiled in accordance with the requirements of Act no. 431/2002 Coll., On accounting, as amended (the "Accounting Act"), but do not include the consolidated financial statements and our auditor's report on these consolidated financial statements. The information related to the individual annual report required by the Accounting Act is provided in the consolidated annual report (hereinafter the "Annual Report") of the Group and therefore we refer to this report below. Our opinion on the consolidated financial statements does not apply to this other information in the annual report.

In connection with the audit of the consolidated financial statements, it is our responsibility to familiarize oneself with the information contained in the annual report and to assess whether this information is not materially inconsistent with the audited consolidated financial statements or our findings obtained during the audit of the consolidated financial statements appear to be significantly incorrect. If, on the basis of the work we have performed, we conclude that this other information is materially incorrect, we are required to state that fact.

We did not have an annual report at the date of the auditor's report on the audit of the consolidated financial statements. When we obtain the annual report, we assess whether the Group's annual report contains the information required by the Accounting Act and, based on the work performed during the audit of the consolidated financial statements, express an opinion as to whether, in all material respects:

- the information disclosed in the annual report prepared for year 2021 is consistent with the consolidated financial statements for that year,
- the annual report contains information in accordance with the Accounting Act.

In addition, we will state whether we have identified material misstatements in the annual report based on our knowledge of the Group and its situation, which we obtained during the audit of the consolidated financial statements.

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

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

Our opinion on the consolidated financial statements does not cover the compliance of the presentation of the accompanying consolidated financial statements with the requirements of the ESEF Regulation.

After Board of directors 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.

Additional requirements for the content of the auditor's report pursuant to Regulation (EU) of the European Parliament and of the Council 537/2014 of April 16th, 2014 on specific requirements for the statutory audit of Public Interest Entities.

- *Appointment and Approval of the Auditor*

  We were appointed as auditor by Board of Directors of the Group on June 21th, 2021 based on the resolution of the Group's General Meeting on April 30th, 2021. The period of our total uninterrupted engagement including our previous renewals and reappointments of the statutory auditors is 1 year.

- *Consistency with the additional report for Audit Committee*

  Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit committee of the Group which we issued on the same date as the issue date of this report.

- *Non-audit Services*

  We have not provided non-audit services that are prohibited under article 5, paragraph 1 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council from April 16th, 2014 on specific requirements regarding statutory audit of public-interest entities and we are independent of the Group. Except for statutory audit and services published in the consolidated financial statements, we have not provided to the Group and its subsidiaries any other services.

BDO Audit

BDO Audit, spol. s r. o.
Licence UDVA No. 339

ÚRAD PRE DOHĽAD NAD VÝKONOM AUDITU
UDVA
339
číslo licencie
BDO Audit, spol. s r.o.

Ing. Alena SERMEKOVÁ
Licence UDVA No. 815

ÚRAD PRE DOHĽAD NAD VÝKONOM AUDITU
UDVA
815
číslo licencie
CERTIFIKOVANÝ AUDITOR
Ing. Alena Sermeková

March 3th, 2022
Pribinova 10
Bratislava, Slovak republic

Consolidated statement of comprehensive income for the year ended as at 31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2021	2020
Interest income calculated using effective interest rate method		274 088	291 348
Other interest income		45 871	9 709
Interest expenses		(20 146)	(9 377)
Net interest income	**(1)**	**299 813**	**291 680**
Dividend income	(1)	26	10
Net interest income and dividend income	**(1)**	**299 839**	**291 690**
Fee and commission income		206 398	183 757
Fee and commission expense		(51 712)	(51 104)
Net fee and commission income	**(2)**	**154 686**	**132 653**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(3)	617	384
Net profit/(loss) from financial instruments held for trading and exchange rate differences	(4)	25 758	30 157
Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss	(5)	431	1 995
Special levy of selected financial institutions	(6)	-	(25 550)
Other operating profit	(7)	4 193	5 291
Other operating loss	(7)	(3 010)	(2 388)
General administrative expenses	(8)	(230 162)	(231 507)
Contribution to the Resolution fund and the Deposit guarantee fund	(9)	(10 349)	(5 393)
Net modification profit / (loss)	(10)	(31)	(3 675)
(Creation)/release of provisions	(11)	(1 314)	16 294
(Creation)/release of provisions for expected losses from commitments and guarantees given	(12)	(2 993)	(1 714)
Impairment allowances for financial assets not measured at fair value through profit or loss	(13)	(24 292)	(64 077)
Impairment allowances for non-financial assets	(14)	(281)	(4 272)
Profit/(loss) on non-current assets and assets for disposal classified as held for sale	(15)	(2 790)	96
Profit before tax		**210 302**	**139 984**
Income tax	(16)	(48 248)	(34 277)
Profit after tax		**162 054**	**105 707**

	Note	2021	2020
Other comprehensive income after income tax:			
Items which can be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income		(2 007)	1 015
Cash flow hedges		-	(962)
Income tax related to items which can be reclassified to profit or loss		430	5
Items which can be reclassified to profit or loss		**(1 577)**	**58**
Items which will not be reclassified to profit or loss			
Equity instruments at fair value through other comprehensive income		5	502
Income tax related to items which will not be reclassified to profit or loss		(1)	(106)
Items which will not be reclassified to profit or loss		**4**	**396**
Other comprehensive income after income tax		**(1 573)**	**454**
Comprehensive profit after tax		**160 481**	**106 161**
Basic and diluted earnings per ordinary share (face value EUR 800) in EUR	**(17)**	**2 001**	**1 328**
Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR	**(17)**	**10 005**	**6 640**
Basic and diluted earnings per preference share (face value EUR 4) in EUR	**(17)**	**10.0**	**6.6**

Consolidated statement of financial position as at 31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2021	2020
Assets			
Cash and Other deposits payable on demand	(18)	167 532	142 189
Cash balances at central banks	(18)	4 067 786	1 572 152
Financial assets held for trading	(19)	90 279	54 549
Non-trading financial assets mandatorily at fair value through profit or loss	(20)	17 105	19 891
Financial assets at fair value through other comprehensive income	(21)	341 203	221 211
Financial assets at amortised cost	(22)	14 534 893	13 345 050
Hedging derivative financial assets	(23)	4 322	14 191
Change in fair value of hedged items in interest rate risk hedging	(24)	3 727	-
Non-current tangible assets	(25)	96 252	109 871
Investment property	(25)	-	1
Non-current intangible assets	(25)	65 771	57 265
Current tax asset	(26)	309	34
Deferred tax asset	(27)	38 159	36 266
Other assets	(28)	68 929	63 771
Non-current assets held for sale	(29)	15 257	4 290
Total assets		**19 511 524**	**15 640 731**
Equity and liabilities			
Financial liabilities held for trading	(30)	46 713	84 277
Financial liabilities at amortised cost	(31)	17 893 555	14 089 060
Hedging derivative financial liabilities	(32)	8 503	3 322
Change in fair value of hedged items in interest rate risk hedging	(33)	-	1 991
Provisions	(34)	78 386	70 739
Current tax liability	(35)	13 211	4 028
Other liabilities	(36)	723	-
Total liabilities	**(37)**	**37 627**	**42 068**
Equity and liabilities		**18 078 718**	**14 295 485**
Equity (excluding profit for current year)	(38)	1 270 752	1 239 539
Profit after tax		162 054	105 707
Total equity		**1 432 806**	**1 345 246**
Total equity and liabilities		**19 511 524**	**15 640 731**

Consolidated statement of changes in equity for the year ended 31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Revaluation differences from instruments at fair value through other comprehensive income	Retained earnings	AT1 capital	Profit after tax	Total
Equity as at 1 January 2021	**64 326**	**(97)**	**298 095**	**(1 311)**	**15 343**	**4 690**	**758 493**	**100 000**	**105 707**	**1 345 246**
Total profit after tax										
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***162 054***	***162 054***
Other comprehensive income										
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	(1 577)	-	-	-	(1 577)
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	4	-	-	-	4
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**(1 573)**	**-**	**-**	**-**	**(1 573)**
Transfer in equity[1)]	**-**	**-**	**-**	**-**	**-**	**(1 573)**	**-**	**-**	**162 054**	**160 481**
Transactions with owners of the Group										
Contributions and distributions										
Distribution of profit, of which	-	-	-	-	23	-	31 394	-	(105 707)	(74 290)
transfer to retained earnings	-	-	-	-	-	-	*99 378*	-	*(99 401)*	-
dividend paid – ordinary shares	-	-	-	-	-	-	*(60 285)*	-	-	*(60 285)*
dividend paid – preference shares	-	-	-	-	-	-	*(7 699)*	-	-	*(7 699)*
AT1 revenue payment	-	-	-	-	-	-	-	-	*(6 306)*	*(6 306)*
Disposal of treasury shares	-	576	-	9 024	-	-	-	-	-	9 600
Profit from the sale of ordinary and preference shares	-	-	319	-	-	-	-	-	-	319
Repurchase of preference shares	-	(500)	-	(8 049)	-	-	-	-	-	(8 549)
Total contributions and distributions	**-**	**76**	**319**	**975**	**23**	**-**	**31 393**	**-**	**(105 707)**	**(72 921)**
Equity as at 31 December 2021	**64 326**	**(21)**	**298 414**	**(336)**	**15 366**	**3 117**	**789 886**	**100 000**	**162 054**	**1 432 806**

[1)] *see "Distribution of the Bank's profit for 2020"*

Consolidated statement of changes in equity for the year ended 31 December 2020

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Revaluation differences from instruments at fair value through other comprehensive income	Revaluation differences from cash flow hedges	Retained earnings	AT1 capital	Profit after tax	Total
Equity as at 1 January 2020	**64 326**	**(347)**	**297 596**	**(4 598)**	**15 767**	**20 443**	**760**	**612 350**	**100 000**	**135 078**	**1 241 375**
Total profit after tax											
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***105 707***	***105 707***
Other comprehensive income											
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	818	-	-	-	-	818
Cash flow hedges	-	-	-	-	-	-	(760)	-	-	-	(760)
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	396	-	-	-	-	396
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**1 214**	**(760)**	**-**	**-**	**-**	**454**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**1 214**	**(760)**	**-**	**-**	**105 707**	**106 161**
Transfer in equity	**-**	**-**	**-**	**-**	**-**	**(9 831)**	**-**	**9 831**	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**	**-**	**-**	**(7 136)**	**-**	**7 136**	**-**	**-**	**-**
Transactions with owners of the Group											
Contributions and distributions											
Distribution of profit, of which	-	-	-	-	(424)	-	-	129 176	-	(135 078)	(6 326)
transfer to retained earnings	-	-	-	-	-	-	-	*129 176*	-	*(128 752)*	-
AT1 revenue payment	-	-	-	-	-	-	-	-	-	*(6 326)*	*(6 326)*
Disposal of treasury shares	-	333	-	4 417	-	-	-	-	-	-	4 750
Profit from the sale of ordinary and preference shares	-	-	499	-	-	-	-	-	-	-	499
Repurchase of preference shares	-	(83)	-	(1 130)	-	-	-	-	-	-	(1 213)
Total contributions and distributions	**-**	**250**	**499**	**3 287**	**(424)**	**-**	**-**	**129 176**	**-**	**(135 078)**	**(2 290)**
Equity as at 31 December 2020	**64 326**	**(97)**	**298 095**	**(1 311)**	**15 343**	**4 690**	**-**	**758 493**	**100 000**	**105 707**	**1 345 246**

Consolidated cash flow statement for the year ended 31 December 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		***210 303***	***139 984***
Adjustments for non-cash transactions		***(270 283)***	***(256 241)***
Interest expense	(1)	20 146	9 377
Interest income	(1)	(319 959)	(301 067)
Dividend income	(1)	(26)	(10)
Impairment loss allowances, provisions for losses and other provisions, net	(11-14)	7 736	13 205
(Profit)/loss on sale and other disposal of investment property	(7)	632	(1 731)
(Profit)/loss from sale of non-current assets held for sale	(15)	2 748	(96)
Unrealised (profit)/loss from financial derivatives and securities held for trading	(4)	(20 941)	2 600
Unrealised (profit)/loss from non-trading financial assets mandatorily at fair value through profit or loss	(5)	504	(112)
Unrealised (profit)/loss from hedging derivatives	(4)	9 612	(6 810)
Net (profit)/loss from securities at fair value through other comprehensive income		(3 259)	(2 505)
Depreciation and amortisation	(8)	32 907	29 677
Impairment allowances for investment property		314	-
(Profit)/loss from foreign exchange operations and other operations with cash and cash equivalents	(4)	(697)	1 231

	Note	2021	2020
Cash flows used in operating activities before changes in working capital, interest received and paid and income tax paid		***(59 980)***	***(116 257)***
(Increase)/decrease in operating assets			
Obligatory reserve with National Bank of Slovakia	(18)	(2 495 634)	(436 997)
Loans and advances to banks and customers	(22)	(945 829)	(267 304)
Financial assets held for trading	(19)	(29 100)	(15 129)
Non-trading financial assets mandatorily at fair value through profit or loss	(20)	2 282	(10 906)
Other assets	(28)	(1 112)	10 244
Increase/(decrease) in operating liabilities:			
Deposits from customers and current bank accounts	(31)	1 186 608	377 168
Financial liabilities held for trading	(30)	(36 387)	42 683
Other liabilities	(37)	(7 009)	15 025
Cash (used in)/earned from operations before interest paid received and income tax paid		***(2 386 161)***	***(401 473)***
Interest paid	(1)	(42 225)	(22 633)
Interest received	(1)	321 823	264 169
Income tax paid	(16)	(40 879)	(33 490)
Cash flows from operating activities, net		**(2 147 442)**	**(193 427)**

Cash flows from investment activities			
(Increase) in debt securities at amortised cost	(22)	(467 940)	(1 945 466)
Decrease in debt securities at amortised cost	(22)	397 673	1 363 554
(Increase) in debt securities at fair value through other comprehensive income	(21)	(200 626)	(220 546)
Decrease in debt securities at fair value through other comprehensive income	(21)	84 049	387 447
Interest received from financial assets at amortised cost	(22)	9 429	27 526
Proceeds from the sale or disposal of non-current tangible and intangible assets	(25)	1 212	2 572
Acquisition of goodwill	(25)	(1 651)	-
Purchase of non-current tangible and intangible assets	(25)	(35 074)	(38 856)
Acquisition of subsidiary, net of cash acquired		(16 546)	-
Dividends received	(1)	26	10
Cash flows from investment activities, net		**(229 448)**	**(423 759)**

	Note	2021	2020
Cash flows from financing activities			
Redemption of preference shares	(38)	(8 550)	(1 213)
Sale of preference shares	(38)	9 920	5 250
Loans received	(31)	2 237 000	886 263
Loans paid	(31)	-	(106 747)
Subordinated debt	(31)	(3)	(38)
Received debt security liabilities	(31)	309 523	113 955
Repayments of debt security liabilities	(31)	(54 800)	(280 660)
Rentals paid	(31)	(17 304)	(11 231)
Dividends paid	(38)	(74 290)	(6 327)
Cash flows from financing activities, net		**2 401 496**	**599 252**
Effects of exchange rate changes on cash and cash equivalents and other effects	(18)	739	(1 275)
Change in cash and cash equivalents		**25 343**	**(19 209)**
Cash and cash equivalents, beginning of the year*	(18)	142 189	161 398
Cash and cash equivalents, end of the year*	**(18)**	**167 532**	**142 189**

** Cash and cash equivalents include bank overdrafts payable on demand (nostro accounts)*

Notes to Consolidated financial statements for the year ended 31 December 2021

I. GENERAL INFORMATION

Scope of activities

The consolidated group of Tatra banka (hereinafter referred to as the „Group") consists of the parent company Tatra banka, a joint stock company (hereinafter referred to as „the Bank" or „the Parent company") with its registered office in Bratislava at Hodžovo námestie č. 3 plus 9 subsidiaries. The Bank was established on 17 September 1990 and registered in the Commercial Register on 1 November 1990. The identification number of the Bank is 00 686 930; the tax identification number is 202 040 8522.

The Group offers a wide range of banking and financial services. Its core activities include receipt of deposits, provision of loans, domestic and cross-border money transfers, provision of investment services and investment activities. Valid list of all the Group's activities is issued in the Commercial Register of the Parent company, its subsidiaries and associates.

The Parent Company's Shareholders as a percentage of voting rights:

	2021	2020
Raiffeisen CEE Region Holding GmbH, Vienna	89.11 %	89.11 %
Others	10.89 %	10.89 %
Total	**100.00 %**	**100.00 %**

The Parent company's Shareholders as a percentage of subscribed share capital:

	2021	2020
Raiffeisen CEE Region Holding GmbH, Vienna	78.78 %	78.78 %
Others	21.22 %	21.22 %
Total	**100.00 %**	**100.00 %**

The Parent company's Shareholders as absolute shares of subscribed share capital:

	2021	2020
Raiffeisen CEE Region Holding GmbH, Vienna	50 678	50 678
Others	13 648	13 648
Total	**64 326**	**64 326**

The Parent company performs its activities in the Slovak Republic through 80 branches, corporate centres and corporate centre sub-agencies and 62 branches of the Organisational Unit of Raiffeisen Bank. In addition, there are 7 other branches of Tatra Leasing.

The Parent company's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Parent company's (the Group) as at 31 December 2021:

Supervisory Board	
Chairman:	Andrii STEPANENKO
Vice-chairman:	Johann STROBL
Members:	Peter LENNKH
	Peter GOLHA
	Tomáš BOREC
	Iveta MEDVEĎOVÁ
	Iveta UHRINOVÁ
	Hannes MÖSENBACHER
	Andreas GSCHWENTER

Board of Directors	
Chairman::	Michal LIDAY
Members:	Marcel KAŠČÁK
	Peter MATÚŠ
	Natália MAJOR
	Bernhard HENHAPPEL
	Johannes SCHUSTER
	Martin KUBÍK

Changes in the Parent company's (the Group) Supervisory Board in 2021:

Andreas Gschwenter – termination of office of a member of the Supervisory Board as at 1 June 2021 and appointed to office of Supervisory Board from 29 September 2021.

Changes in the Parent company's (the Group) Board of Directors in 2021:

There were no changes in the structure of the Group's Board of Directors during 2021.

Business name of the ultimate parent company:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the ultimate parent company preparing the consolidated financial statements:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the immediate parent company:
Raiffeisen CEE Region Holding GmbH, Vienna, Austria

The RBI Group represents the parent company Raiffeisen Bank International and its subsidiaries and associated undertakings owned directly or indirectly through its subsidiaries.

Raiffeisen Bank International AG prepares consolidated financial statements. The consolidated financial statements of the Raiffeisen Bank International AG Group (the „RBI Group") are deposited with the register court Handelsgericht Wien at Marxergasse 1a, 1030 Vienna, Austria. The shares of Raiffeisen Bank International AG are listed on the Vienna Stock Exchange.

Definition of the consolidated group:

As at 31 December 2021, the Group comprised the Parent Company and the following companies (the „consolidated entities“):

Company	Direct share	Share of the Group in %	Indirect share through consolidated companies	Company ID No.	Principal activities	Consolidation method	Seat
Tatra Residence, a. s.	100 %	100 %	n/a	35 730 561	Business services	Full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	n/a	35 742 968	Asset management	Full consolidation	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100 %	100 %	n/a	36 291 111	Supplementary pension	Full consolidation	Bratislava
Tatra-Leasing, s.r.o.	100 %	100 %	n/a	31 326 552	Leasing	Full consolidation	Bratislava
Eurolease RE Leasing, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	45 985 812	Mediation activities	Full consolidation	Bratislava
Rent GRJ, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	36 804 738	Leasing	Full consolidation	Bratislava
Rent PO, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 823 267	Leasing	Full consolidation	Bratislava
IMPULS-LEASING Slovakia s. r. o.	-	100 %	Tatra-Leasing, s.r.o.	36 745 804	Leasing	Full consolidation	Bratislava
IMPULS-LEASING Services s. r. o.	-	100 %	Tatra-Leasing, s.r.o.	44 426 682	Leasing	Full consolidation	Bratislava

Changes in the Group during 2021

Company Rent CC, s.r.o. in liquidation, liquidated on 6 August 2021.

Acquisition of subsidiary

As of the record date, 17 August , 2021, the company Tatra-Leasing, s. r. o. acquired 99.85% of the company's share of IMPULS-LEASING Slovakia s.r.o. and company Eurolease RE Leasing, s. r. o. acquired 0.15% of the company's share of IMPULS-LEASING Slovakia s.r.o., thus the bank acquired a 100% indirect stake in the company IMPULS-LEASING Slovakia s.r.o.. Company IMPULS-LEASING Slovakia s.r.o. owns subsidiary IMPULS-LEASING Services s.r.o. with a share of 100%.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

Cash	16 546
Total	**16 546**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

Assets	
Cash and Other deposits payable on demand	6 338
Financial assets at amortised cost	181 543
Investments in subsidiaries, joint ventures and associates	7
Tangible assets	1 677
Intangible assets	4 638
Other assets	4 291
Total Assets	**198 494**

Liabilities and equity	
Financial liabilities measured at amortized cost	178 807
Provisions	431
Current tax liability	290
Deferred tax liability	507
Other liabilities	2 569
Total liabilities	**182 604**

Total identifiable net assets acquired	**15 890**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets / Liabilities acquired	Description
Financial assets:	
Loans and receivables, net	Adjusted discounted cash flow model
Tangible assets:	
Property, plant and equipment	Cost approach; Market approach for owned business
Leased assets (operating lease)	Book value
Intangible assets:	
Computer software and licenses	Cost approach
Customer relationships	Multi-period excess earnings method used for existing customer relationships
Trademark	Trademark full ownership not part of the transaction
Workforce	Cost approach based on theoretical replacement costs of the workforce
Financial liabilities:	
Received loans	Adjusted discounted cash flow model
Other:	
Other assets and liabilities	Book value

Goodwill arising from the acquisition has been recognised as follows:

Consideration transferred	16 546
Book value of equity	12 750
Purchase price surplus	**3 796**
Fair value adjustments	
Existing assets	468
Existing liabilities	(860)
Newly identified intangible assets	4 367
Total FV adjustments	**3 975**
Deferred tax liability	(835)
FV adjustment after deferred tax	3 140
Goodwill	**656**

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Distribution of the Parent company's profit for 2020

AT1 Investment certificate revenue payment*	6 306
Contribution to retained earnings	100 007
Total	**106 313**

** AT1 Investment certificate revenue payment will take place in accordance with the issue conditions of the instrument.*

Payment of dividends from the Parent company's retained earnings

Dividends – ordinary shares	60 285
Dividends – preference shares	7 919
Total	**68 204**

Dividend amount per 1 piece of ordinary share with nominal value of 800 EUR amounted to 848 EUR. Dividend amount per 1 piece of ordinary share with nominal value of 4 000 EUR amounted to 4 240 EUR. Dividend amount per 1 piece of preference share with nominal value of 4 EUR amounted to 4.25 EUR.

The separate and consolidated financial statements for 2020, the Annual Report for 2020, the distribution of profit, retained earnings and the determination of royalties to the members of the Supervisory Board for 2020 were approved by the Parent company's General Meeting held on 30 April 2021. Dividends for which no entitlement arose in the amount of 220 thousand EUR till the date of the General Meeting, were recognised in retained earnings of previous years as of September 30, 2021.

Regulatory requirements

The Group is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rates and foreign exchange positions of the Group.

Impact of the COVID-19 coronavirus pandemic

The economic damage caused by the next waves of coronavirus, which also spread to Slovakia last year, is not even close to that of the initial first wave, and with each subsequent wave they are slightly milder. This development mainly reflects the gradual adaptation of companies and consumers to the new conditions.

The Slovak economy recorded a 1.3 % decline in GDP in the first quarter of 2021 under the influence of a strong second wave of coronavirus. It was an order of magnitude lower than during the first wave, and the economy caught up with these losses in the following quarter, when it grew by as much as 1.9 % quarter on quarter. Subsequently, she continued to revive. The third wave with a dominant delta variant, which erupted in Slovakia in the autumn months, was estimated to have caused even less economic damage than the second. The recovery of the domestic economy only slowed rather than interrupted.

The overall effects of the COVID-19 coronavirus pandemic on the Slovak economy thus weakened significantly compared to the previous year, and GDP returned to almost a pre-pandemic level due to the continuing recovery. The labour market situation has also improved significantly. Wages have risen at a solid pace and the unemployment rate has been steadily declining, although it still has a long way to go back to pre-pandemic levels.

The recovery of the domestic economy, the improvement of the situation on the labour market and the resilience of domestic consumption supported the growth of bank loans and deposits. The increase in demand for loans, especially mortgages, was also due to the fact that the ECB, unlike many other central banks, has not yet raised interest rates in an effort to avoid jeopardizing the economic recovery from the pandemic, despite soaring consumer prices. At the same time, however, this development resulted in interest rates on the Slovak market continuing to fall and pulling down net interest income.

At the same time, the pandemic did not lead to an increase in non-performing loans in the past year either, and given the current and expected economic development, there is no reason to assume that it will occur. The creation of provisions in 2021 was thus significantly lower than in 2020.

Despite the fact that the overall economic situation improved compared to the previous year and most clients returned to the smooth repayment of loans even after the legislative postponement of repayments, the pandemic still had a significant negative impact on the financial situation of individual individuals, sole proprietors and companies. The group continued to meet these clients in a difficult financial situation through standard and individual solutions.

The group, of course, continued to benefit from its long-standing strategic focus on digital innovation, which allowed clients to use the full range of services easily and comfortably, despite the limitations of the pandemic.

We expect that the direct effects of the pandemic on the economy, clients and thus the group will continue to mitigate in the coming year.

The following table presents the carrying amount of loans and advances subject to the public guarantee scheme as at 31 December 2021:

	2021	*2020*
Loans and advances to banks	**-**	**-**
Loans and advances to customers	**213 199**	**206 917**
Public sector	-	-
Corporate clients	51 721	42 132
Retail clients	161 478	164 785
Total	**213 199**	**206 917**

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses, subject to legislative and non-legislative moratoriums by the remaining maturity of the moratoriums as at 31 December 2021.

	Gross carrying amount			*Remaining maturity of moratoriums*					*Impairment allowances for expected losses*	
		Of which: exposures with relief measures	Of which: expired	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year		*Of which: exposures with relief measures*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**1 205 721**	**91 316**	**1 147 974**	**51 473**	**3 759**	**2 348**	**167**	**-**	**(53 823)**	**(22 475)**
Public sector	-	-	-	-	-	-	-	-	-	-
Corporate clients	414 799	61 375	368 889	45 910	-	-	-	-	(25 684)	(15 186)
Retail clients	790 922	29 941	779 085	5 563	3 759	2 348	167	-	(28 139)	(7 289)
Total	**1 205 721**	**91 316**	**1 147 974**	**51 473**	**3 759**	**2 348**	**167**	**-**	**(53 823)**	**(22 475)**

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses subject to legislative and non-legislative moratoriums by stages as at 31 December 2021.

	Gross carrying amount				*Impairment allowances for expected losses*			
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**473 197**	**655 003**	**77 521**	**-**	**(1 778)**	**(10 242)**	**(41 803)**	**-**
Public sector	-	-	-	-	-	-	-	-
Corporate clients	201 728	171 757	41 314	-	(1 250)	(2 826)	(21 608)	-
Retail clients	271 469	483 246	36 207	-	(528)	(7 416)	(20 195)	-
Total	**473 197**	**655 003**	**77 521**	**-**	**(1 778)**	**(10 242)**	**(41 803)**	**-**

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses, subject to legislative and non-legislative moratoriums by the remaining maturity of the moratoriums as at 31 December 2020.

	Gross carrying amount			*Remaining maturity of moratoriums*					*Impairment allowances for expected losses*	
		Of which: exposures with relief measures	Of which: expired	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year		*Of which: exposures with relief measures*
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	**1 623 097**	**13 486**	**979 765**	**536 676**	**64 418**	**32 318**	**9 920**	**-**	**(37 158)**	**(6 415)**
Public sector	-	-	-	-	-	-	-	-	-	-
Corporate clients	708 140	3 957	411 774	256 731	23 438	6 277	9 920	-	(18 086)	(2 170)
Retail clients	914 957	9 529	567 991	279 945	40 980	26 041	-	-	(19 072)	(4 245)
Total	**1 623 097**	**13 486**	**979 765**	**536 676**	**64 418**	**32 318**	**9 920**	**-**	**(37 158)**	**(6 415)**

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses subject to legislative and non-legislative moratoriums by stages as at 31 December 2020.

	Gross carrying amount				*Impairment allowances for expected losses*			
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	**390 568**	**1 201 285**	**31 244**	**-**	**(1 176)**	**(18 690)**	**(17 292)**	**-**
Public sector	-	-	-	-	-	-	-	-
Corporate clients	36 840	659 154	12 146	-	(75)	(9 399)	(8 612)	-
Retail clients	353 728	542 131	19 098	-	(1 101)	(9 291)	(8 680)	-
Total	**390 568**	**1 201 285**	**31 244**	**-**	**(1 176)**	**(18 690)**	**(17 292)**	**-**

Impact of IBOR reform

Following the financial crisis, the reform and replacement of reference interest rates such as EUR LIBOR, GBP LIBOR, CHR LIBOR, JPY LIBOR and other interbank offered rates („IBOR“) have become a priority for global regulators.

Banks‘ risk exposure, which is directly affected by the reference interest rate reform, consists mainly of corporate loans, which are measured at amortized cost. These loans are mainly in EUR.

Since 2022, indices such as EONIA, ON EUR LIBOR, ON GBP LIBOR, ON CHF LIBOR, JPY ON LIBOR have stopped. During 2021, the bank managed to update all contracts that were established on the basis of these contracts, indices such as ESTER, SONIA, SONAR, TONAR.

The same applies to other LIBOR terms in GBP, CHF, JPY and EUR, which have ceased to be published on 1. 1. 2022. All indices are replaced by term rates calculated on the basis of ON rates. The main difference in the methodology is that current LIBOR rates are published for the loan period (for example, three months or six months) and are „forward-looking“ because they are published at the beginning of the lending period.

New rates calculated on the basis of ON indexes (ESTER, SONIA, SOFR, TONAR is „ backward-looking“ rate and is published at the end of the overnight lending period. LIBOR also includes a credit spread above the risk-free rate, which new rates (based on ESTER, SONIA, SOFR, TONAR) do not include. For the transition of existing treaties and agreements, which refer to LIBOR, on rates based on ON-rates (ESTER, SONIA, SOFR, TONAR), credit differences need to be applied, so that these two reference rates can be economically equivalent in the transition.

During 2021, the council set up a project team consisting of key treasury, financial, risk, IT and legal staff to implement the transition. This project team has implemented a contract plan that will cease to publish benchmarks from 2022, in order to minimize potential business disruption and mitigate operational risks and potential financial losses. This project designs and implements changes to systems, processes, risk management and valuation models, as well as the management of related tax and accounting implications. As of 31 December, 2021, all contracts based on LIBOR (except USD) were updated to the new indices. The swaps were passed according to ISDA protocols.

For other indices, such as EURIBOR or USD LIBOR, the Group will begin to amend contracts in 2022 to include retrospective clauses, which will automatically apply in the event of an index with a new representative index being torn off.

The following table presents the carrying amount of financial instruments that have not yet been converted to an alternative benchmark rate as at 31 December 2021:

	EURIBOR	*LIBOR*	*PRIBOR*	*Total*
Financial assets	**3 787 780**	**1 770**	**18 028**	**3 807 578**
Loans and advances	3 763 815	1 770	18 028	3 783 613
Debt securities	5 087	-	-	5 087
Positive fair value of financial derivatives held for trading	14 556	-	-	14 556
Receivables from hedging derivatives	4 322	-	-	4 322
Financial liabilities	**127 765**	**139**	**-**	**127 904**
Debt securities issued	103 369	-	-	103 369
Negative fair value of financial derivatives held for trading	16 032	-	-	16 032
Liabilities from hedging derivatives	8 364	139	-	8 503

II. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis for presentation

The consolidated financial statements of the Group (hereinafter also" financial statements") for 2021 and comparatives for 2020 have been prepared in accordance with International Financial Reporting Standards (" IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) no. 1 126/2008 as amended including valid interpretations of the International Financial Reporting Interpretations Committee (" IFRIC"), further" IFRS".

Standards and Interpretations effective in the current period

The Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. The adoption of these standards and amendments to the existing standards and new interpretations had no significant impact on the Bank's accounting policies.

The following standards came into force on 1.1.2021:

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

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities.

The amendments will require the Bank to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate

benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

The Bank has disclosed information regarding the additions in the section "Impact of the IBOR reform" in these financial statements.

This adjustment had an insignificant effect on the financial statements.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions – the amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss. (effective for annual periods beginning on or after April 1, 2021).

As of the date of these financial statements, the following new standards have been issued by the IASB and endorsed by the EU, but have not yet become effective:

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – in determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts (effective for annual periods beginning on or after January 1, 2022).

Annual Improvements to IFRS Standards 2018-2020 - Amendment to IFRS 9 Financial Instruments – the improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf (effective for annual periods beginning on or after January 1, 2022).

IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss (effective for annual periods beginning on or after January 1, 2022).

The Bank does not expect any significant impact on the separate financial statements of these amendments to standards.

IFRS 17 - Insurance contracts - was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithful-ly represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity‘s financial position, financial performance and cash flows.

The Bank does not expect any of its financial instruments to fall in scope of IFRS 17.

Purpose of preparation

The purpose of preparing these Consolidated financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll. The Group prepares its separate and consolidated financial statements and annual report under special regulation – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). Separate and consolidated financial statements prepared in compliance with IFRS as at 31 December 2021 dated 3 March 2022, will be available in the Financial Statements Register in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, the user should not rely exclusively on these financial statements when making decisions.

The financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

Items	Measurement basis
Non-derivative financial instruments at FVTPL	Fair value
Derivative financial instruments	Fair value
Debt and equity securities at FVOCI	Fair value
Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships (which otherwise would have been measured at amortised cost)	Amortised cost adjusted for hedging gain or loss

Basis of preparation of the financial statements

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

The reporting currency used in the financial statements is the euro (”EUR”) with accuracy to EUR thousands, unless otherwise indicated.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules, or other factors could subsequently result in a change in estimates or other adjustments which could have a material impact on the reported financial position and results of operations.

The effect of a change in accounting estimates shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both. Significant areas of judgement include the following:

- The creation of impairment allowances for credit losses involves many uncertainties concerning the outcomes of the risks mentioned above and requires the Bank's management to make many subjective assessments when estimating the amount of losses. Measurement of the impairment allowances for expected credit losses for financial assets at amortised cost and at fair value through other comprehensive income, loan commitments and financial guarantees is an area which requires application of models and significant judgements regarding such future economic conditions and credit behaviour. Considering the current economic conditions, the result of estimates may differ from the impairment provisions recognised as at 31 December 2021. The item is reported in "*(Creation)/release of provisions for expected losses from commitments and guarantees given*" or "*Impairment allowances for financial assets not measured at fair value through profit or loss*".

- The income tax rules and regulations have recently experienced significant changes; there is a limited historical precedent or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, the tax authorities have broad powers as regards the interpretation of tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of any potential review conducted by the tax authorities. Since many areas of the Slovak tax law have not been sufficiently validated yet in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty cannot be quantified and disappears only when legal precedents or official interpretations of the competent authorities become available. The item adjustment for the uncertain realisation of a deferred tax asset is disclosed in the Note 16 "*Income Tax*".

- Provisions for litigation consider a significant degree of judgment in the expected future development of the respective litigation based on the facts available at the time of their creation. However, the actual outcome of the respective litigation may ultimately differ significantly from the expected state as a result of the development of the litigation itself. *(Creation)/release of provisions for litigation* is reported in" *(Creation)/release of provisions*".

- Amounts recognised as provisions are based on the management's judgment and represent the best estimate of expenses required to settle the liability with uncertain timing or uncertain amount payable.

b) Consolidation principles

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (refer to Note I. GENERAL INFORMATION) for the year ended 31 December 2021.

IFRS 12 requires disclosure about significant judgments and assumptions used to define the character of an investment in a company or in an agreement, investments in subsidiaries, joint-agreements and affiliates and in non-consolidated structured entities. Based on the analysis performed by management, the Group does not have any interest in consolidated structured entities, nor in unconsolidated structured entities.

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.

I. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition related costs (transaction costs) are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the statement of profit or loss.

II. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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 on which control commences until the date on which control ceases.

III. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

IV. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other component of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

V. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

VI. Method of consolidation

The Bank has assessed the shares in and control over its subsidiaries with respect to IFRS 10, IFRS 11 and IFRS 12. Subsidiaries are consolidated using the full consolidation method.

c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euros and reported in the financial statements as at the exchange rate declared by the European Central Bank (ECB) valid as at the balance sheet date. Income and expenses denominated in foreign currencies are recorded in euros in the underlying accounting system of the Group and are reported in the financial statements at the actual exchange rate of the European Central Bank valid as at the date of the transaction.

Exchange rate gains/(losses) from foreign exchange transactions including unrealised gains and losses from financial assets revaluations to fair value are included in the Statement of Comprehensive Income item "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Exchange rate gains (losses) from equity financial instruments at fair value through other comprehensive income are included in "*Other comprehensive income*".

The unrealised gain or loss from fixed term transactions are recognised only in EUR where fair value is calculated by the standard mathematical formula on the anticipated forward exchange rate basis, which takes into account the European Central Bank spot rate and interest rates effective as at the balance sheet date and is reported in the item "*Hedging derivative financial assets*" or in the item "*Hedging derivative financial liabilities*" in the statement of financial position, and "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*" in the statement of comprehensive income.

Off-balance sheet transactions denominated in foreign currency are translated into euros in the Bank's off-balance sheet using the ECB spot exchange rate valid as at the balance sheet date.

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

Cash, cash balances at central banks and other demand deposits consist of cash and balances on advances in the National Bank of Slovakia, including the compulsory minimum reserve in the National Bank of Slovakia. Other demand deposits (cash equivalents) include current deposits due to banks payable on demand.

The compulsory minimum reserves in the National Bank of Slovakia are a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic. The interest rate is determined by the European Central Bank on a regular basis after the end of each period.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

The Group has applied a new approach to the classification and measurement of financial assets that considers the business model in which the assets are managed and as well as the characteristics of their cash flows.

The Group classifies financial instruments into four categories of financial assets and two categories of financial liabilities:
1. Financial assets measured at amortised cost (AC),
2. Financial assets measured at fair value through other comprehensive income (FVOCI),
3. Financial assets mandatorily measured at fair value through profit or loss (FVTPL),
4. Financial assets measured at fair value through profit or loss (FVTPL),
5. Financial liabilities measured at amortised cost (AC) and
6. Financial liabilities measured at fair value through profit or loss (FVTPL).

Financial assets are measured at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Occasional or insignificant sales, pre-maturity sales or sales which do not constitute a change in business model are not contrary to the intention to hold the financial assets to maturity to collect contractual cash flows.

A financial asset is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting the contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment–by–investment basis for each investment and takes into account strategic interests. Profits and losses from revaluation are not recognised in profit or loss. After derecognition of the investment, the final profit or loss is recognised in retained earnings.

All other financial assets, i.e., financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI, are classified as subsequently measured at fair value, with changes in fair value recognised in the statement of comprehensive income.

In addition, the Group has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency, i.e. an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Based on the business model and cash flow circumstances a financial asset is classified into one of these categories upon initial recognition.

Business model assessment

The Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level, as this reflects the way the business is managed and information is provided to management.

The Group has the following business models:

- Credit and investment portfolio "*hold-to-collect*"
- Liquid portfolio "*hold and sell*"
- Trading portfolio
- Hedging portfolio
- Equity investment portfolio

The following are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) is evaluated and reported to the entity's key management personnel,
- What are the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed,
- How managers of the Group are compensated (e.g., whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected),
- The frequency, value and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity, and
- Whether sales activity and the collection of contractual cash flows are integral or incidental to the business model ("*hold-to-collect*" versus "*hold and sell*" business model).

Financial assets held for trading and those which are managed and whose performance is measured based on a fair value basis will be measured at FVTPL.

Analysis of contractual cash flow characteristics

Once the Group determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely the payments of principal and interest. For this purpose, interest is defined as a consideration for the time value of money, the credit risk associated with the principal during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on initial recognition of the financial asset.

When assessing whether the contractual cash flows are solely the payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group will consider:
- Prepayment, extension terms,
- Leverage features,
- If a claim is limited to specified assets or cash flows,
- Contractually-linked instruments, and
- Interest rate.

Modification of time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for the passage of time (IFRS 9.B4.1.9A). It does not take into account other risks (credit, liquidity etc.) or costs (administrative, etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). This is the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case, the entity must assess the modification to determine whether the contractual cash flows still represent solely the payments of principal and interest, i.e., the modification term does not significantly alter the cash flows from a "perfect" benchmark instrument.

1. Financial assets measured at amortised cost (AC)

The main components of the portfolio of financial assets measured at amortised cost are:
- Loans and advances in "*hold-to-collect*" business model and
- Debt securities in "*hold-to-collect*" business model.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortised cost using the effective interest rate method, less impairment losses.

When signing a loan agreement, the Group books the credit facility as off-balance sheet. The loan is recognised by the Group in the statement of financial position when providing funds to the debtor. During this exercise, the Group creates potential liabilities that are associated with credit risk. The Group recognises potential off-balance sheet liabilities and creates provisions for such liabilities that represent the level of risk of issued guarantees, letters of credit and undrawn credit limits as at the balance sheet date.

Debt securities

The portfolio is a non-derivative financial asset with fixed or determinable payments and a fixed maturity that the Group intends and has the ability to hold to maturity in accordance with the established "*hold-to-collect*" business model. The portfolio includes, in particular, securities issued by the government and other creditworthy securities.

Debt securities at amortised cost are measured using the effective interest rate less impairment. Interest income, discounts and premiums on debt securities at amortised cost are recognised in the statement of comprehensive income under "*Interest income calculated using effective interest rate method*".

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

The Group owns two portfolios of financial assets at fair value through other comprehensive income. These are portfolios for:

- Equity investments not held for trading and
- Debt securities in "*hold and sell*" business model.

Equity investments

Equity investments in the portfolio of financial assets at fair value through other comprehensive income are measured at fair value. This portfolio includes, in particular, shares in privately-owned companies in which there is no active market, or in companies in which they are required to participate (Bratislava Stock Exchange, S.W.I.F.T. s. c., D. Trust Certifikačná Autorita, a. s., Slovak Banking Credit Bureau, s. r. o.).

Dividends on financial assets at fair value through other comprehensive income are recognised in the statement of comprehensive income under "*Net interest income and dividend income*". Fair value gains or losses on equity investment measured at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Debt securities

Debt securities in the portfolio of financial assets at fair value through other comprehensive income are initially measured at fair value plus or minus transaction costs directly attributable to the acquisition or issue. Unrealised gains and losses arising from changes in fair value are recognised in the item "*Revaluation reserve for financial instruments at fair value through other comprehensive income*" within the Group's equity until the moment of disposal or impairment. In the event of a disposal or impairment of a debt security, the cumulative gains and losses recognised

in "*Revaluation differences for financial instruments at fair value through other comprehensive income*" are reclassified to the statement of comprehensive income under "*Net profit / (loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss*".

Impairment of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantees

The calculation of expected credit losses requires the use of accounting estimates which may differ from the actual results. For the purposes of calculation, the management also considers the Group's accounting policies.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments – assets measured at amortised cost and through other comprehensive income (FVOCI) and with the exposure arising from loan commitments, leasing receivables and financial guarantee contracts. The Group recognises impairment allowance for such losses as at each reporting date.

Measurement of expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and 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.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are:

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

The estimation of credit exposure for risk management purposes is complex and requires the use of models. The assessment of credit risk for a portfolio of assets entails further estimations as to the probability of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment based on the changes in credit quality since the initial recognition. This model requires that a financial instrument which is not impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not deemed to be impaired. If the financial instrument is impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible in the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses, it is necessary to consider forward-looking information. Purchased or originated impaired financial assets are financial assets that are impaired on initial recognition. Their expected credit loss is measured on a lifetime basis (Stage 3).

Expected credit losses are recognised in the Statement of comprehensive income as "*Impairment allowances for financial assets not measured at fair value through profit or loss*" and as "*(Creation)/ release of provisions for expected losses from commitments and guarantees given*". If the reason for recognition of an allowance no longer applies or the amount of the allowance/provision is unreasonable, surplus allowances/provisions will be released through the same line of the statement of comprehensive income.

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:

Quantitative criteria

The Group uses quantitative criteria as the primary indicator of a significant increase in credit risk for all material portfolios. For quantitative staging, the Group compares the lifetime PD curve at measurement date with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition, assumptions are made about the structure of the PD curve. For highly rated financial instruments (i.e., instrument with a better than average rating of relevant portfolio), it is assumed that the PD curve will deteriorate over time. For low-rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating.

The Group applies increase in PD as a criterium for SICR determination for all portfolios with officially validated Lifetime PD models. Currently, these are the following: mortgages and home equity loans, personal loans, credit cards for private individuals (PI), and PI overdrafts. Significance trigger (a threshold value) is defined during model development as it is evaluated for each of these portfolios separately. It corresponds to a predefined quantile of distribution of logit differences of cumulative PDs (current and at origination), assessed on worsening portfolio. Currently, RBI Group's recommended quantile = 0.5 (i.e., median) is used for all portfolios.

Qualitative criteria

The Group uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. Transfer to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement

Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to the credit spread, the credit default swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost, and other market information related to the borrower (such as changes in the price of a borrower's debt and equity instruments).

Expected changes in the contractual terms including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at a deal level for all non-retail portfolios held by the Group.

For retail portfolios, if the borrower meets one or both criteria enlisted below:
- Forbearance
- Expert judgement

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at a deal level for all portfolios held by the Group.

Backstop

A backstop is applied if the financial instrument is considered to have experienced a significant increase in credit risk when a borrower is more than 30 days past due on its contractual payments. In some limited cases, the presumption that financial assets which are more than 30 days past due should be in Stage 2 is rebutted. Rebuttance can be performed only due to technical reasons (such as failed or incorrect IT processes for past due data calculation) and only in rare situations when correction of input data cannot be successfully remedied in the original IT system.

The Group has not used the low credit risk exemption for any lending business; however, it selectively uses the exemption for debt securities due to low credit risk.

Definition of default and impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

When the borrower is more than 90 days past due on its contractual payments, no attempt is made to rebut the presumption that financial assets which are more than 90 days past due should be in Stage 3.

The borrower meets unlikeliness to pay criteria, which indicates that the borrower is in significant financial difficulty. These are the cases where:

- The borrower is in long-term forbearance,
- The borrower is deceased,
- The borrower is insolvent,
- The borrower is in breach of financial covenants,
- An active market for that financial asset has disappeared because of financial difficulties,
- Concessions have been made by the lender relating to the borrower's financial difficulty,
- It is probable that the borrower will enter bankruptcy,
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The above criteria have been applied to all financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition, or whether an asset is considered to be impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of default

The probability of default represents the probability of a borrower defaulting on its financial obligation over the next 12 months or over the remaining lifetime of the obligation. As a rule, the lifetime probability of default is calculated using the regulatory 12-month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter, various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. This probability of default is calculated separately for each product type based on the longest possible history of data for the product concerned available in the Group's internal database. Subsequently, various statistical methods are used to estimate the development of the default profile since the initial recognition over the lifetime of the loan or the loan portfolio, in particular: survival rating level analysis, interpolation of 12-month probability of default to loan lifetime and, in case of insufficient data for the above-mentioned models, benchmark values (constants) recommended by a group methodology that differs depending on the product type.

In limited cases, where some inputs are not fully available, grouping, averaging and benchmarking of inputs are used for the calculation.

Loss given default

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated by counting the yield collected for 36 months from the loan default, the resulting percentage loss given default being expressed as an add-up to 100% to the weighted average of all yields over the 36-month observation period of the number of defaulted loans for that product type. In a simplified methodology, the Group does not use the loan-level yields, but yields are counted by date of default.

Exposure at default

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by adding a credit conversion factor to the current drawn balance, which allows for the expected drawdown of the remaining limit by the time of default.

Discount factor

As a rule, for balance sheet exposure which is not leasing or purchased or originated credit-impaired asset (POCI), the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

The expected credit loss is the product of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and by the probability of non-default prior to the considered time period. The latter is expressed by the survivorship function S. This calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by a forward-looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be split into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings – Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages – Stage 3 provisions are generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Forward-looking information

Both, the assessment of a significant increase in credit risk and the calculation of expected credit losses incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

Expert judgment is applied in this process. Forecasts of economic variables (base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used, which means that economic variables tend to achieve either a long run average rate, or a long run average growth rate until maturity. The impact of economic variables on the probability of default, loss given default and exposure at default is determined using statistical regression to understand the impact that changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provide a best-case and worst-case scenario. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, considering the range of possible outcomes that each chosen scenario is representative of. Since the adoption of IFRS 9 in January 2018, the following weights for individual economic scenarios are used in retail: 25% (upturn/ optimistic): 50% (base): 25% (downturn/ pessimistic).

The Group considers these forecasts representing its best estimate of the possible outcomes to cover any potential non-linearities and asymmetries in the Group's different portfolios.

Economic scenarios used as at 31 December 2021 include the following key indicators for the Slovak republic for the years ended 31 December 2022 to 2024:

	(%)	2022	2023	2024
Unemployment rate	Baseline	6.34	5.67	5.61
	Downside	10.92	8.22	8.15
	Upside	3.04	3.84	3.78
Interest rates	Baseline	(0.48)	(0.40)	(0.30)
	Downside	0.40	0.09	0.19
	Upside	(0.92)	(0.65)	(0.55)
GDP growth	Baseline	4.75	3.22	1.96
	Downside	1.60	1.47	0.21
	Upside	6.33	4.10	2.84
Real estate price index	Baseline	2.54	2.66	2.80
	Downside	2.38	2.43	2.47
	Upside	2.70	2.93	3.18

Economic scenarios used as at 31 December 2020 include the following key indicators for the Slovak republic for the years ended 31 December 2021 to 2023:

	(%)	2021	2022	2023
Unemployment rate	Baseline	7.38	6.44	5.84
	Downside	10.38	8.84	7.64
	Upside	4.84	4.41	4.32
Interest rates	Baseline	(0.35)	(0.35)	(0.30)
	Downside	1.30	0.97	0.69
	Upside	(0.35)	(0.35)	(0.30)
GDP growth	Baseline	5.02	2.49	2.50
	Downside	3.50	1.28	1.60
	Upside	6.74	3,87	3.54
Real estate price index	Baseline	1.86	1.90	1.93
	Downside	1,63	1.60	1.58
	Upside	2.13	2.27	2.38

Sensitivity analysis

The assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios
  - Gross domestic product,
  - Unemployment rate,
  - Long term government bond rate,
  - Inflation rate.
- Retail portfolios
  - Gross domestic product,
  - Unemployment rate,
  - Real estate prices.

Write-offs

The Group writes off the loans and advances provided to clients if, based on an in-depth analysis, it proves that there is no real expectation of another recovery or the chance of another recovery is minimal. The usual, though not only, write-off indicators are the following: (i) the debtor does not carry out any activity, no repayment has been made over the past two years and there is no collateral or (ii) the debtor is in bankruptcy, all the assets being monetised and the proceeds realised; (iii) the court has decided (e.g., in case of legal restructuring, debt elimination, etc.) to write off part of the receivable, or (iv) the Group sells the claim, and others. In the event of ongoing litigation or other actions that might eventually lead to a recovery, the Group usually writes off the receivables into the off-balance sheet.

Loans are written-off based on a valid decision of a court, Board of Directors, or another body of the Group (i.e. Problem Loan Committee and Executive Committee), in line with an internal directive on waiving their enforcement against booked impairment allowance. If the amount of the written-off receivable is higher than the impairment allowance created, further impairment allowance is created up to the amount of the written-off receivable and subsequently is derecognised from the statement of comprehensive income. The written-off receivables for which the right to recovery have not expired are recorded in the off-balance sheet. As at 31 December 2021 written off receivables for which the right to recovery have not expired were in the amount of EUR 26 954 thousand (as at 31 December 2020: EUR 21 722 thousand).

After the write-off, the Group does not carry out active enforcement, and only in cases of write-offs to the off-balance sheet does it continues to conduct litigation in order to achieve a recovery in the future. If the Group, after writing off the loans and advances provided to the client, collects additional amounts from the client or obtains control over the collateral that is higher than originally estimated, the yield is recognised in the statement of comprehensive income under "*Impairment allowances for financial assets not measured at fair value through profit or loss*".

Loan collateral

In terms of handling collateral, the Group places emphasis on valuing and revaluing of individual collaterals, determining the value of pledged collateral for secured loans, determining collateral acceptability to mitigate credit risk, and collateral enforcement, should the client be in default.

The Group mainly accepts the following types of collateral:
- Financial collateral
- Guarantees
- Real estate
- Movable assets
- Receivables
- Life insurance

In terms of legal instruments, the Group uses:
- Pledges
- Assignments of receivables intended to serve as security
- Transfers of title intended to serve as security
- Blockages of cash
- Contracts for purchase of securities
- Agreements on liability replacement

The methodology of collateral valuation and the frequency of such revaluation depends on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Group's internal regulations. The method of determining the value of collateral is specific for each type of collateral, and the Group respects a degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation. Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (e.g. type, location and condition of real estate), potential default of the security provider (e.g. credit quality and maturity of financial collateral), and other factors (business strategy and Group orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Group will determine the claim value of collateral up to the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts that may be recovered in the course of liquidating the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Group's decision on the enforcement of collateral is individual and depends on factors such as the current condition and value of the collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs etc. The relevant competent body of the Group decides which security instrument will be used in specific cases.

The Group mainly uses the following forms of enforcement of collateral:
- Voluntary auction,
- Foreclosure procedure,
- Realisation of the collateral for the Group's receivable in a bankruptcy procedure,
- Sale of receivables.

3. Financial assets mandatorily measured at fair value through profit or loss (FVTPL)

When the Group determines that a specific portfolio business model is to hold financial assets in order to collect contractual cash flows (or both: to collect contractual cash flows and to sell financial assets) and assumes that for the financial assets in question, the contractual cash flows do not constitute purely principal and interest payments, the Group recognises those financial assets under "*non-trading financial assets mandatorily at fair value through profit or loss*". Primary as well as subsequent valuation of the listed financial assets is at fair value.

4. Financial assets designated to be measured at fair value through profit or loss (FVTPL)

a. Financial assets held for trading

The Group has acquired held-for-trading financial assets to utilise short-term price fluctuations in order to generate profits. In this category, the Group recognises securities – debt securities, treasury bills and shares. Debt securities and treasury bills are recognised by the Group in the statement of financial position line "*Financial assets held for trading*". All purchases and sales of trading securities are recognised as at the settlement date.

Financial assets held for trading are initially recognised at fair value. The Bank discloses unrealised gains and losses on revaluing such assets to fair value and net interest income in the statement of comprehensive income line "*Net profit / (loss) from financial instruments held for trading and exchange rate differences*".

b. Derivative financial instruments

In this category, the Group discloses derivative financial instruments – interest rate swaps, currency swaps, index swaps, currency forwards, interest rate options, currency options, share index options, currency, interest rate and index futures and commodity derivatives.

All purchases and sales that require delivery within the time frame established by regulation or market convention ("regular way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

The Group records unrealised gains and losses from the revaluation of derivative instruments to their fair values and net interest income in the statement of comprehensive income line "*Net profit/ (loss) from financial instruments held for trading and exchange rate differences*".

c. Embedded derivatives

An embedded derivative is a component of a hybrid contract which also includes a non-derivative host contract. As a result of such a contract, some of the cash flows of such combined instrument change in the same way as for the derivative itself. If a hybrid contract contains a host contract which is an asset and falls within the scope of IFRS 9, the whole contract is treated as a single instrument from an accounting perspective, with the embedded derivative not separated, i.e. the Group analyses the cash flows of the whole asset and the business model, from which the asset was acquired.

If a hybrid contract contains a host contract which is not within the scope of IFRS 9, embedded derivatives are separated and recognised as separate derivatives unless there is a close relationship between the risks and economic characteristics of the derivative and the risks and economic characteristics of the host contract and if the embedded derivative recognised separately meets the definition of a derivative and if the primary contract is not accounted for at fair value, the changes in which are recognised in the statement of comprehensive income. If an embedded derivative is separated, the host contract is recognised in accordance with other standards.

5. Hedging derivatives

Within implementation of IFRS 9, the Group has decided to continue using the original accounting under IAS 39 in the reporting of hedging derivatives. Hedging derivatives are derivatives designed in the Group's strategy to hedge certain risks and meeting all classification criteria for hedging derivatives under international accounting standards. The relationship between the hedging instrument and the hedged item is documented at the origin of the hedging transaction. At the origin and during the existence of the hedging relationship the hedging effectiveness is tested so that the changes in fair values or cash flows from hedged or hedging items are offset with the final results within the range of 80% to 125%.

Fair value hedges

Changes in the fair value of hedging derivatives which are regarded as fair value hedges are recognised in the statement of comprehensive income together with any changes in the fair value of hedged assets or liabilities to which a hedge risk can be attributed. Hedge accounting is discontinued if the Group cancels the hedging relationship, the derivative instrument expires or is sold, terminated, or exercised, or when the hedging relationship no longer meets the criteria for fair value hedge accounting.

The positive fair value of a hedging derivative is recognised in the statement of financial position, line "*Hedging derivative financial assets*". The negative fair value of a hedging derivative is recognised in the statement of financial position, line "*Hedging derivative financial liabilities*". Any change in the fair value of a hedging derivative and a hedged instrument relating to the hedged risk is recognised in the statement of comprehensive income, line "*Net profit / (loss) from financial instruments held for trading and exchange rate differences*". Interest income and expenses related to the hedging derivative are recognised together with interest expenses related to the hedged instruments in the statement of comprehensive income as "*Net interest income and dividend income*" depending on the hedged item type.

Cash flow hedges

The Group uses derivative financial instruments – interest rate swaps to hedge the risk of the variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of changes in interest rates on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of changes in interest rates and the risk of cash flows. The efficiency of such hedging transactions is regularly monitored, and the hedges were efficient during the respective period.

The positive fair value of a hedging derivative is recognised in the statement of financial position, line "*Hedging derivative financial assets*". The negative fair value of a hedging derivative is recognised in the statement of financial position, line "*Hedging derivative financial liabilities*". Only a change in the fair value of a hedging derivative is recognised in the statement of other comprehensive income, line "*Cash flow hedges*". Interest income and expenses related to the hedging derivative are recognised together with interest income related to the hedged instruments in the statement of comprehensive income as "*Net interest income and dividend income*".

Macro hedges

In macro hedges, the Group used the so-called carve-out to IAS 39 adopted by the European Union, which enables hedging of the interest rate risk of core deposits. The Group uses macro hedges for a dynamically changing portfolio of fixed loans and deposits, where it can periodically add hedging and hedging items. In this way, the Group hedges its interest rate risk, with the hedged items (designated part of the portfolio) being remeasured at fair value associated with movements in the risk-free interest rate (or benchmark rate). The fair value of the hedged portfolio of loans and deposits is recognised in the note "*Change in fair value of hedged items in interest rate risk hedging*". The change in the fair value of the hedged portfolio of loans and deposits related to the hedged risk is recognised in the statement of comprehensive income in "*Net profit / (loss) from financial instruments held for trading and exchange rate differences*".

The positive fair value of the hedging derivative is presented in the statement of financial position in "*Hedging derivative financial assets*". The negative fair value of the hedging derivative is recognised in the statement of financial position in "*Hedging derivative financial liabilities*". The movement in the fair value of the hedging derivative and the hedged instrument attributable to the hedged risk is recognised in the statement of comprehensive income in "*Net profit / (loss) from financial instruments held for trading and exchange rate differences*". Interest income and expense from the hedging derivative are presented together with the interest expense and income of the hedged instrument in the statement of comprehensive income in "*Net interest income and dividend income*" depending on the type of hedging item.

6. Financial liabilities measured at amortised cost (AC)

All liabilities of the Group, except for financial liabilities held for trading and hedging derivative financial liabilities, are measured at amortised cost. Subordinated debt is recognised under financial liabilities measured at amortised cost.

Subordinated debt refers to the Group's external funds and, in the event of bankruptcy, composition or Group's liquidation, the entitlement to its repayment is subordinated to liabilities to other creditors. Interest expense paid on the received subordinated debt is recognised through the statement of comprehensive income in "*Interest expense*".

Subordinated debt is a financial liability initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group issues debt securities as part of financial liabilities measured at amortised cost.

7. Financial liabilities measured at fair value through profit or loss (FVTPL)

The Group, within financial liabilities recognised at fair value through profit or loss, recognises short-sell debt securities (”short selling”) and the negative fair value of derivatives from the portfolio of financial liabilities held for trading.

f) Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the financial assets are modified resulting in a significant change in cash flows (see “Modification of financial instruments”), the original asset is derecognised, and a new financial asset is recognised.

The Group derecognises financial liabilities only when the Group’s obligations are discharged or cancelled, or when they expire.

If debt instruments are exchanged between the borrower and the creditor with significantly different terms, the Group derecognises the original financial liability and recognises a new financial liability. The Group proceeds similarly in case there is a fundamental change in the terms of the existing financial liability or part of it.

g) Modification of financial instruments

Modification under IFRS 9 represents a change in the contractual cash flows of the loan/asset based on a change in the contractual terms. If the modification meets the following qualitative or quantitative criteria (substantial modification), it leads to derecognition of the original loan or other asset and recognition of a new one.

The Group defines qualitative criteria as follows:
- Change in loan currency,
- Changes that cause the SPPI test to fail,
- Change in the type of financial asset (e.g. from loan to debt security).

The Group defines the quantitative criteria as follows:
- Extending maturity by more than 50% and over 2 years (cumulative), and/or
- Change in the amortised value (NPV before and after change using the original effective interest rate) of more than 10% or less than 10%, but more than EUR 100 000.

If the modification does not result in the obligation to derecognise the loan/asset, the Group is required to recognise gains or losses on modifications. Gain or loss is equal to the difference between NPV from the new (modified) cash flow and current book value recorded in Note "*Net modification profit / (loss)*".

h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Fair value of derivative instruments is also subject to credit impairment allowances.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally-accepted pricing models based on discounted cash flow analysis.

- *Level 1* – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2* – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- *Level 3* – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Insofar as market prices are available (which is mainly the case for securities traded on the stock exchange and active markets), the Group groups the respective financial instrument based on an observable market price into Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices.

An analysis of the amount of financial instruments recognised at fair value divided according to their fair value measurement levels is disclosed as "*Fair value of financial instruments*".

With respect to the definition of the fair value of financial instruments not revalued to fair value, the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market rates adjusted for an average mark-up for systematic risk.

Transfers between valuation levels

If the security is measured at fair value derived from quoted prices – Level 1 and the security is removed from trading on the stock exchange as well as from the NBS benchmark, the Group transfers such security to Level 2.

If at the initial recognition, the security was measured primarily at a theoretical price – Level 2, the Group changes the security's category from Level 2 to Level 1 by making the first deal on the stock exchange and disclosing its price. If the security is not traded in the following days and the security's price is not disclosed, such security will be transferred back to Level 2.

i) Sale and repurchase agreements – repo transaction

Securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the statement of financial position line "*Financial assets at amortised cost*", and the counterparty liabilities are included in "*Financial liabilities at amortised cost*".

Debt securities purchased under agreements to purchase and resell ("reverse repos") are recorded as assets in the statement of financial position line "*Financial assets at amortised cost*".

The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

j) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Non-current assets are depreciated using the straight–line method based on the estimated useful life. Tangible assets in progress, land and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	Up to 6
Software	Up to 17
Fixtures, fittings and equipment	6 – 10
Energy machinery and equipment	10 – 15
Optical network	30
Buildings and structures	Up to 40

k) Investment property

Investment property represents assets held by the Group in order to earn rentals or for further capital appreciation. Investment property is recognised at cost less accumulated depreciation and provisions for impairment. The net book value of investment property, depreciation charges and rentals are described in "*non-current tangible and intangible assets and investment property*". The creation and release of impairment allowances due to the impairment of investment property is recognised in "*Other operating profit/(loss)*" in "*Creation of impairment allowances for investment property*" or "*Release of impairment allowances for investment property*".

To determine the level of provisions, the Group uses a proprietary model to determine the fair value of investment property, which is based on discounted future income from rentals less direct operating expenses. The fair value of investment property that is not leased but held for appreciation is determined using an independent appraiser's calculation.

The estimated useful life of buildings classified as investment property is 20 to 40 years.

l) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company as at the acquisition date. Goodwill is initially recognised at cost and subsequently its value is adjusted for accumulated losses by its impairment. Goodwill is tested from once to several times a year provided that the events or changes in circumstances indicate that the impairment of value is in compliance with IAS 36 – Impairment of assets. Impairment of goodwill cannot be reversed in the following reporting periods.

m) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the amounts above exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than it carrying amount, the carrying amount of the asset shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through the statement of comprehensive income.

n) Assets held for development and construction

The Group applies the principles of IAS 2 "Inventories" to assets held for development and construction that are designated for subsequent sale. The aforementioned assets are measured at the lower value of either the cost or the net realisable value. The Group recognises assets held for development and construction in "*Other assets*" as "*Assets held for development and construction*".

o) Leases

IFRS 16 Leases

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

IFRS 16 does not largely affect the lessor's accounting. The lessor will continue to distinguish between finance and operating leases.

1. The Group as a lessor

The Group as a lessor initially assesses whether the lease takes the form of a finance lease or an operating lease.

For the classification of a lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the asset. If the Group transfers substantially all the risks and rewards, the lease is classified as financial. Otherwise as an operating lease. One indicator of a finance lease is a lease term that lasts for almost the entire useful life of the asset.

The Group recognises lease payments under operating leases on a straight-line basis over the lease term in Note 7 "*Other operating profit/(loss)*" in "*Income from non-banking operations*".

2. The Group as lessee

The Group leases real estate and other similar assets (branch business premises, parking spaces, data centre, etc.) as part of a longer-term lease.

The Group recognises assets related to operating leases in the statement of financial position in the note 25 "*non-current tangible and intangible assets and investment property*" under "*Land and buildings – Right of use assets*". Information on leases where the Group is a lessee is presented in Note 47 Leases as a lessee (IFRS 16).

p) Non-current assets held for sale

When the carrying amount is recovered through a sale transaction rather than through continuous use, non-current assets are classified as held for sale. This condition is considered to be met only if the sale is highly probable and the assets (or assets for disposal) are readily available for sale and, in addition, management has undertaken to perform the sale. The sales transaction must be completed within twelve months.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value fewer selling costs and are reported under "*non-current assets held for sale*".

q) Provisions

The amount of provisions is recognised as an expense and liability when the Group has legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made, provisions for liabilities are recognised as an expense or a liability. Any loss resulting from the recognition of provision for liability is recognised in the statement of comprehensive income for the period.

r) Provisions for employee benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit. As at 31 December 2021, the Group had 3 327 employees included in the program (31 December 2020: 3 591 employees).

The method of calculating the liability applies actuarial calculations, based on employee age, number of years worked, employee turnover, mortality tables, and discount rates.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by interest approximating yield on investment grade fixed income securities. Gains and losses from the post-employment defined benefit obligation are charged to the statement of comprehensive income in the current year in "*General administrative expenses*". Discount from the liability in this provision is recognised in the current period in the statement of comprehensive income under "*Interest expense*". The provision for employee benefits is recognised in the statement of financial position as "*Provisions*".

The Group also has a defined contribution plan for employees. All company contributions are included in personnel expenses in Note 8 "*General administrative expenses*".

s) Accrued interest

Accrued interest income and expenses related to financial assets and liabilities are presented together with the corresponding assets and liabilities in the statement of financial position.

t) Recognition of income and expense

Income represents an increase in economic benefits during the accounting period in the form of an asset appreciation or a reduction in liabilities resulting in equity increase and are other than those relating to shareholder contributions.

Expense represents a decrease in economic benefits during the accounting period in the form of decrease or impairment of assets, impairment or rise of liability resulting in equity decrease and are other than those relating to the distribution of profit to shareholders.

The Group assesses each contract and product terms and conditions on an individual basis when recognising income and expense:

- Service or other fulfilment for which the reward is received or paid,
- The period in which the income or expense are to be recognised,
- Correct income and expense amount to be recognised depending on product terms and conditions or contract,
- Correct recognition of all discounts and rebates related to received or provided service,
- Significant financial component, if any
- Non-financial services,
- Client rewards,
- Uncertain income.

1) Interest and interest related charges and fees

Paid interest related charges and fees are transaction costs. Transaction costs represent incremental expenses that are part of an effective interest rate which can be directly added to acquisition, issue or disposal of financial assets or liabilities. Incremental expense would not arise without acquisition, issue or disposal of the financial instruments.

Received interest, interest related charges and fees are initial fees related to the acquisition/ provision of financial instrument including compensation for activities such as for the assessment of debtor financial status, assessment and evidence of guarantees and other hedging measurements, preparation and processing of documents and closing of transaction.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

Interest income and expenses, and interest related charges arising on all interest-bearing instruments except for "*Financial assets held for trading*" are accrued in the statement of comprehensive income using the effective interest rate method.

Interest income from "*Financial assets held for trading*" are in the statement of comprehensive income in "*Net interest income and dividend income*".

Interest income / (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

If the Group is a contractual party with deferred payment for received or provided services, income or expense are recognised individually in interest income or expense in the amount related to the service price.

2) Fee and commission income/expense

Fees and commissions that do not form part of the effective interest rate are recognised depending on whether the service is provided on a one-off basis or for a specified period. In case of a service received or provided during a specified period, fees and commissions are recognised during that period on an accrual basis as earned. Fees paid and received for a one-time service are recognised immediately.

Fees and commissions are recognised in the statement of comprehensive income in "*Net fee and commission income*" from financial assets and liabilities not measured at fair value.

The Group applies IFRS 15 to customer contracts if:
- the parties have agreed to the contract,
- it is possible to identify the rights of each party regarding the provision of services,
- it is possible to identify payment terms,
- the contract has a commercial substance,
- it is probable that the Group will receive consideration for the service provided.

In the contract, the Group identifies each obligation to deliver a service or several various services. Each such delivery of a different service is assessed and reported separately by the Group. Revenue is recognised when the service is delivered, i.e., the Group has fulfilled its obligation and the customer has the opportunity to benefit from the delivered service. Revenue is recognised on a one-off basis if it is a one-off service or sequentially if the service is delivered sequentially. A transaction price is set for each service delivery. If the Group receives a consideration from the client but a portion or full amount is expected to be returned, the revenue is not recognised, and the consideration received is recognised as a liability. If the transaction price provides the client or the Group with a significant element of financing the delivery of the service, the financing component and the price of the service are recognised separately.

3) Dividend income

Dividend income is recognised when the dividend is approved to the Group in the statement of comprehensive income line "*Net interest income and dividend income*".

4) Income to be partially returned

Received income, part of which the Group promised to return, is recognised as liability that is measured as at each financial statement date on contractual and probability basis.

u) Basic and diluted earnings per share

The Group reports earnings per share attributable to the holders of each class of share. The Group calculated earnings per share as profits attributable to each class of shares divided by the weighted average number of each class of shares outstanding during the reporting period.

The profit attributable to each class of share is determined based on the face value of each class of share in relation to the percentage of the total face value of all shares.

v) Taxation and deferred taxation

The Group calculates income tax in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided, using the balance sheet method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate anticipated for future periods was used to determine deferred income tax, i.e., 21 %. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises the due corporate income tax in the statement of financial position line "*Current tax asset*" or "*Current tax liability*" and the deferred tax in "*Deferred tax asset*" or "*Deferred tax liability*".

The Group pays various local taxes and value added tax (VAT). Various local taxes are recognised in the statement of comprehensive income line "*Other operating profit/(loss)*". VAT that is non-deductible for the Group is recognised as "*General administrative expenses*" and VAT on the acquisition of noncurrent tangible and intangible assets is included in the cost of non-current tangible and intangible assets.

III. SEGMENT REPORTING

When reporting by segment, the Group applies IFRS 8 – "*Operating Segments*". The accounting principles related to the reported segments are consistent with the Group's accounting principles.

The basis for classifying by segment is an internal principle for the Parent Company management that is customer oriented. It also reflects the segmentation principle of the majority shareholder Raiffeisen Bank International AG. The segmentation applied by the Parent Company is as follows:

- Corporate clients,
- Financial institutions and public sector,
- Retail customers,
- Investment Banking and Treasury,
- Equity investments and others.

Corporate clients include all resident and non-resident companies, including state-owned companies. In terms of products, corporate clients are mainly provided with investment and operating loans in the form of instalment credits or overdraft facilities, factoring and documentary financing, project financing of commercial real estate projects, office premises, construction of shopping centres etc.

Financial institutions and public sector include:

Banks/Supra-Nationals, which include all local and international banks and their majority-owned subsidiaries in the country, and institutions such as the World Bank, EBRD, EIB, IMF, and KfW. In terms of products on the side of assets, exposures to banks mainly include nostro accounts and term deposits made. On the side of liabilities, they included mainly loro accounts, term deposits received and loans received from banks.

Brokers & Asset Management Companies, which include foundations, all broker houses, mutual fund companies, leasing companies, investment banks, and other similar entities. Insurance companies include, for example, pension funds. These entities are mainly provided with investment and operating loans.

Public sector, which includes all government entities, ministries, municipalities, and similar institutions. Corporations that are owned by the public sector (state-owned) are shown under the corporate clients' segment. Banks that belong to the government are defined as financial institutions. Securities of the Slovak Republic are disclosed in the *Investment Banking and Treasury* segment. Embassies and trade representatives are shown in this segment.

Retail Customers consist of *Individuals (Consumers)*, which include all consumer customers, from low-income to high-income. The retail customers segment also includes micro businesses. For private banking, individuals are defined locally, with special treatment to individually manage their assets. In terms of products, retail customers – micro businesses and sole traders – are mainly provided with operating loans called **Business**Úver[TB] Expres, **Business**Úver[TB] Hypo and **Business**Úver[TB] Variant, company credit cards (VISA Standard/Gold) and other products.

Retail customers – households are mainly provided with mortgage loans, equity home loans, **Hypotéka**TB, **Bezúčelový** úverTB Classic, **Bezúčelový** úverTB Garant, private credit cards (Visa Standard/Visa Gold/Visa Platinum) and other products. Retail customers place their financial funds mainly in current accounts and term deposits.

Treasury and Investment Banking consist of business transactions conducted on the Parent company's own account and risk originated from managing market risk positions like FX-dealing, securities and derivatives trading, money market trading, liquidity management and funding, strategic placement positioning (investment portfolio), interest rate gapping (maturity transformation).

Segment reporting is based on the schemes of contribution margins that are calculated as a basis for the management of the Parent Company. In these schemes, revenues and expenses are allocated under the principles of causality, i.e. revenues and expenses are allocated to individual segments based on their place of origin.

"*General administrative expenses*" consist of direct and indirect expenses. Direct expenses (personnel expenses and other administrative expenses) are allocated per individual segment and indirect expenses are allocated in line with the approved ratios.

"*Special levy of selected financial institutions*" was allocated to individual segments according to the daily balances of all liabilities and to all segments.

The structure of items presented in Note III "Segment Reporting" is consistent with similar items of the statement of comprehensive income.

Geographically, operating profit was primarily generated by the provision of banking services in the Slovak Republic. Some assets and liabilities are placed outside the Slovak Republic. The summary of the most significant exposures of total assets and liabilities to customers in foreign countries is included in "*Foreign assets and liabilities*". The Group decided not to report the total amount of revenues from foreign entities owing to their immateriality.

The Parent Company's management monitors the interest income of individual segments on a net basis.

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2021:

	Corporate customers	Financial institution and public sector	Retail customers	Investment banking and treasury	Total reportable segments	Equity investments and other	Total
Net interest income and dividend income	77 015	304	187 333	19 509	**284 161**	15 678	**299 839**
Net fee and commission income	25 790	9 930	119 530	(870)	**154 380**	306	**154 686**
From payment transfers business	*14 515*	*2 163*	*58 873*	*(31)*	***75 520***	*(77)*	***75 443***
From credit processing business	*7 077*	*91*	*10 810*	*-*	***17 978***	*309*	***18 287***
From securities business	*209*	*4 591*	*10 101*	*(413)*	***14 488***	*(75)*	***14 413***
From activities related to the management of investment and pension funds	*58*	*2 899*	*34 742*	*-*	***37 699***	*288*	***37 987***
From activities regarding mediation for third parties	*18*	*-*	*5 515*	*-*	***5 533***	*60*	***5 593***
From guarantee business	*3 657*	*187*	*286*	*-*	***4 130***	*13*	***4 143***
For other banking services	*256*	*(1)*	*(797)*	*(426)*	***(968)***	*(212)*	***(1 180)***
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	617	**617**	-	**617**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	5 514	186	16 321	3 469	**25 490**	268	**25 758**
Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss	(67)	-	462	36	**431**	-	**431**
Special levy of selected financial institutions	-	-	-	-	**-**	-	**-**
Other operating profit	-	-	-	-	**-**	4 193	**4 193**
Other operating loss	-	-	-	-	**-**	(3 010)	**(3 010)**
General administrative expenses	(35 285)	(2 480)	(181 178)	(2 532)	**(221 475)**	(8 687)	**(230 162)**
Contribution to the Resolution fund and the Deposit Guarantee fund	(520)	(78)	(3 136)	(459)	**(4 193)**	(6 156)	**(10 349)**
Net profit/(loss) from adjustment of profit or loss	(1)	-	(30)	-	**-**	-	**(31)**
(Creation)/release of provisions	-	-	-	-	**-**	(1 314)	**(1 314)**
(Creation)/release of provisions for expected losses from commitments and guarantees given	(2 881)	31	(143)	-	**(2 993)**	-	**(2 993)**
Impairment allowances for financial assets not measured at fair value through profit or loss	(8 978)	(75)	(15 294)	55	**(24 292)**	-	**(24 292)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(281)	**(281)**
Net profit on non-current assets held for sale	-	-	-	-	**-**	(2 790)	**(2 790)**
Profit before income tax	**60 587**	**7 818**	**123 865**	**19 825**	**212 095**	**(1 793)**	**210 302**
Income tax	-	-	-	-	**-**	(48 248)	**(48 248)**
Profit after tax	**60 587**	**7 818**	**123 865**	**19 825**	**212 095**	**(50 041)**	**162 054**
Total assets	**4 235 984**	**523 944**	**7 837 838**	**6 508 744**	**19 106 510**	**405 014**	**19 511 524**
Total equity and liabilities	**3 029 548**	**453 430**	**9 573 458**	**4 242 245**	**17 298 681**	**2 212 843**	**19 511 524**

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2020:

	Corporate customers	Financial institution and public sector	Retail customers	Investment banking and treasury	Total reportable segments	Equity investments and other	Total
Net interest income and dividend income	72 557	1 525	200 821	9 260	**284 163**	7 527	**291 690**
Net fee and commission income	25 140	9 530	100 873	(1 002)	**134 541**	(1 888)	**132 653**
From payment transfers business	*13 276*	*1 928*	*52 576*	-	***67 780***	*(544)*	***67 236***
From credit processing business	*8 037*	*79*	*9 922*	*(493)*	***17 545***	*(1 640)*	***15 905***
From securities business	*59*	*5 674*	*16 455*	*(509)*	***21 679***	*(8 145)*	***13 534***
From activities related to the management of investment and pension funds	*10*	*1 684*	*16 980*	-	***18 674***	*7 777*	***26 451***
From activities regarding mediation for third parties	*14*	-	*5 651*	-	***5 665***	*(483)*	***5 182***
From guarantee business	*3 941*	*173*	*298*	-	***4 412***	*39*	***4 451***
For other banking services	*(197)*	*(8)*	*(1 009)*	-	***(1 214)***	*1 108*	***(106)***
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	372	**372**	12	**384**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	7 569	425	12 126	10 102	**30 222**	(65)	**30 157**
Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss	65	-	2 784	(854)	**1 995**	-	**1 995**
Special levy of selected financial institutions	(7 214)	(1 027)	(14 741)	(164)	**(23 146)**	(2 404)	**(25 550)**
Other operating profit	-	-	-	-	**-**	5 291	**5 291**
Other operating loss	-	-	-	-	**-**	(2 388)	**(2 388)**
General administrative expenses	(39 129)	(2 474)	(184 181)	(2 678)	**(228 462)**	(3 045)	**(231 507)**
Contribution to the Resolution fund and the Deposit Guarantee fund	(1 196)	(337)	(1 291)	(410)	**(3 234)**	(2 159)	**(5 393)**
Net profit/(loss) from adjustment of profit or loss	-	-	(3 675)	-	**-**	-	**(3 675)**
(Creation)/release of provisions	-	-	-	-	**-**	16 294	**16 294**
(Creation)/release of provisions for expected losses from commitments and guarantees given	(1 046)	(28)	(640)	-	**(1 714)**	-	**(1 714)**
Impairment allowances for financial assets not measured at fair value through profit or loss	(28 812)	(1)	(35 208)	(56)	**(64 077)**	-	**(64 077)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(4 272)	**(4 272)**
Net profit on non-current assets held for sale	-	-	-	-	**-**	96	**96**
Profit before income tax	**27 934**	**7 613**	**76 868**	**14 570**	**126 985**	**12 999**	**139 984**
Income tax	-	-	-	-	**-**	(34 277)	**(34 277)**
Profit after tax	**27 934**	**7 613**	**76 868**	**14 570**	**126 985**	**(21 278)**	**105 707**
Total assets	**4 258 414**	**266 547**	**7 158 726**	**3 842 334**	**15 526 021**	**114 710**	**15 640 731**
Total equity and liabilities	**3 019 503**	**453 294**	**8 684 390**	**1 962 290**	**14 119 477**	**1 521 254**	**15 640 731**

IV. OTHER NOTES

1. Net interest and dividend income

	2021	*2020*
Interest income calculated using effective interest rate method:	**274 088**	**291 348**
from loans and advances to banks at amortised cost	536	1 551
from loans and advances to customers at amortised cost	258 031	272 471
from debt securities at amortised cost	13 892	15 326
from debt securities at fair value through other comprehensive income	1 629	2 000
Other interest income:	**45 871**	**9 709**
from financial leases	7 956	7 155
from debt securities held for trading	80	198
from derivatives held for trading	134	-
from financial liabilities	37 621	2 259
from other interest income	80	97
Interest expense:	**(20 146)**	**(9 377)**
on deposits from banks	(315)	(680)
on deposits from customers	(458)	(2 023)
on subordinated debts	(2 546)	(2 733)
on liabilities from debt securities issued by the bank at amortised cost	(779)	(1 357)
on derivatives held for trading	-	(529)
on liabilities from debt securities at fair value through profit or loss	-	(131)
on loans and deposits at amortised cost (including negative interest)	(15 207)	(1 194)
on financial leases	(605)	(602)
other interest expenses	(236)	(128)
Net interest income	**299 813**	**291 680**
Dividend income:	**26**	**10**
from financial assets at fair value through other comprehensive income	26	10
Net interest and dividend income	**299 839**	**291 690**

Higher interest income and expenses are associated with the TLTRO program (targeted long-term refinancing operations).

2. Net fee and commission income

	2021	2020
Fee and commission income:	**206 398**	**183 757**
out of which related to IFRS 15:	***202 253***	***179 304***
from payment transfers business	119 448	111 512
from credit processing business	20 325	17 907
from securities business	16 255	15 252
from activities related to the management of investment and pension funds	38 007	26 468
from activities regarding mediation for third parties	5 989	5 735
for other banking services	2 229	2 430
Other fee and commission income	***4 145***	***4 453***
from guarantee business	4 145	4 453
Fee and commission expenses:	**(51 712)**	**(51 104)**
out of which related to IFRS 15:	***(51 710)***	***(51 102)***
from payment transfers business	(44 005)	(44 276)
from credit processing business	(2 038)	(2 002)
from securities business	(1 842)	(1 718)
from activities related to the management of investment and pension funds	(20)	(17)
from activities regarding mediation for third parties	(396)	(553)
for other banking services	(3 409)	(2 536)
Other fee and commission expenses	**(2)**	**(2)**
from guarantees business	(2)	(2)
Net fee and commission income	**154 686**	**132 653**

3. Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss

	2021	2020
Net profit / (loss) from derecognition of financial assets at amortised cost:	**(2)**	**(645)**
Profit / (loss) from debt securities sold	(2)	(645)
Net profit / (loss) from derecognition of financial assets at fair value through other comprehensive income:	**619**	**1 029**
Profit / (loss) from debt securities sold	619	1 029
Total	**617**	**384**

4. Net profit/(loss) from financial instruments held for trading and exchange rate differences

	2021	*2020*
Interest rate contracts – securities:	**(1 136)**	**8 421**
Revaluation to fair value	(2 899)	2 282
Profit/(loss) from securities sold	1 763	6 139
Interest rate transactions – loans and advances to clients:	**354**	**-**
Revaluation to fair value	354	-
Interest rate contracts – liabilities from hedged debt securities:	**13 115**	**(7 345)**
Revaluation to fair value	13 115	(7 345)
Interest rate contracts – derivatives:	**(9 197)**	**5 257**
Realised profit/(loss) from derivatives	(268)	355
Revaluation to fair value	683	83
Revaluation to fair value – fair value hedging derivatives	(9 612)	4 819
Currency contracts:	**919**	**6 183**
Realised profit/(loss) from derivatives	2 516	6 451
Revaluation to fair value of derivatives	(1 597)	(268)
Foreign exchange differences	**21 703**	**17 641**
Total	**25 758**	**30 157**

5. Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss

	2021	2020
Interest-rate contracts – securities:	**498**	**1 930**
Revaluation to fair value	498	1 930
Loans and advances	**(67)**	**65**
Revaluation to fair value	(67)	65
Total	**431**	**1 995**

6. Special levy of selected financial institutions

	2021	2020
Special levy of selected financial institutions:		
Special levy of selected financial institutions	-	(25 550)
Total	**-**	**(25 550)**

From 1 January 2012, banks and branches of foreign banks in Slovakia are obliged to pay a special levy (the so-called bank tax) pursuant to Act No. 384/2011 Coll. on a Special Levy of Selected Financial Institutions and on the Amendment to and Supplementation of Certain Acts (hereinafter the „Special Levy Act"). Banks and branches of foreign banks are obliged to pay the special levy in four quarterly instalments in the amount of one fourth of the annual rate of the amount of the liabilities defined in line with the Special Levy Act. Since 1 January 2020, the annual rate of special bank levy was increased to 0.4 % For the second half of 2020, the obligation to pay a special levy is abolished by the law.

7. Other operating profit/(loss)

	2021	2020
Net gain from disposals of non-current tangible and intangible assets	-	1 774
Income from non-banking operations	2 321	2 004
Other operating income	1 872	1 513
Other operating income	**4 193**	**5 291**

	2021	2020
Net loss from disposal of tangible and intangible fixed assets	(632)	-
Other operating expenses	(2 378)	(2 388)
Other operating expenses	**(3 010)**	**(2 388)**

8. General administrative expenses

	2021	*2020*
Personnel costs:	**(129 309)**	**(134 916)**
Wages and salaries	(91 917)	(95 814)
Social security costs	(33 265)	(33 863)
Other social expenses	(4 191)	(3 972)
(Creation)/release of provisions for employee benefits	64	(1 267)
Other administrative expenses:	**(67 946)**	**(66 914)**
Costs of premises	(9 997)	(10 662)
Costs of information technology	(23 281)	(21 298)
Communication costs	(2 151)	(2 077)
Legal and consultancy costs*	(10 896)	(10 087)
Advertising and entertainment expenses	(13 807)	(15 406)
Consumption of stationeries	(606)	(659)
Transport and processing of cash	(704)	(769)
Travel costs	(750)	(721)
Education of employees	(1 530)	(1 532)
Other taxes and charges	(398)	(314)
Other expenses	(3 826)	(3 389)
Depreciation and amortisation of non-current tangible and intangible assets:	**(32 907)**	**(29 677)**
Non-current tangible assets	(21 448)	(20 366)
out of which: right-of-use assets	*(11 102)*	*(10 250)*
Non-current intangible assets	(11 459)	(9 311)
Total	**(230 162)**	**(231 507)**

* *"Legal and consultancy costs" include fee for the statutory audit in the amount of EUR 315 thousand EUR (2020: EUR 392 thousand and other audit-related assurance services in the amount of EUR 46 thousand (2020: EUR 100 thousand), that related to audit and review of The Group reporting, audit procedures related to NBS prudential returns and FINREP and COREP returns, agreed upon procedures under Act No. 566/2001 Coll. on Securities and Investment Services, preparation of Long-form report for NBS, and other non-audit services in the amount of EUR 11 thousand (2020: EUR 7 thousand), related to English translation, provided training and consultancy.*

9. Contribution to the Resolution fund and the Deposit Guarantee fund

	2021	2020
Contribution to the Resolution fund and the Deposit Guarantee fund		
Contribution to the Resolution fund*	(5 757)	(4 847)
Contribution to the Deposit Guarantee fund	(4 592)	(546)
Total	**(10 349)**	**(5 393)**

* *The Resolution fund represents an annual contribution for banks within the EU that are members of the Banking Union, the amount of which depends from the size and risk profile of the Group as defined in the Bank Recovery and Resolution Directive 2016/59/EU.*

10. Net modification profit/(loss)

	2021	2020
Financial assets at amortised cost:	**(31)**	**(3 675)**
Net modification profit / (loss) – Stage 1	(1)	(1 520)
Net modification profit / (loss) – Stage 2	(25)	(2 155)
Net modification profit / (loss) – Stage 3	(2)	-
Net modification profit / (loss) – POCI	(3)	-
Total	**(31)**	**3 675**

11. (Creation)/release of provisions

	2021	2020
(Creation)/release of provisions for:	**(1 314)**	**16 294**
(Creation)/release of provisions for litigations	(1 314)	16 294
Total	**(1 314)**	**16 294**

In the first quarter of 2020, the Group received a decision on the termination of litigation, on which a provision was created in the outstanding balance of EUR 18 093 thousand. The balance of the provision was released as at the end of 31 March 2020.

12. (Creation)/release of provisions for expected losses from provided commitments and guarantees

	2021	*2020*
Provisions for provided commitments and guarantees (Stage 1):	**(3 174)**	**(152)**
(Creation)/release	(3 174)	(152)
Provisions for provided commitments and guarantees (Stage 2):	**278**	**(1 507)**
(Creation)/release	278	(1 507)
Provisions for provided commitments and guarantees (Stage 3):	**(97)**	**(55)**
(Creation)/release	(97)	(55)
Total	**(2 993)**	**(1 714)**

13. Impairment allowances for financial assets not measured at fair value through profit or loss

	2021	*2020*
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1):	**(6 521)**	**2 035**
(Creation)/release	(6 521)	2 035
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2):	**3 883**	**(23 535)**
(Creation)/release	3 883	(23 535)
Impairment allowances for credit impaired financial assets (Stage 3):	**(20 228)**	**(45 461)**
(Creation)/release	(20 228)	(45 461)
Impairment allowances for financial assets (POCI):	**(1 426)**	**2 884**
(Creation)/release	(1 426)	2 884
Total	**(24 292)**	**(64 077)**

For further information on the impairment allowances for expected credit losses, see Note 21 „*Financial assets at fair value through other comprehensive income*" and Note 22 „*Financial assets at amortised cost*".

14. Impairment allowances for non-financial assets

Movement in impairment allowances for non-financial assets:

	2021	*2020*
(Creation)/release of impairment allowances for non-current tangible assets	(30)	(2 507)
(Creation)/release of impairment allowances for non-current intangible assets	-	(887)
(Creation)/release of impairment allowances for other assets	(251)	(878)
Total	**(281)**	**(2 272)**

15. Net profit/(loss) on non-current assets held for sale

	2021	*2020*
Net profit/(loss) on assets held for sale	(2 790)	96
Total	**(2 790)**	**96**

16. Income tax

	2021	*2020*
Current tax expense	(49 496)	(37 273)
Deferred tax (expense)/income	1 248	2 996
Total	**(48 248)**	**(34 277)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2021, the corporate income tax rate amounted to 21% (2020: 21 %).

Pre-tax profit tax differs from the theoretical tax that would arise using the applicable income tax rate as follows:

	2021	*2020*
Profit before tax	**210 303**	**139 984**
Theoretical tax calculated at the tax rate 21 % (2020: 21 %)	44 164	29 397
Non-taxable income	(2 212)	(4 953)
Tax non-deductible expense	1 409	534
Impairment allowances and provisions, net	3 189	783
Additional tax of previous periods	(647)	888
Creation/(release) of impairment allowances for uncertain realisation of deferred tax assets	(173)	4 461
Impact of non - tax losses	632	13
Impact of consolidation	1 886	3 154
Income tax expense	**48 248**	**34 277**
Effective tax for accounting period	**22.94 %**	**24.49 %**

Deferred tax assets and liabilities as at 31 December 2021 and as at 31 December 2020 relate to the following items:

	Book value	*Tax value*	*Permanent difference*	*Temporary difference*	*2021*	*2020*
Deferred tax assets						
Financial assets at amortised cost	14 534 893	14 746 901	5 434	206 574	43 380	43 132
Financial liabilities at amortised cost	17 893 555	17 894 870	-	1 315	276	310
Non-current tangible assets and investment property	96 252	105 350	1 078	8 020	1 684	3 729
Other assets	68 929	71 452	887	1 636	344	261
Provisions	78 386	615	35 571	42 200	8 862	7 693
Other liabilities	37 627	10 011	-	27 616	5 799	4 653
Total					**60 345**	**59 778**
Deferred tax liabilities						
Financial assets at fair value through other comprehensive income	341 203	337 763	-	(3 440)	(722)	(1 151)
Derivative financial assets	4 322	4 322	-	-	-	-
Total					**(722)**	**(1 151)**
Net deferred tax asset/(liability)					**59 623**	**58 627**
Uncertain realisation adjustment of deferred tax asset					(22 187)	(22 361)
Net deferred tax asset/(liability)					**37 436**	**36 266**

As at 31 December 2021 the Group did not present a deferred tax asset of EUR 22 187 thousand (31 December 2020: EUR 22 361 thousand), which relates mainly to deductible temporary differences arising from impairment allowances for loans and advances. The Group regularly performs testing of derecognition of loan receivables for write-offs from the tax point of view and, based on the results, adjusts the percentage of eligibility estimate of impairment allowances for loans and advances.

17. Basic and diluted earnings per share

2021	*Ordinary shares Face value EUR 800*	*Ordinary shares Face value EUR 4 000*	*Preference shares Face value EUR 4*
Profit after tax in the accounting period attributable to:	121 270	20 957	18 254
Weighted average number of shares outstanding during the period	60 616	2 095	1 824 855
Basic and diluted earnings per share	**2 001**	**10 005**	**10.0**

2020	*Ordinary shares Face value EUR 800*	*Ordinary shares Face value EUR 4 000*	*Preference shares Face value EUR 4*
Profit after tax in the accounting period attributable to:	80 475	13 907	11 779
Weighted average number of shares outstanding during the period	60 616	2 095	1 774 401
Basic and diluted earnings per share	**1 328**	**6 640**	**6.6**

Information on method of calculation of earnings per share is stated in Section II. Principal accounting Policies u).

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

	2021	*2020*
Cash in hand	119 607	115 964
Balances at central banks	4 067 786	1 572 152
Other deposits payable on demand	47 925	26 225
Total	**4 235 318**	**1 714 341**

The obligatory minimum reserve is maintained as an interest-bearing deposit under the regulations of the National Bank of Slovakia and are part of item "*Balances at central banks*". The amount of the reserve depends on the level of deposits accepted by the Group. The Parent company's option to draw a reserve is limited in accordance with the applicable legislation. Therefore, it is not included in "*Cash and cash equivalents*" for the purposes of cash flow statement preparation (see the "*Consolidated cash flow statement*").

19. Financial assets held for trading

	2021	*2020*
Positive fair value of financial derivatives held for trading	**30 302**	**34 453**
Interest rate contracts	14 556	26 886
Currency contracts	15 746	7 567
Debt securities	**47 569**	**20 096**
Government bonds	47 569	20 096
Loans and advances to customers	**12 408**	**-**
Loans and advances to the corporate sector	12 408	-
Total	**90 279**	**54 549**

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

	2021	*2020*
Equity securities, debt securities and other securities with variable yield	**10 402**	**8 197**
Debt securities	8 541	7 433
Mutual funds units*	1 861	764
Loans and advances to customers	**6 703**	**11 694**
Loans and advances to corporate sectors	6 703	11 694
Total	**17 105**	**19 891**

** As at 31 December 2021, the Group held equity securities (mutual fund shares) for which the option of fair value through other comprehensive income (FVOCI) could not be used because these securities have a defined maturity and do not meet the definition of an equity instrument under IAS 32. As at 31 December 2021, the value of the above-mentioned mutual fund shares was EUR 799 thousand (31 December 2020: EUR 764 thousand)*

21. Financial assets at fair value through other comprehensive income

	2021	*2020*
Debt securities	**341 112**	**221 125**
Government bonds	168 693	46 297
Bonds issued by bank sector	103 367	106 437
Bonds issued by other sectors	69 052	68 391
Equity investments	**91**	**86**
Equity instruments	91	86
Total	**341 203**	**221 211**

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2021:

	Gross book value	*Impairment allowances*	*Net book value*
Debt securities	**341 512**	**(400)**	**341 112**
Government bonds	168 696	(3)	168 693
Bonds issued by bank sector	103 375	(8)	103 367
Bonds issued by other sectors	69 441	(389)	69 052
Total	**341 512**	**(400)**	**341 112**

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2020:

	Gross book value	*Impairment allowances*	*Net book value*
Debt securities	**221 484**	**(359)**	**221 125**
Government bonds	46 300	(3)	46 297
Bonds issued by bank sector	106 449	(12)	106 437
Bonds issued by other sectors	68 735	(344)	68 391
Total	**221 484**	**(359)**	**221 125**

Equity instruments broken down per company:

Company	*Group investment (%)*	*Acquisition Cost*	*Adjustment*	*Carrying amount as at 31 December 2021*	*Carrying amount as at 31 December 2020*
Burza cenných papierov v Bratislave, a. s.	0,09	10	(10)	-	-
S.W.I.F.T. s. c., Belgium	0,03	52	39	91	86
D. Trust Certifikačná Autorita, a. s.	10,00	37	(37)	-	-
Slovak Banking Credit Bureau, s. r. o.	33,33	3	(3)	-	-
Total		**102**	**(11)**	**91**	**86**

22. Financial assets at amortised cost

Classification of financial assets measured at amortised cost as at 31 December 2021:

	Gross book value	*Impairment allowances*	*Net book value*
Loans and advances to banks	**74 240**	**-**	**74 240**
Money-market business	5 839	-	5 839
Reverse repo transactions	68 399	-	68 399
Other loans and advances to banks	2	-	2
Loans and advances to customers	**12 705 451**	**(238 757)**	**12 466 694**
Overdraft loans and current account overdrafts	988 650	(17 349)	971 301
Receivables from credit cards	97 683	(5 035)	92 648
Factoring and loans backed by bills of exchange	70 960	(1 549)	69 411
Mortgage and housing loans	5 147 770	(34 413)	5 113 357
Home Equity Loans	898 160	(8 455)	889 705
Consumer loans	1 069 541	(62 780)	1 006 761
Financial lease assets*	363 357	(15 171)	348 186
Investment, operating and other loans	4 069 330	(94 005)	3 975 325
Debt securities	**1 994 026**	**(67)**	**1 993 959**
Treasury bills	25 057	(6)	25 051
Government bonds	1 848 356	(46)	1 848 310
Bonds issued by bank sector	95 854	(8)	95 846
Bonds issued by other sector	24 759	(7)	24 752
Total	**14 773 717**	**(238 824)**	**14 534 893**

* *The increase in receivables from financial leasing is due to the acquisition of a new company (see I. GENERAL INFORMATION: Acquisition of a subsidiary).*

Classification of financial assets measured at amortised cost as at 31 December 2020:

	Gross book value	*Impairment allowances*	*Net book value*
Loans and advances to banks	**109 854**	**-**	**109 854**
Money-market business	10 820	-	10 820
Reverse repo transactions	99 034	-	99 034
Loans and advances to customers	**11 539 683**	**(223 650)**	**11 316 033**
Overdraft loans and current account overdrafts	835 895	(21 542)	814 353
Receivables from credit cards	92 362	(5 637)	86 725
Factoring and loans backed by bills of exchange	49 743	(633)	49 110
Mortgage and housing loans	4 704 305	(37 905)	4 666 400
Home Equity Loans	753 332	(9 620)	743 712
Consumer loans	886 035	(58 779)	827 256
Financial lease assets	250 578	(6 373)	244 205
Investment, operating and other loans	3 967 433	(83 161)	3 884 272
Debt securities	**1 919 297**	**(134)**	**1 919 163**
Government bonds	1 824 755	(105)	1 824 650
Bonds issued by bank sector	77 261	(6)	77 255
Bonds issued by other sector	17 281	(23)	17 258
Total	**13 568 834**	**(223 784)**	**13 345 050**

As at 31 December 2021, the total amount of syndicated loans managed by the Group was in the amount of EUR 1 255 143 thousand (31 December 2020: EUR 1 284 316 thousand). The Group's share amounted to EUR 445 674 thousand (31 December 2020: EUR 440 166 thousand). Syndicated loans are included in "*Investment, operating and other loans*".

Classification of financial assets measured at amortised cost by customer group as at 31 December 2021:

	Gross book value	*Impairment allowances*	*Net book value*
Banks	170 094	(8)	170 086
Public sector	1 879 194	(52)	1 879 142
Corporate clients	5 062 392	(90 606)	4 971 786
Retail clients	7 662 037	(148 158)	7 513 879
Total	**14 773 717**	**(238 824)**	**14 534 893**

Classification of financial assets measured at amortised cost by customer group as at 31 December 2020:

	Gross book value	*Impairment allowances*	*Net book value*
Banks	187 115	(6)	187 109
Public sector	1 829 778	(107)	1 829 671
Corporate clients	4 607 567	(78 594)	4 528 973
Retail clients	6 944 374	(145 077)	6 799 297
Total	**13 568 834**	**(223 784)**	**13 345 050**

An overview of the quality of financial assets measured at amortised values is stated in Note 45 "*Risk report*".

Movement in impairment allowances for losses on financial assets measured at amortised cost as at 31 December 2021:

	As at 1 January 2021	*Consolidation adjustments*	*Creation/ (Release)**	*Usage*	*Transfers, FX differences*	*As at 31 December 2021*
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**17 115**	**592**	**7 063**	**-**	**(704)**	**24 066**
Banks	-	-	-	-	-	-
Corporate clients	4 955	288	11 562	-	(704)	16 101
Retail clients	12 026	304	(4 432)	-	-	7 898
Debt securities	134	-	(67)	-	-	67
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)	**47 873**	**1 743**	**(5 178)**	**-**	**672**	**45 110**
Banks	-	-	-	-	-	-
Corporate clients	21 049	1 325	(8 409)	-	672	14 637
Retail clients	26 824	418	3 231	-	-	30 473
Debt securities	-	-	-	-	-	-
Specific impairment allowance for individually and collectively assessed items (Stage 3)	**156 545**	**10 177**	**19 577**	**(20 405)**	**(44)**	**165 850**
Banks	-	-	-	-		-
Corporate clients	51 373	4 591	4 920	(3 985)	(125)	56 774
Retail clients	105 172	5 586	14 657	(16 420)	81	109 076
Debt securities	-	-	-	-	-	-
Impairment allowances for financial assets impaired on initial recognition (POCI)	**2 251**	**-**	**1 880**	**(427)**	**94**	**3 798**
Banks	-	-	-	-	-	-
Corporate clients	1 196	-	2 035	(237)	93	3 087
Retail clients	1 055	-	(155)	(190)	1	711
Debt securities	-	-	-	-	-	-
Total	**223 784**	**12 512**	**23 342**	**(20 832)**	**18**	**238 824**

** Creation/(release) of the impairment allowances for losses on financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR (23) thousand.*

Movement in impairment allowances for losses on financial assets measured at amortised cost as at 31 December 2020:

	As at 1 January 2020	*Creation/ (Release)**	*Usage*	*Transfers, FX differences*	*As at 31 December 2020*
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**18 002**	**(887)**	**-**	**-**	**17 115**
Banks	-	-	-	-	-
Corporate clients	6 833	(1 878)	-	-	4 955
Retail clients	11 108	918	-	-	12 026
Debt securities	61	73	-	-	134
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)	**24 863**	**23 010**	**-**	**-**	**47 873**
Banks	-	-	-	-	-
Corporate clients	7 076	13 973	-	-	21 049
Retail clients	17 787	9 037	-	-	26 824
Debt securities	-	-	-	-	-
Specific impairment allowance for individually and collectively assessed items (Stage 3)	**155 185**	**30 224**	**(28 444)**	**(420)**	**156 545**
Banks	399	-	-	(399)	-
Corporate clients	57 499	5 974	(12 176)	76	51 373
Retail clients	97 287	24 250	(16 268)	(97)	105 172
Debt securities	-	-	-	-	-
Impairment allowances for financial assets impaired on initial recognition (POCI)	**3 488**	**(1 719)**	**(117)**	**599**	**2 251**
Banks	-	-	-	-	-
Corporate clients	868	(229)	(38)	595	1 196
Retail clients	2 620	(1 490)	(79)	4	1 055
Debt securities	-	-	-	-	-
Total	**201 538**	**50 628**	**(28 561)**	**179**	**223 784**

** Creation/(release) of the impairment allowances for losses on financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 255 thousand.*

The following table represents the gross carrying amount of transfers between the impairment stages for financial assets at amortised cost and contingent liabilities and other off-balance sheet items at 31 December 2021:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*	*From Stage 3 to POCI**
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	**985 786**	**1 087 895**	**6 154**	**54 485**	**3 299**	**14 151**	**1 681**
Corporate clients	709 297	205 409	101	22 675	53	1 044	1 205
Retail clients	276 489	882 486	6 053	31 810	3 246	13 107	476
Debt securities	-	-	-	-	-	-	-
Provided commitments and financial guarantees	**213 598**	**100 116**	**78**	**2 097**	**96**	**14 483**	-
Banks	700	-	-	-	-	-	-
Corporate clients	201 603	54 922	-	1 846	-	13 947	-
Retail clients	11 295	45 194	78	251	96	536	-
Total	**1 199 384**	**1 188 011**	**6 232**	**56 582**	**3 395**	**28 634**	**1 681**

** In Group, such loans may arise from the purchase of such a loan in its own books (e.g., a loan purchased at a large discount that presents credit risk) or most often by modifying an existing loan at the client's request, a legal restructuring decision or a standstill between banks when a significant change arrised and the qualitative and quantitative criteria are met.*

The significant shift of loans and advances from Stage 1 to Stage 2 was due to the impact of COVID-19.

The following table presents the transfers (decreases) of the impairment allowance from the stages for financial assets measured at amortized cost and contingent liabilities and other off-balance sheet items as at 31 December 2021:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*	*From Stage 3 to POCI*
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	**(13 649)**	**(5 846)**	**(2 759)**	**(3 695)**	**(1 934)**	**(188)**	**(1 398)**
Corporate clients	(7 806)	(951)	(20)	(1 926)	(45)	(7)	(1 012)
Retail clients	(5 843)	(4 895)	(2 739)	(1 769)	(1 889)	(181)	(386)
Debt securities	-	-	-	-	-	-	-
Provided commitments and financial guarantees	**(871)**	**(228)**	**(59)**	**(3)**	**(49)**	-	-
Banks	-	-	-	-	-	-	-
Corporate clients	(711)	(185)	-	-	-	-	-
Retail clients	(160)	(43)	(59)	(3)	(49)	-	-
Total	**(14 520)**	**(6 074)**	**(2 818)**	**(3 698)**	**(1 983)**	**(188)**	**(1 398)**

The following table presents the transfers (increases) of the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2021:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
LLoans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**5 005**	**14 084**	**165**	**25 550**	**19**	**7 500**
Corporate clients	4 438	3 715	13	9 720	-	389
Retail clients	567	10 369	152	15 830	19	7 111
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**818**	**546**	**1**	**127**	**-**	**175**
Banks	-	-	-	-	-	-
Corporate clients	807	334	-	-	-	-
Retail clients	11	212	1	127	-	175
Total	**5 823**	**14 630**	**166**	**25 677**	**19**	**7 675**

The following table represents the carrying amount of transfers between the impairment stages for financial assets at amortised cost and contingent liabilities and other off-balance sheet items at 31 December 2020:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*	*From Stage 3 to POCI**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**461 760**	**1 706 587**	**5 963**	**34 349**	**2 101**	**26 652**	**25 442**
Corporate clients	166 183	996 262	958	5 729	18	3 577	25 442
Retail clients	295 577	710 325	5 005	28 620	2 083	23 075	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**54 199**	**277 862**	**122**	**212**	**141**	**839**	**-**
Banks	-	-	-	-	-	-	-
Corporate clients	29 545	254 150	4	68	-	644	-
Retail clients	24 654	23 712	118	144	141	195	-
Total	**515 959**	**1 984 449**	**6 085**	**34 561**	**2 242**	**27 491**	**25 442**

The following table presents the transfers (decreases) of the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2020:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*	*From Stage 3 to POCI*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**(5 482)**	**(4 897)**	**(2 881)**	**(2 105)**	**(852)**	**(389)**	**(22 012)**
Corporate clients	(2 145)	(2 316)	(143)	(555)	(9)	(23)	(22 012)
Retail clients	(3 337)	(2 581)	(2 738)	(1 549)	(843)	(366)	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**(218)**	**(338)**	**(80)**	**(2)**	**(72)**	**(1)**	**-**
Banks	-	-	-	-	-	-	-
Corporate clients	(38)	(304)	-	-	-	-	-
Retail clients	(180)	(34)	(80)	(2)	(72)	(1)	-
Total	**(5 700)**	**(5 235)**	**(2 961)**	**(2 106)**	**(924)**	**(390)**	**(22 012)**

The following table presents the transfers (increases) of the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2020:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**780**	**24 179**	**267**	**14 866**	**15**	**15 439**
Corporate clients	534	13 864	80	2 395	-	1 763
Retail clients	246	10 316	187	12 471	15	13 676
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**47**	**1 097**	**2**	**94**	**-**	**123**
Banks	-	-	-	-	-	-
Corporate clients	37	904	-	-	-	-
Retail clients	10	193	2	94	-	123
Total	**827**	**25 277**	**269**	**14 960**	**15**	**15 562**

Balance of financial lease assets as at 31 December 2021 and 31 December 2020:

	2021	*2020*
Gross investment	**386 593**	**268 092**
Less than 3 months	43 263	25 482
3 months to 1 year	86 807	61 077
1 to 5 years	215 798	147 032
More than 5 years	40 725	34 501
Unrealised financial income	**23 236**	**17 514**
Less than 3 months	2 374	1 630
3 months to 1 year	5 874	4 104
1 to 5 years	12 284	9 232
More than 5 years	2 704	2 548
Net investment	**363 357**	**250 578**
Less than 3 months	40 889	23 852
3 months to 1 year	80 933	56 973
1 to 5 years	203 514	137 800
More than 5 years	38 021	31 953

Assets leased under finance lease contracts:

	2021	*2020*
Vehicle leasing	187 668	113 803
Real estate leasing	87 051	84 182
Movable assets leasing	88 638	52 593
Total	**363 357**	**250 578**

23. Hedging derivative financial assets

	2021	*2020*
Positive fair value of financial derivatives for fair value hedging	**4 322**	**14 191**
Interest–rate contracts	4 322	14 191
Total	**4 322**	**14 191**

Hedging fair values related to interest rate risk

The Group uses interest rate swaps to hedge the interest rate risk related to issued debt securities – mortgage bonds and debentures from the debt securities portfolio and debt securities from the portfolio of financial assets at fair value through other comprehensive income. Changes in the fair values of these interest rate swaps as a result of interest rate changes set off, to a large extent, changes in the fair values of issued mortgage bonds and debentures caused by changes in risk-free interest rates. Hedging was effective during the reporting period.

With respect to the hedging instruments, as at 31 December 2021 the Group recognised a net profit in the amount of EUR 9 612 thousand. With respect to the hedging instruments, the Group recognised a net profit of EUR 4 819 thousand as at 31 December 2021. Net profit from hedged items that related to the hedged risk amounted to EUR 13 115 thousand as at 31 December 2021. Net loss from hedged items that related to the hedged risk amounted to EUR 7 345 thousand as at 31 December 2020. Both items are recognised in Note 4 ”*Net profit (loss) from financial instruments held for trading and exchange rate differences*”.

Cash flow hedges

The Group uses derivative financial instruments (interest rate swaps) to hedge the risk of variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of interest rate changes on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of an interest rate change or cash flow risk. The efficiency of such hedging transactions is regularly monitored, and the hedges were efficient during the respective period.

As at 31 December 2021 in relation to the hedging instruments, the Group recognised no net loss/profit, as the Group terminated these hedging transactions during 2020. (As at 31 December 2020, a net loss of EUR 962 thousand, which is recognised in Other comprehensive income under „*Cash flow hedges*”).

The following tables represent overview of Hedging derivative financial assets and liabilities as at 31 December 2021:

The table below displays the periods when cash flow hedges are expected:

	Up to 3 Months	*More than 3 months, up to 1 year*	*More than 1 year, up to 5 years*	*More than 5 years*
Fair value hedges	-	-	493 182	630 000
Interest based transactions	**-**	**-**	**493 182**	**630 000**

Effects of hedge accounting on financial position and performance - information regarding hedging instruments:

	Nominal value of the hedging instrument	*Assets – Fair value of the hedging instrument*	*Liabilities – Fair value of the hedging instrument*	*Changes in fair value used for calculating hedge ineffectiveness*
Interest rate risk	792 182	4 322	4 787	(9 443)
Micro cash flow hedges	**792 182**	**4 322**	**4 787**	**(9 443)**
Interest rate risk	331 000	-	3 716	(5 887)
Portfolio fair value hedges	**331 000**	**-**	**3 716**	**(5 887)**

Effects of hedge accounting on financial position and performance - information regarding hedging instruments:

	Assets - Carrying amount of the hedged item	*Liabilities - Carrying amount of the hedged item*	*Carrying amount of the hedge*	*Accumulated amount of fair value hedge adjustments included in the carrying amount*	*Changes in fair value used for calculating hedge ineffectiveness*
Debt securities	114 428	-	114 182	(1 075)	(3 946)
Deposits from customers	-	331 000	331 000	3 728	5 717
Debt securities issued	-	675 635	678 000	(912)	13 115
Fair value hedges	**114 428**	**1 006 635**	**1 123 182**	**1 741**	**14 886**

The following tables represent overview of Hedging derivative financial assets and liabilities as at 31 December 2020:

The table below displays the periods when cash flow hedges are expected:

	Up to 3 Months	*More than 3 months, up to 1 year*	*More than 1 year, up to 5 years*	*More than 5 years*
Fair value hedges	-	-	102 471	539 000
Interest based transactions	**-**	**-**	**102 471**	**539 000**

Effects of hedge accounting on financial position and performance - information regarding hedging instruments:

	Nominal value of the hedging instrument	*Assets – Fair value of the hedging instrument*	*Liabilities – Fair value of the hedging instrument*	*Changes in fair value used for calculating hedge ineffectiveness*
Interest rate risk	490 471	12 198	3 322	4 650
Micro cash flow hedges	**490 471**	**12 198**	**3 322**	**4 650**
Interest rate risk	151 000	1 993	-	2 178
Portfolio fair value hedges	**151 000**	**1 993**	**-**	**2 178**

Effects of hedge accounting on financial position and performance - information regarding hedging instruments:

	Assets - Carrying amount of the hedged item	*Liabilities - Carrying amount of the hedged item*	*Carrying amount of the hedge*	*Accumulated amount of fair value hedge adjustments included in the carrying amount*	*Changes in fair value used for calculating hedge ineffectiveness*
Debt securities	114 724	-	112 471	(461)	2 855
Deposits from customers	-	151 000	151 000	1 990	(2 009)
Debt securities issued	-	389 722	378 000	12 203	(7 345)
Fair value hedges	**114 724**	**540 722**	**641 471**	**13 732**	**(6 499)**

24. Change in fair value of hedged items in hedging of interest rate risk

	2021	2020
Positive change in fair value of hedged items in hedging of interest rate risk	**3 727**	**-**
Interest rate contracts	3 727	-
Total	**3 727**	**-**

25. Non-current tangible and intangible assets and investment property

Movements in the non-current tangible assets for own use as at 31 December 2021:

	Land and Buildings - operating lease	Land and Buildings - Right-of-use of assets	Land and buildings	Machinery & equipment	Other non-current assets	Vehicles	Assets in progress	Total
Cost								
1 January 2021	**-**	**69 210**	**69 981**	**65 504**	**18 280**	**4 775**	**8 893**	**236 643**
Additions	-	-	-	-	-	-	21 778	21 778
Consolidation adjustments	2 163	-	-	146	150	324	-	2 783
Disposals	(193)	(4 063)	(2 848)	(14 376)	(8 081)	(551)	-	(30 112)
Transfer from own use to non - current assets held for sale*	-	-	(36 207)	-	-	-	-	(36 207)
Transfer from tangible assets in progress	150	9 689	4 269	6 511	5 770	203	(26 592)	-
31 December 2021	**2 120**	**74 836**	**35 195**	**57 785**	**16 119**	**4 751**	**4 079**	**194 885**
Accumulated depreciation and provisions								
1 January 2021	**-**	**(19 347)**	**(43 304)**	**(50 743)**	**(11 140)**	**(2 238)**	**-**	**(126 772)**
Charge for the year	(133)	(11 102)	(2 304)	(5 482)	(1 909)	(518)	-	(21 448)
Consolidation adjustments	(686)	-	-	(110)	(126)	(164)	-	(1 086)
Disposals	109	3 836	2 060	14 328	7 373	508	-	28 214
Transfer to non-current assets held for sale*	-	-	22 489	-	-	-	-	22 489
Impairment allowance	-	-	(30)	-	-	-	-	(30)
31 December 2021	**(710)**	**(26 613)**	**(21 089)**	**(42 007)**	**(5 802)**	**(2 412)**	**-**	**(98 633)**
Carrying amount as at 1 January 2021	**-**	**49 863**	**26 677**	**14 761**	**7 140**	**2 537**	**8 893**	**109 871**
Carrying amount as at 31 December 2021	**1 410**	**48 223**	**14 106**	**15 778**	**10 317**	**2 339**	**4 079**	**96 252**

** See Note 29 Non-current assets held for sale*

Movements in the non-current tangible assets for own use as at 31 December 2020:

	Land and Buildings - operating lease	*Land and Buildings - Right-of-use of assets*	*Land and buildings*	*Machinery & equipment*	*Other non-current assets*	*Vehicles*	*Assets in progress*	*Total*
Cost								
1 January 2020	**3 536**	**63 150**	**83 663**	**63 904**	**20 119**	**4 917**	**1 919**	**241 208**
Additions	-	-	-	-	-	-	25 037	25 037
Disposals	(3 536)	(1 831)	(7 343)	(4 815)	(3 295)	(286)	-	(21 106)
Transfer from own use to non - current assets held for sale*	-	-	(8 496)	-	-	-	-	(8 496)
Transfer from tangible assets in progress	-	7 891	2 157	6 415	1 456	144	(18 063)	-
31 December 2020	**-**	**69 210**	**69 981**	**65 504**	**18 280**	**4 775**	**8 893**	**236 643**
Accumulated depreciation and provisions								
1 January 2020	**(2 261)**	**(9 965)**	**(49 653)**	**(50 208)**	**(12 736)**	**(1 911)**	**-**	**(126 734)**
Charge for the year	-	(10 250)	(2 628)	(5 320)	(1 607)	(561)	-	(20 366)
Disposals	2 619	868	6 920	4 785	3 203	234	-	18 629
Transfer to non-current assets held for sale*	-	-	4 206	-	-	-	-	4 206
Impairment allowance	(358)	-	(2 149)	-	-	-	-	(2 507)
31 December 2020	**-**	**(19 347)**	**(43 304)**	**(50 743)**	**(11 140)**	**(2 238)**	**-**	**(126 772)**
Carrying amount as at 1 January 2020	**1 275**	**53 185**	**34 010**	**13 696**	**7 383**	**3 006**	**1 919**	**114 474**
Carrying amount as at 31 December 2020	**-**	**49 863**	**26 677**	**14 761**	**7 140**	**2 537**	**8 893**	**109 871**

** See Note 29 Non-current assets held for sale*

Movements in the investment property as at 31 December 2021:

	Land and buildings	*Assets in progress*	*Total*
Cost			
1 January 2021	**5**	**-**	**5**
Additions	-	-	-
Disposals	(5)	-	(5)
31 December 2021	**-**	**-**	**-**
Accumulated depreciation and provisions			
1 January 2021	**(4)**	**-**	**(4)**
Charge for the year	-	-	-
Disposals	4	-	4
31 December 2021	**-**	**-**	**-**
Carrying amount as at 1 January 2021	**1**	**-**	**1**
Carrying amount as at 31 December 2021	**-**	**-**	**-**

Movements in the investment property as at 31 December 2020:

	Land and buildings	*Assets in progress*	*Total*
Cost			
1 January 2020	**5**	**-**	**5**
Additions	-	-	-
Disposals	-	-	-
31 December 2020	**5**	**-**	**5**
Accumulated depreciation and provisions			
1 January 2020	**(4)**	**-**	**(4)**
Charge for the year	-	-	-
Disposals	-	-	-
31 December 2020	**(4)**	**-**	**(4)**
Carrying amount as at 1 January 2020	**1**	**-**	**1**
Carrying amount as at 31 December 2020	**1**	**-**	**1**

Insurance coverage

The Parent Company concluded insurance coverage for assets and business disruption (International Insurance Program) under which its buildings are covered up to EUR 74 157 thousand, operational-commercial facilities up to EUR 19 780 thousand, business disruption up to EUR 2 000 thousand, loss of assets up to EUR 500 thousand, insurance of electronics (local amendment to the fronting contract), under which the ATMs and cash dispensers (cashomats) are covered up to EUR 4 314 thousand and liability insurance – damage to third party assets, life and health, expenses for insured person's defence with an insured amount of EUR 10 000 tis. EUR. thousand. Means of transport are insured up to a maximum risk for EUR 4 317 thousand.

Movements in the intangible assets as at 31 December 2021:

	Software	*Goodwill*	*Other intangible assets*	*Intangible assets in progress*	*Total*
Cost					
1 January 2021	**167 872**	**12 220**	**3 372**	**4 996**	**188 460**
Additions	-	-	-	14 927	14 927
Disposals	1 003	656	4 367	-	6 026
Consolidation adjustments	(2 773)	-	(3 372)	-	(6 145)
Transfer from intangible assets in progress	14 765	-	-	(14 765)	-
31 December 2021	**180 867**	**12 876**	**4 367**	**5 158**	**203 268**
Accumulated depreciation					
1 January 2021	**(128 133)**	**-**	**(3 062)**	**-**	**(131 195)**
Charge for the year	(10 595)	-	(864)	-	(11 459)
Consolidation adjustments	(732)	-	-	-	(732)
Disposals	2 517	-	3 372	-	5 889
Impairment allowance	-	-	-	-	-
31 December 2021	**(136 943)**	**-**	**(554)**	**-**	**(137 497)**
Carrying amount as at 1 January 2021	**39 739**	**12 220**	**310**	**4 996**	**57 265**
Carrying amount as at 31 December 2021	**43 924**	**12 876**	**3 813**	**5 158**	**65 771**

Movements in the intangible assets as at 31 December 2020:

	Software	*Goodwill*	*Other intangible assets*	*Intangible assets in progress*	*Total*
Cost					
1 January 2020	**158 783**	**44 120**	**3 372**	**5 534**	**211 809**
Additions	-	-	-	13 819	13 819
Disposals	(5 268)	(31 900)	-	-	(37 168)
Transfer from intangible assets in progress	14 357	-	-	(14 357)	-
31 December 2020	**167 872**	**12 220**	**3 372**	**4 996**	**188 460**
Accumulated depreciation					
1 January 2020	**(123 897)**	**(31 900)**	**(2 219)**	**-**	**(158 016)**
Charge for the year	(8 468)	-	(843)	-	(9 311)
Disposals	5 119	31 900	-	-	37 019
Impairment allowance	(887)	-	-	-	(887)
31 December 2020	**(128 133)**	**-**	**(3 062)**	**-**	**(131 195)**
Carrying amount as at 1 January 2020	**34 886**	**12 220**	**1 153**	**5 534**	**53 793**
Carrying amount as at 31 December 2020	**39 739**	**12 220**	**310**	**4 996**	**57 265**

Development of goodwill in the following periods:

	2021	*2020*
As at 1 January	12 220	12 220
Additions	655	-
Impairment	-	-
Carrying amount	**12 875**	**12 220**

Goodwill of EUR 9 021 thousand arose on the acquisition of Doplnková dôchodková spoločnosť Tatra banky, a.s. in 2006, and goodwill of EUR 3 199 thousand arose on the acquisition of 51.5% ownership interest in Tatra-Leasing s.r.o. in 2015.

Goodwill in Doplnková dôchodková spoločnosť Tatra banky, a.s. arose as a result of a business combination, mainly from the expected future income from pension funds management, as well as expected synergies from the integration of the company into the Group structure. These benefits are not reported separately as the related future economic benefits cannot be separately measured reliably.

In 2021, the Group acquired a 100 % stake in IMPULS-LEASING Slovakia s.r.o., from this acquisition arose a goodwill in the amount of EUR 655 thousand.

Goodwill impairment testing

At the end of each year, the Group performs a goodwill impairment test by comparing the recoverable amount for each cash-generating unit at which goodwill originated and it carrying amount.

The impairment testing is performed by comparing the carrying amount of each cash-generating unit and its recoverable amount. If the recoverable amount is lower than it carrying amount, the difference is recognised in the statement of comprehensive income in item "*Impairment allowances for non-financial assets*".

As a recoverable amount for each cash-generating unit, the Group determined value in use using the expected future cash flows. The calculation of the recoverable amount is based on the plans for the next 10-year period.

Value in use of each cash-generating unit is sensitive to volatile parameters: primarily to the amount and development of future cash flows, discount rates, and growth rates. In testing Doplnková dôchodková spoločnosť Tatra banky, a.s., a discount rate of 10 % was used and in testing Tatra-Leasing s.r.o., a discount rate of 12% was used.

26. Current tax asset

	2021	2020
Tax asset – current	309	34
Total	**309**	**34**

27. Deferred tax asset

	2021	2020
Tax asset – deferred	38 159	36 266
Total	**38 159**	**36 266**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 16 „*Income tax*".

28. Other assets

	2021	2020
Prepayments and other deferrals	19 509	16 255
Receivables from a service company	42 921	40 365
Inventories	941	1 266
Assets held for development and construction	467	465
Lease-related prepayments	4 313	4 645
Other assets	778	775
Total	**68 929**	**63 771**

In „*Receivables from a service company*" the Group recognises a receivable from an entity which provides services related to the operation of ATMs and cash transport.

29. Non-current assets held for sale

	2021	2020
Non-current assets held for sale	15 257	4 290
Total	**15 257**	**4 290**

During 2021, the Group reclassified portion of its real estate from its own use to non-current assets held for sale in the amount of EUR 13 718 thousand.

30. Financial liabilities held for trading

	2021	2020
Negative fair value of financial derivatives held for trading	**22 380**	**47 922**
Interest rate contracts	16 032	29 207
Currency contracts	6 348	18 715
Liabilities from debt securities held for trading	**24 333**	**36 355**
Total	**46 713**	**84 277**

31. Financial liabilities at amortised cost

Financial liabilities measured at amortised cost by product group are as follows:

	2021	2020
Deposits from banks	**3 481 524**	**1 129 176**
Current accounts and interbank settlement	15 496	4 985
Money-market business	-	419
Loans received	3 330 657	988 398
Subordinated debt	135 371	135 374
Deposits from customers	**13 473 856**	**12 270 445**
Current accounts and settlement	12 441 351	11 455 488
Term deposits	926 424	699 607
Savings deposits	105 447	113 995
Loans received	634	1 355
Liabilities from debt securities	**871 379**	**628 830**
Issued debt securities – mortgage bonds	451 188	505 856
Issued debt securities – other bonds	420 191	122 974
Other financial liabilities	**66 796**	**60 609**
Out of which: Lease liabilities	*49 888*	*51 376*
Total	**17 893 555**	**14 089 060**

Deposits measured at amortised cost by customer segment as at 31 December 2021 and as at 31 December 2020:

	2021	*2020*
Banks	3 481 524	1 129 176
Public sector	421 402	46 542
Corporate clients	3 917 770	3 752 521
Retail clients	9 134 684	8 471 382
Total	**16 955 380**	**13 399 621**

Within the TLTRO programme (targeted longer-term refinancing operations), the Parent company received four REPO loans from the National Bank of Slovakia in the amount of EUR 3 137 000 thousand. As collateral for the received repo deals, the Parent company provided purchased securities and issued covered bond collaterised by provided mortgage loans, residential mortgage loans and non-purpose loans pledged by a real estate in the total amount of EUR 3 911 348 thousand.

As at 31 December 2021 outstanding borrowings included in the balance sheet under the third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank (ECB) the amount to EUR 3 137 000 thousand.

The Parent company has analysed as of 31 December 2021 and as of 31 December 2020 whether it expects to meet the lending targets based on its current lending volumes and projections and believes that it has reasonable assurance that it will meet these targets.

TLTRO operations are one of the central bank's key measures in mitigating the economic consequences of the crisis. During the COVID-19 pandemic, the central bank made conditions even more attractive and, thanks to the possibility of obtaining an attractive interest rate on these operations, the central bank motivated commercial banks to lend. In 2021, the parent company increased the volume in TLTRO operations by EUR 2 237 000 thousand.

Based on an analysis of the observable conditions of comparably collateralised refinancing sources available on the market, the Group concludes that the conditions for TLTRO III direct government programs do not constitute a significant market advantage. TLTRO III financial liabilities are reported and measured as financial instruments in accordance with IFRS 9, as TLTRO instruments are understood as a separate market organized by the central bank in the context of its money market policy.

In previous periods, the Group reported this instrument in accordance with IAS 20. Following the harmonization of the methodology with the Group's parent company, it changed the method of reporting in accordance with IFRS 9.

Loans received and subordinated debts by type of counterparty is as follows:

Type of loan	*Currency*	*Type of loan by maturity*	*Interest rate*	*Start of loan drawing*	*Contractual maturity*	*2021*	*2020*
Loans received from banks:							
- national bank	EUR	Long-term	(0.5 %)	June 2020	June 2023	441 963	443 131
- national bank	EUR	Long-term	(0.5 %)	December 2020	December 2023	444 150	443 132
- national bank	EUR	Long-term	(0.5 %)	March 2021	March 2024	2 177 389	-
- national bank	EUR	Long-term	(0.5 %)	December 2021	December 2024	36 900	-
- commercial bank	EUR	Long-term	0.58 %	July 2018	May 2021	-	1 504
- commercial bank	EUR	Long-term	2.86 %	March 2011	May 2021	-	2 508
- commercial bank	EUR	Long-term	0.25 %	November 2017	May 2026	25 688	24 443
- bank for reconstruction and development	EUR	Long-term	0.54 %	March 2011	May 2025	48 886	73 680
Subordinated debt from banks:							
- commercial banks	EUR	Long-term	3M EURIBOR + 2.4 %	November 2019	November 2029	135 371	135 374
Total						**3 466 028**	**1 123 772**

The Group issued covered mortgage bonds with the following conditions:

Name	*Interest rate*	*Currency*	*Number of bonds issued*	*Face value of 1 unit in currency*	*Issue date*	*Maturity date*	*Coupon payment*	*2021*	*2020*
Covered bonds									
HZL 068	5.00 %	EUR	1 000	10 000	14.10.2011	14.10.2031	annually	10 031	10 026
HZL 083	1.11 %	EUR	500	100 000	29.4.2015	29.4.2025	annually	51 217	52 277
HZL 086	0.75 %	EUR	600	100 000	15.2.2016	15.2.2023	annually	60 328	60 269
HZL 087 - paid	0.50 %	EUR	-	100 000	21.3.2016	21.9.2021	annually	-	45 840
HZL 088	1.00 %	EUR	500	100 000	16.11.2016	16.11.2026	annually	51 310	52 894
HZL 089	0.90 %	EUR	280	100 000	10.2.2017	10.2.2024	annually	28 673	29 100
TATSK FVHDG	0.13 %	EUR	2 500	100 000	1.7.2019	1.7.2026	annually	249 629	255 450
Uncovered bonds									
TB FLOAT1	6M EUR EURIBOR	EUR	1 000	100 000	26.10.2020	26.10.2027	semi-annually	103 369	103 928
TB FIX1	0.50%	EUR	220	100 000	26.10.2020	26.10.2027	annually	22 016	10 027
TB FVHDG GREEN	0.50%	EUR	3 000	100 000	23.4.2021	23.4.2028	annually	294 806	-
Bond Tatra-Leasing 10 Fix	0.55%	EUR	9 000	1 000	13.8.2019	13.8.2021	annually	-	9 019
Total issued bonds								**871 379**	**628 830**

In addition to the above-mentioned covered bonds, the Parent company issued a covered bond (nominal value of EUR 1 500 000 thousand, book value of EUR 1 503 455 thousand), which was not sold but pledged as collateral within the TLTRO programme.

The Parent company issues covered bonds as one of the financing sources on the capital markets. For the purpose of meeting the requirement for eligible liabilities, the Parent company also issued unsecured non-subordinated bonds.

The rights arising from bonds are governed by generally binding legal regulations and relevant documentation (securities prospectus, issue or final terms), which the issuer publishes on its website.

All bonds issued by the Parent company are book-entry, bearer and freely transferable. They are traded on the Bratislava Stock Exchange.

32. Hedging derivative financial liabilities

	2021	*2020*
Negative fair value of financial derivatives for fair value hedging	**8 503**	**3 322**
Interest rate contracts	8 503	3 322
Total	**8 503**	**3 322**

33. Change in fair value of hedged items in hedging of interest rate risk

	2021	*2020*
Negative change in fair value of hedged items in hedging of interest rate risk	**-**	**1 991**
Interest rate contracts	-	1 991
Total	**-**	**1 991**

34. Provisions

Movements in provisions for contingent liabilities as at 31 December 2021:

	As at 1 January 2021	*Consolidation adjustments*	*Creation/ (Release)*	*Usage*	*As at 31 December 2021*
Provision for guarantees and loan commitments without significant increase in credit risk since initial recognition (Stage 1)	3 078	9	3 165	-	6 252
Provision for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2)	3 144	-	(277)	-	2 867
Specific impairment allowances for guarantees and loan commitments to individually and collectively measured items (Stage 3)	782	-	96	-	878
Litigations (Note 46)	32 235	-	1 505	(59)	33 681
Provisions for employee benefits	5 362	1	33	(19)	5 377
Employee provisions	19 233	421	7 130	(6 988)	19 796
Other provisions	6 905	-	2 630	-	9 535
Total	**70 739**	**431**	**14 282**	**(7 066)**	**78 386**

Movements in provisions for contingent liabilities as at 31 December 2020:

	As at 1 January 2020	*Creation/ (Release)*	*Usage*	*As at 31 December 2020*
Provision for guarantees and loan commitments without significant increase in credit risk since initial recognition (Stage 1)	-	152	-	3 078
Provision for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2)	1 636	1 508	-	3 144
Specific impairment allowances for guarantees and loan commitments to individually and collectively measured items(Stage 3)	727	55	-	782
Litigations (Note 46)	49 491	(16 184)	(1 072)	32 235
Provisions for employee benefits	3 947	1 415	-	5 362
Employee provisions	20 469	7 221	(8 457)	19 233
Other provisions	4 982	1 923	-	6 905
Total	**84 178**	**(3 910)**	**(9 529)**	**70 739**

Key assumptions used in actuarial valuation of provisions for employee benefits:

Real annual discount rate	0.85 %
Annual future real rate of salary increases	0.50 %
Annual employee turnover	3.5 % – 9.0 %
Retirement age	According to the applicable legislation

Long-term provisions for employee benefits are calculated using the valid mortality tables issued by the Statistical Office of the Slovak Republic.

The Group does not have pension arrangements separate from the state pension system of the Slovak Republic. Pursuant to the Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of gross salary. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to a salary.

35. Current tax liability

	2021	*2020*
Current tax liability	13 211	4 028
Total	**13 211**	**4 028**

36. Deferred tax liability

	2021	*2020*
Deferred tax liability	723	-
Total	**723**	**-**

37. Other liabilities

	2021	*2020*
Outstanding and other liabilities	28 060	32 875
Other liabilities to the state budget	32	27
Social fund – liabilities	998	1 038
Liabilities to employees	5 539	5 375
Other liabilities	2 998	2 753
Total	**37 627**	**42 068**

38. Equity

Equity, except for the profit for the current year, consists of:

	2021	*2020*
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Treasury shares	(357)	(1 408)
Share premium	298 414	298 095
Reserve and other funds	15 366	15 343
Revaluation reserve for financial instruments at fair value through other comprehensive income	3 117	4 690
Retained earnings (excluding current year net profit after tax)	789 886	758 493
AT1 capital	100 000	100 000
Total	**1 270 752**	**1 239 539**

The type, form, nature, number and par value of equity shares and preference shares issued by the Parent company:

Type	*Ordinary shares*	*Ordinary shares*	*Preference shares*
Form	Registered	Registered	Registered
Nature	Non-certified	Non-certified	Non-certified
Number	60 616 pcs	2 095 pcs	1 863 357 pcs
Par value 1 pc	800 EUR	4 000 EUR	4 EUR
ISIN	SK1110001502	SK1110015510	SK1110007186
	series 01-05		SK1110008424
			SK1110010131
			SK1110012103
			SK1110013937
			SK1110014901
			SK1110016237
			SK1110016591

Description of rights:

Each holder of an equity share is the Parent Company's shareholder. Each shareholder enjoys its fundamental shareholder rights resulting from the Commercial Code and from the Parent Company's Articles, mainly:

- The right to share in the Parent Company's profit (dividend), based on the proportion of total face value of their shares to the total face value of all shareholders,
- The right to attend the General Meeting, vote at the General Meeting, ask for information and explanations regarding the Parent Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make proposals at the General Meeting, and
- The right to share in the liquidation balance.

Each holder of preference share has similar rights as a holder of equity share; the only difference is that the preference shares are not equipped with the right to vote at a General Meeting, except for cases for which the law assigns voting power to such shares. A preferential right to dividends is attached to preference shares and solely consists of the right to a dividend amounting to a fixed multiple of the dividend awarded at the distribution of profit to shareholders holding the ordinary shares according to the formula: DPA = 1.001 x DKA800/200 = 1.001 x DKA4000/1000 (DPA – preferential dividend per preference share at a face value of EUR 4, DKA800 – dividend per ordinary share at a face value of EUR 800 and DKA4000 – dividend per ordinary share at a face value of EUR 4 000).

Voting power exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at face value of EUR 800 and five voting rights to each ordinary share at face value of EUR 4 000. If the law requires voting by the preference shares' holders, their voting is conducted separately, and each preference share at face value of EUR 4 is assigned one vote.

Ordinary shares are publicly tradeable on stock markets, preference shares are not publicly tradeable. The parent company creates a share premium fund, which is derived from ordinary and preference shares.

Reserve fund and other funds: In 1992, the parent company established a reserve fund at 10 % of the registered capital, which is intended to cover the company's losses. The reserve fund was replenished annually with 10 % of net profit up to 20 % of the parent company's share capital, but not less than the minimum reserve fund stipulated by applicable laws. The parent company has created a special-purpose reserve fund in accordance with the Methodological Instruction of the Ministry of Finance of 1990 from exchange rate differences of foreign capital resulting from devaluation. Its use is intended to cover losses from banking transactions.

In August 2018, the parent Company issued subordinated AT1 capital investment certificates in the amount of EUR 100 000 thousand with the interest rate of 12M EURIBOR + 6.50 % meeting the requirements for Tier 1 capital.

The AT1 capital investment certificate is a perpetual instrument without the obligation to deliver cash. The Group may, on the basis of its decision, repay the certificate at the earliest 5 years after the issue. Early repayment must be approved by the supervisory board of the parent company and the regulator. AT1 capital investment certificates comply with the definition of an equity instrument in accordance with IAS 32.

39. Values in custody and management

	2021	2020
Values in custody	**14 999**	**14 371**
Merchandise and warehouse trust receipts	12 345	13 272
Gold	2 654	1 099
Total	**14 999**	**14 371**

The Group recognises values received in custody and management at fair values. Values received in custody and management do not represent the Group's property and accordingly they are not part of the Group's assets.

In addition to amounts in the table above, in accordance with the depositary function for Tatra Asset Management, správ. spol., a.s. ("TAM"), as at 31 December 2021 the Group reported deposited securities in custody of the TAM mutual funds in the amount of EUR 1 947 282 thousand (31 December 2020: EUR 1 603 513 thousand). Simultaneously, the Group manages 30 open funds of Tatra Asset Management, správ. spol., a. s. with net value in the amount of EUR 2 862 011 thousand (2020: EUR 2 324 222 thousand) in TAM, and 6 supplementary pension funds in Doplnková dôchodková spoločnosť Tatra banky, a.s. with net value in the amount of EUR 977 183 thousand (2020: EUR 838 248 thousand).

40. Sale and repurchase agreements

As at 31 December 2021 and as at 31 December 2020 the following repurchase agreements were concluded

	2021	2020
Repo deals (debtor)		
Deposits from banks	155 681	-
Total	**155 681**	**-**

As collateral for repo transactions received, the Group provided debt securities with carrying amount of EUR 158 086 thousand from the portfolio of financial assets measured at amortized cost.

	2021	2020
Reverse repo deals (creditor)		
Loans and advances to banks	68 399	99 034
Total	**68 399**	**99 034**

As part of the reverse repo deals, the Group received government debt securities as collateral with a fair value of EUR 67 282 thousand.

41. Assets pledged as collateral

Liabilities secured by the Group's assets:

	2021	2020
Deposits to banks at amortised cost – received loans - repo transactions with National Bank of Slovakia	3 100 402	886 263
Deposits to banks at amortized cost- Loans received - repo transactions	155 681	-
Debt securities liabilities	451 188	505 856
Financial liabilities held for trading – negative fair value of financial derivatives held for trading	20 181	34 703
Borrowed securities liabilities	24 595	36 353
Total	**3 752 047**	**1 463 175**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

	2021	2020
Other demand deposits	6 048	8 474
Loans and advances to customers at amortised cost	2 908 809	1 524 425
Debt securities for trading	22 353	-
Debt securities at fair value through other comprehensive income	124 131	51 962
Debt securities at amortised cost	1 669 396	314 991
Total	**4 730 737**	**1 899 852**

Other pledged assets without a liability:

	2021	2020
Debt securities at amortised cost	164 820	769 671
Total	**164 820**	**769 671**

At the end of 2021, the Parent company determined the volume of mortgage loans usable as collateral for future issues of covered bonds in the amount of EUR 1 241 222 thousand (31 December 2020: EUR 2 086 283 thousand).

The Group opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Group in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised in „*Financial assets at amortised cost*".

Due to the TLTRO loan received, the Group established government bonds and bonds issued by the banking sector held in the portfolio of securities valued at amortized cost in the amount of EUR 1 632 701 thousand (31 December 2020: EUR 317 757 thousand) in favour of the NBS. The Group does not have the option to draw an intraday credit on established securities (31 December 2020: EUR 200 000 thousand) With the exception of the TLTRO loan, the Group does not draw any other financing from the central as at 31 December 2021 (31 December 2020: also, no drawdown)

The Parent company has determined the amount of highly liquid assets usable as collateral in the monetary policy operations of the European Central Bank, except for deposits with central banks and other banks for the following financial assets:

	2021 Nominal value	*2021 Carrying amount*
Government bonds	1 912 135	1 978 657
Bonds issued by other sectors	256 085	261 155
Loans and advances to customers	176 601	176 662
Total	**2 344 821**	**2 416 474**

42. Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The following summary represents the structure of framework agreements for offsetting assets and liabilities as at 31 December 2021:

	Asset/Liability in the statement of financial position	*Value not offset in the statement of financial position: Financial instrument*	*Net value*
Assets:			
Positive fair value of financial derivatives available-for-sale	29 955	29 193	762
Total assets	**29 955**	**29 193**	**762**
Liabilities:			
Negative fair value of financial derivatives available-for-sale	29 998	29 193	805
Total liabilities	**29 998**	**29 193**	**805**

The following summary represents the structure of framework agreements for offsetting assets and liabilities as at 31 December 2020:

	Asset/Liability in the statement of financial position	*Value not offset in the statement of financial position: Financial instrument*	*Net value*
Assets:			
Positive fair value of financial derivatives available-for-sale	38 749	38 732	17
Total assets	**38 749**	**38 732**	**17**
Liabilities:			
Negative fair value of financial derivatives available-for-sale	49 572	38 764	10 808
Total liabilities	**49 572**	**38 764**	**10 808**

43. Derivative financial instruments

The total volume of unsettled derivative financial instruments as at 31 December 2021 is as follows:

	Nominal amounts by maturity				*Fair values*	
	Up to 1 year	*From 1 to 5 years*	*More than 5 years*	*Total*	*Positive (Note 19 and Note 23)*	*Negative (Note 30 and Note 32)*
a) Interest rate contracts for hedging	**-**	**493 182**	**630 000**	**1 123 182**	**4 322**	**(8 503)**
OTC products:						
Interest rate swaps	-	493 182	630 000	1 123 182	4 322	(8 503)
b) Interest rate contracts for trading	**77 778**	**756 214**	**468 792**	**1 302 784**	**14 556**	**(16 032)**
OTC products:						
Interest rate swaps	5 093	731 966	439 567	1 176 626	14 534	(14 969)
Interest rate options – bought	18 185	18 749	23 975	60 909	22	(1 041)
Interest rate options – sold	2 500	5 499	5 250	13 249	-	(22)
Stock exchange products:						
Interest rate futures	52 000	-	-	52 000	-	-
c) Currency contracts for trading	**517 704**	**70 930**	**-**	**588 634**	**15 746**	**(6 348)**
OTC products:						
Currency swaps	305 901	32 685	-	338 586	10 781	(768)
Currency-interest rate swaps	99 806	37 290	-	137 096	4 533	(4 617)
Currency forwards	77 392	241	-	77 633	274	(842)
Currency options-bought	16 915	357	-	17 272	158	-
Currency options-sold	17 690	357	-	18 047	-	(121)
Total	**595 482**	**1 320 326**	**1 098 792**	**3 014 600**	**34 624**	**(30 883)**

The total volume of unsettled derivative financial instruments as at 31 December 2020 was as follows:

	Nominal amounts by maturity				*Fair values*	
	Up to 1 year	*From 1 to 5 years*	*More than 5 years*	*Total*	*Positive (Note 19 and Note 23)*	*Negative (Note 30 and Note 32)*
a) Interest rate contracts for hedging	**-**	**102 471**	**539 000**	**641 471**	**14 191**	**(3 322)**
OTC products:						
Interest rate swaps	-	102 471	539 000	641 471	14 191	(3 322)
b) Interest rate contracts for trading	**489 628**	**845 520**	**346 894**	**1 682 042**	**26 842**	**(29 128)**
OTC products:						
Interest rate swaps	265 176	789 650	313 700	1 368 526	26 842	(27 675)
Interest rate options – bought	107 452	44 484	27 494	179 430	-	(1 453)
Interest rate options – sold	105 000	11 386	5 700	122 086	-	-
Stock exchange products:						
Interest rate futures	12 000	-	-	12 000	-	-
c) Currency contracts for trading	**674 765**	**141 824**	**-**	**816 589**	**7 611**	**(18 794)**
OTC products:						
Currency swaps	518 827	41 627	-	560 454	1 178	(12 143)
Currency-interest rate swaps	45 187	100 197	-	145 384	5 929	(5 983)
Currency forwards	73 446	-	-	73 446	459	(644)
Currency options-bought	18 284	-	-	18 284	45	-
Currency options-sold	19 021	-	-	19 021	-	(24)
Total	**1 164 393**	**1 089 815**	**885 894**	**3 140 102**	**48 644**	**(51 244)**

44. Fair value of financial instruments

Financial instruments at fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where market prices are available (in this case, in particular, for securities and derivatives traded on a stock exchange and in functioning markets), the fair value estimate is based on market prices. All other financial instruments were valued on the basis of internal valuation models, including present value or option price models, or an external expert opinion was used.

The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements as at 31 December 2021:

Financial assets at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial assets held for trading	**37 286**	**40 585**	**12 408**	**90 279**
Positive fair value of financial derivative instruments for trading	-	30 302	-	30 302
Debt securities	37 286	10 283	-	47 569
Loans provided to customers	-	-	12 408	12 408
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**8 541**	**8 564**	**17 105**
Debt securities	-	8 541	-	8 541
Mutual fund units	-	-	1 861	1 861
Loans provided to customers	-	-	6 703	6 703
Financial assets at fair value through other comprehensive income	**260 418**	**80 694**	**91**	**341 203**
Equity instruments	-	-	91	91
Debt securities	260 418	80 694	-	341 112
Hedging derivative financial assets	**-**	**4 322**	**-**	**4 322**
Positive fair value of financial derivative instruments for fair value hedging	-	4 322	-	4 322
Total	**297 704**	**134 142**	**21 063**	**452 909**

Financial liabilities at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial liabilities held for trading	**24 333**	**22 380**	**-**	**46 713**
Negative fair value of financial derivative instruments for trading	-	22 380	-	22 380
Debt securities and other fixed income securities	24 333	-	-	24 333
Hedging derivative financial liabilities	**-**	**8 503**	**-**	**8 503**
Negative fair value of financial derivative instruments for fair value hedging	-	8 503	-	8 503
Total	**24 333**	**30 883**	**-**	**55 216**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements as at 31 December 2020:

Financial assets at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial assets held for trading	**9 629**	**44 920**	**-**	**54 549**
Positive fair value of financial derivative instruments for trading	-	34 453	-	34 453
Debt securities	9 629	10 467	-	20 096
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**7 433**	**12 458**	**19 891**
Debt securities	-	7 433	-	7 433
Mutual fund units	-	-	764	764
Loans provided to customers	-	-	11 694	11 694
Financial assets at fair value through other comprehensive income	**154 223**	**66 902**	**86**	**221 211**
Equity instruments	-	-	86	86
Debt securities	154 223	66 902	-	221 125
Hedging derivative financial assets	**-**	**14 191**	**-**	**14 191**
Positive fair value of financial derivative instruments for fair value hedging	-	14 191	-	14 191
Total	**163 852**	**133 446**	**12 544**	**309 842**

Financial liabilities at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial liabilities held for trading	**36 355**	**47 922**	**-**	**84 277**
Negative fair value of financial derivative instruments for trading	-	47 922	-	47 922
Debt securities and other fixed income securities	36 355	-	-	36 355
Hedging derivative financial liabilities	**-**	**3 322**	**-**	**3 322**
Negative fair value of financial derivative instruments for fair value hedging	-	3 322	-	3 322
Total	**36 355**	**51 244**	**-**	**87 599**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

Movements between Level 1 and Level 2

During 2021, there were no movements in bonds at fair value that were transferred from Level 1 to Level 2 based on a change in the bond price source.

Movements in Level 3 financial instruments at fair value

If there is at least one significant parameter of the measurement that is not observable in the market, this instrument is assigned to Level 3 measured at fair value. The following table shows changes in the financial instruments at fair value whose valuation models are based on unobservable inputs:

	As at 31 December 2020	*Increase/ Decrease*	*Revaluation: Profit/loss*	*Revaluation: Other comprehensive income*	*As at 31 December 2021*
Mutual fund unit certificates	764	1 061	36	-	1 861
Equity investments	86	-	-	5	91
Loans and advances	11 694	7 130	287	-	19 111
Total	**12 544**	**8 191**	**323**	**5**	**21 063**

Qualitative information on financial instruments for Level 3 measurements:

Financial instrument	*Valuation method*	*Fair value*	*Significant unobser-vable inputs*	*Range of unobser-vable vstupov*	*Positive sensitivity**	*Negative sensitivity**
Mutual fund unit certificates	Net asset value	1 861	discount	20 – 50 %	186	(186)
Equity investments	Market value	91	-	-	9	(9)
Loans and advances		19 111	credit and liquidity surcharge	0 – 10 %	1 911	(955)
Total		**21 063**			**2 106**	**(1 150)**

** Equity investments at net asset value - price deterioration between -10% and + 10%.*

Financial instruments recognised at amortised cost

For purposes of valuation of non-impaired receivables to banks and customers, the Group uniformly implemented an approach applicable for the whole Group. For valuation of retail and corporate portfolios the method of discounting future cash flows until maturity is used.

For the retail portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and specific risk factors of respective retail sub-portfolios. For the corporate portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and risk specific factors of respective transactions.

Calculation of fair value of respective transactions comprises of two essential steps:

1. Determination of future cash flows at the level of individual transactions representing the loan receivable
2. Calculation of the respective discount rate that takes into consideration factors such as:

- Market rates
- Client's credit quality
- Liquidity
- Administration expenses

For the discounted future cash flows method, components of discount factor which take into consideration credit quality, level of liquidity costs and market rates change during the lifetime of transaction (depending on current situation at the time of respective cash flows), while for example administrative costs are constant all of the time at level given by calibration at the beginning of transaction.

In case of debt securities at amortised cost and debt securities liabilities at amortised cost and available market prices, the Group classifies the securities to Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices and classifies the security to Level 2.

In case of valuation of the defaulted portfolio, the Group recognised the fair value as net value of respective exposures, which represents the gross amount less any impairment allowances.

Deposits by banks and customers with fixed interest are remeasured to fair value that are different from their carrying amount, provided that their remaining maturity exceeds one year. Floating interest liabilities are considered only if the interest extension period is longer than 1 year. Only then will discounting on the basis of the presumed interest rate in line with market rates have a significant impact.

The Group uses the income approach to calculate the fair value of its liabilities to banks and customers. Within the income approach, it applies the present value technique. The Group uses the discounted rate calculated by the discount rate adjustment technique to discount future contractual cash flows.

	Fair value as at 2021	*Carrying amount as at 2021*	*Difference as at 2021*	*Fair value as at 2020*	*Carrying amount as at 2020*	*Difference as at 2020*
Assets						
Financial assets at amortised cost	**14 751 974**	**14 536 199**	**215 775**	**13 954 206**	**13 345 050**	**609 156**
Loans and advances to banks	**74 240**	**74 240**	**-**	**109 854**	**109 854**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*74 240*	*74 240*	-	*109 854*	*109 854*	-
Loans and advances to customers	**12 597 212**	**12 468 000**	**129 212**	**11 783 512**	**11 316 033**	**467 479**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*12 597 212*	*12 468 000*	*129 212*	*11 783 512*	*11 316 033*	*467 479*
Debt securities	**2 080 522**	**1 993 959**	**86 563**	**2 060 840**	**1 919 163**	**141 677**
of which Level 1	*1 575 419*	*1 501 235*	*74 184*	*1 689 393*	*1 568 723*	*120 670*
of which Level 2	*505 103*	*492 724*	*12 379*	*371 447*	*350 440*	*21 007*
of which Level 3	-	-	-	-	-	-

	Fair value as at 2021	*Carrying amount as at 2021*	*Difference as at 2021*	*Fair value as at 2020*	*Carrying amount as at 2020*	*Difference as at 2020*
Liabilities						
Financial assets at amortised cost	**17 908 204**	**17 894 326**	**13 878**	**14 099 725**	**14 089 060**	**10 665**
Deposits from banks	**3 482 239**	**3 481 877**	**362**	**1 129 176**	**1 129 176**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*3 482 239*	*3 481 877*	*362*	*1 129 176*	*1 129 176*	-
Deposit from customers	**113 475 173**	**13 474 275**	**898**	**12 271 252**	**12 270 444**	**808**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*13 475 173*	*13 474 275*	*898*	*12 271 252*	*12 270 444*	*808*
Liabilities from debt securities	**883 997**	**871 379**	**12 618**	**638 687**	**628 830**	**9 857**
of which Level 1	-	-	-	-	-	-
of which Level 2	*883 997*	*871 379*	*12 618*	*638 687*	*628 830*	*9 857*
of which Level 3	-	-	-	-	-	-
Other financial liabilities	**66 795**	**66 795**	**-**	**60 610**	**60 610**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*66 795*	*66 795*	-	*60 610*	*60 610*	-

45. Risk report

Credit risk

The Group bears a credit risk, i.e., the risk that the counterparty will not be able to repay the amounts owed at their maturity in full. In regard to corporate portfolio the Group classifies loan exposure borne by the Group by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor, including banks and securities dealers, is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the ability of debtors and potential debtors to repay the principal and interest and using potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using scoring models developed for individual products, or an individual client. Credit risk in the retail loan portfolio is managed using several tools: Credit scoring is a tool used by the Group in the loan decision-making process for private individuals and retail legal entities. An important tool in credit quality management is the system of credit underwriting by risk assessment specialists, whose goal is to optimise revenues from the portfolio in relation to the risk borne by the Group. The regular monitoring of the existing loan portfolio quality and trends in the portfolio together with appropriate strategies to secure the quality of the existing portfolio are also a very important component that contributes to retaining the entire portfolio quality and the targeted level of risk charges of the Group.

When collecting receivables, the Group uses a very broad scale of tools and collection strategies depending on the amount and type of receivable. The Group uses both internal and external resources to collect receivables. In the event of unsuccessful collection of receivables from clients, the receivables are subsequently forwarded to external agencies specialising in the enforcement of receivables via the courts. Receivables with higher amounts and specific receivables are dealt with by an in-house expert team in co-operation with the legal department and other professional units of the Group.

As part of credit risk monitoring and management, the Group also closely observes the area of exposure and residual risks.

Exposure risk represents the risk resulting from the concentration of the Group's transactions with an entity, a group of economically related parties, state, geographical area, industry sector, collateral provider, etc. The risk is closely related to both exposures in the Banking book and exposures in the Trading book. To manage exposure risk effectively, the Group's focuses on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and others). The Group also develops methods for exposure risk quantification.

Residual risk represents the risk stemming from the insufficient enforceability of rights arising to the Group from security received against credit risk. The Group eliminates this risk in particular by means of consistently observing legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The Group also bears a credit risk in trading with OTC derivatives. This risk is monitored on a daily basis and mitigated by collateral contracts which allow the Group to request additional collateral from the counterparty to ensure at least the current value of the derivative transactions with this counterparty. In case of counterparties that are not financial institutions, the Group requires, in addition to current value, a potential future value of derivatives within the 10-day horizon. In the event of failure to provide the relevant collateral, the Group has the right to terminate all derivative transactions with the counterparty prematurely, offsetting the individual losses and gains, and the potential resulting loss to the client is realised against the collateral provided by the client.

The table below shows the maximum amount of credit risk regardless of received collateral:

	2021	*2020*
Credit risk related to balance sheet assets:		
Cash and other demand deposits	167 532	142 189
Cash balances at central banks	4 067 786	1 572 152
Financial assets held for trading	90 279	54 549
Non-trading financial assets mandatorily at fair value through profit or loss	17 105	19 891
Financial assets at fair value through other comprehensive income	341 203	221 211
Financial assets at amortised cost	14 534 893	13 345 050
Hedging derivative financial assets	4 322	14 191
Change in fair value of hedged items in interest rate risk hedging	3 727	-
Other assets	62 430	56 620
Total	**19 289 277**	**15 425 853**

	2021	*2020*
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	479 417	410 033
Irrevocable loan commitments/ “stand-by facility”	1 178 378	1 117 431
Revocable loan commitments/ “stand-by facility”	2 026 660	1 778 395
Total	**3 684 455**	**3 305 859**

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2021:

	Total carrying amount	*Gross carrying amount – Stage 1 **	*Gross carrying amount – Stage 2 ***	*Gross carrying amount – Stage 3 ****	*Gross carrying amount – POCI *****	*Allowances for expected credit losses – Stage 1*	*Allowances for expected credit losses – Stage 2*	*Allowances for expected credit losses – Stage 3*	*Allowances – POCI*	*Net carrying amount*
Financial assets at amortised cost	**14 795 342**	**11 376 593**	**3 178 062**	**233 933**	**6 754**	**24 066**	**45 110**	**165 850**	**3 798**	**14 556 518**
Loans and advances to banks	95 865	95 865	-	-	-	-	-	-	-	95 865
Loans and advances to customers	12 705 451	9 286 702	3 178 062	233 933	6 754	23 999	45 110	165 850	3 798	12 466 694
Public sector	*5 811*	*5 222*	*561*	*28*	*-*	*-*	*4*	*26*	*-*	*5 781*
Corporate clients	*5 037 603*	*4 187 754*	*763 183*	*82 300*	*4 366*	*16 101*	*14 633*	*56 748*	*3 087*	*4 947 034*
Retail clients	*7 662 037*	*5 093 726*	*2 414 318*	*151 605*	*2 388*	*7 898*	*30 473*	*109 076*	*711*	*7 513 879*
Debt securities	1 994 026	1 994 026	-	-	-	67	-	-	-	1 993 959
Banks	*95 854*	*95 854*	*-*	*-*	*-*	*8*	*-*	*-*	*-*	*95 846*
Public sector	*1 873 413*	*1 873 413*	*-*	*-*	*-*	*52*	*-*	*-*	*-*	*1 873 361*
Corporate clients	*24 759*	*24 759*	*-*	*-*	*-*	*7*	*-*	*-*	*-*	*24 752*
Financial assets at fair value through other comprehensive income	**341 512**	**314 341**	**27 171**	**-**	**-**	**19**	**381**	**-**	**-**	**341 112**
Debt securities	341 512	314 341	27 171	-	-	19	381	-	-	341 112
Banks	*103 375*	*103 375*	*-*	*-*	*-*	*8*	*-*	*-*	*-*	*103 367*
Public sector	*168 696*	*168 696*	*-*	*-*	*-*	*3*	*-*	*-*	*-*	*168 693*
Corporate clients	*69 441*	*42 270*	*27 171*	*-*	*-*	*8*	*381*	*-*	*-*	*69 052*
Contingent liabilities and other off-balance sheet items	**3 684 455**	**3 279 656**	**386 664**	**18 135**	**-**	**6 252**	**2 867**	**878**	**-**	**3 674 458**

* *Stage 1 – without significant increase in credit risk since initital recognition.*
** *Stage 2 – with significant increase in credit risk since initital recognition, but not credit impaired.*
*** *Stage 3 – credit impaired*
**** *POCI – recognised as impaired on initial recognition*

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2020:

	Total carrying amount	*Gross carrying amount – Stage 1 **	*Gross carrying amount – Stage 2 ***	*Gross carrying amount – Stage 3 ****	*Gross carrying amount – POCI *****	*Allowances for expected credit losses – Stage 1*	*Allowances for expected credit losses – Stage 2*	*Allowances for expected credit losses – Stage 3*	*Allowances – POCI*	*Net carrying amount*
Financial assets at amortised cost	**13 570 613**	**10 028 711**	**3 308 191**	**226 195**	**7 516**	**17 115**	**47 873**	**156 545**	**2 251**	**13 346 829**
Loans and advances to banks	111 633	111 633	-	-	-	-	-	-	-	111 633
Loans and advances to customers	11 539 683	7 997 781	3 308 191	226 195	7 516	16 981	47 873	156 545	2 251	11 316 033
Public sector	*5 023*	*4 281*	*742*	*-*	*-*	*2*	*-*	*-*	*-*	*5 021*
Corporate clients	*4 590 286*	*3 106 003*	*1 401 889*	*77 554*	*4 840*	*4 953*	*21 049*	*51 373*	*1 196*	*4 511 715*
Retail clients	*6 944 374*	*4 887 497*	*1 905 560*	*148 641*	*2 676*	*12 026*	*26 824*	*105 172*	*1 055*	*6 799 297*
Debt securities	1 919 297	1 919 297	-	-	-	134	-	-	-	1 919 163
Banks	*77 261*	*77 261*	*-*	*-*	*-*	*6*	*-*	*-*	*-*	*77 255*
Public sector	*1 824 755*	*1 824 755*	*-*	*-*	*-*	*105*	*-*	*-*	*-*	*1 824 650*
Corporate clients	*17 281*	*17 281*	*-*	*-*	*-*	*23*	*-*	*-*	*-*	*17 258*
Financial assets at fair value through other comprehensive income	**221 484**	**196 952**	**24 532**	**-**	**-**	**30**	**329**	**-**	**-**	**221 125**
Debt securities	221 484	196 952	24 532	-	-	30	329	-	-	221 125
Banks	*106 449*	*106 449*	*-*	*-*	*-*	*12*	*-*	*-*	*-*	*106 437*
Public sector	*46 300*	*46 300*	*-*	*-*	*-*	*3*	*-*	*-*	*-*	*46 297*
Corporate clients	*68 735*	*44 203*	*24 532*	*-*	*-*	*15*	*329*	*-*	*-*	*68 391*
Contingent liabilities and other off-balance sheet items	**3 305 859**	**2 747 473**	**540 593**	**17 793**	**-**	**3 078**	**3 144**	**782**	**-**	**3 298 855**

* *Stage 1 – without significant increase in credit risk since initital recognition.*
** *Stage 2 – with significant increase in credit risk since initital recognition, but not credit impaired.*
*** *Stage 3 – credit impaired*
**** *POCI – recognised as impaired on initial recognition*

The summary below represents net book value of overdue financial assets at amortised cost and overdue financial assets at fair value through other comprehensive income by overdue days as at 31 December 2021:

	Stage 1 ≤ 30 days	*Stage 1 > 30 days ≤ 90 days*	*Stage 1 > 90 days*	*Stage 2 ≤ 30 days*	*Stage 2 > 30 days ≤ 90 days*	*Stage 2 ≤ 90 days*	*Stage 3 ≤ 30 days*	*Stage 3 > 30 days ≤ 90 days*	*Stage 3 > 90 days*	*POCI ≤ 30 days*	*POCI > 30 days ≤ 90 days*	*POCI > 90 days*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**66 807**	**174**	**306**	**85 462**	**7 837**	**559**	**7 011**	**6 575**	**25 823**	**663**	**164**	**396**
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	22 867	18	1	27 539	2 224	93	1 491	573	7 817	564	84	298
Retail clients	43 940	156	305	57 923	5 613	466	5 520	6 002	18 006	99	80	98
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-	-	-	-
Total	**66 807**	**174**	**306**	**85 462**	**7 837**	**559**	**7 011**	**6 575**	**25 823**	**663**	**164**	**396**

The summary below represents net book value of overdue financial assets at amortised cost and overdue financial assets at fair value through other comprehensive income by overdue days as at 31 December 2020:

	Stage 1 ≤ 30 days	*Stage 1 > 30 days ≤ 90 days*	*Stage 1 > 90 days*	*Stage 2 ≤ 30 days*	*Stage 2 > 30 days ≤ 90 days*	*Stage 2 ≤ 90 days*	*Stage 3 ≤ 30 days*	*Stage 3 > 30 days ≤ 90 days*	*Stage 3 > 90 days*	*POCI ≤ 30 days*	*POCI > 30 days ≤ 90 days*	*POCI > 90 days*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**66 807**	**174**	**306**	**85 462**	**7 837**	**559**	**7 011**	**6 575**	**25 823**	**663**	**164**	**396**
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	22 867	18	1	27 539	2 224	93	1 491	573	7 817	564	84	298
Retail clients	43 940	156	305	57 923	5 613	466	5 520	6 002	18 006	99	80	98
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-	-	-	-
Total	**66 807**	**174**	**306**	**85 462**	**7 837**	**559**	**7 011**	**6 575**	**25 823**	**663**	**164**	**396**

The following summary represents an analysis of the impaired portfolio of financial assets and portfolio of purchased or originated credit-impaired assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2021:

	Gross carrying amount (stage 3)	*Impairment allowances (stage 3)*	*Recoverable value of received collateral*
Banks	-	-	-
Corporate clients	86 761	59 930	24 236
Retail clients	153 926	109 718	52 337
Total	**240 687**	**169 648**	**76 573**

The following summary represents an analysis of the impaired portfolio of financial assets and portfolio of purchased or originated credit-impaired assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2020:

	Gross carrying amount (stage 3)	*Impairment allowances (stage 3)*	*Recoverable value of received collateral*
Banks	-	-	-
Corporate clients	82 393	52 569	19 271
Retail clients	151 318	106 227	52 754
Total	**233 711**	**158 796**	**72 025**

The summary of individual types of received collateral for financial assets at recoverable value is provided as follows:

	2021	*2020*
Collateralisation of provided loans		
Cash and cash equivalents	31 911	30 598
Guarantees	260 780	182 511
Securities	91 502	123 840
Real estate	6 538 290	5 862 961
Movables	460 482	262 481
Receivables and other collaterals	183 999	157 696
Total	**7 566 964**	**6 620 087**

The summary of individual types of received collateral for contingent liabilities and other off-balance sheet liabilities at recoverable value is provided as follows:

	2021	*2020*
To cover contingent liabilities and other off-balance sheet liabilities		
Cash and cash equivalents	31 625	41 237
Guarantees	43 218	24 057
Securities	31 243	43 727
Real estate	214 593	171 537
Movables	169	3 480
Receivables and other collaterals	115 681	142 642
Total	**436 529**	**426 680**

The summary below represents the quality of the portfolio of financial assets at amortised cost that is non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2021		2020	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Loans and advances to banks	**95 865**	**-**	**111 633**	**-**
Minimum risk	460	-	-	-
Excellent credit rating	76 111	-	109 854	-
Very good credit rating	19 294	-	1 779	-
Good credit rating	-	-	-	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Loans and advances to customers	**9 204 671**	**3 075 151**	**7 935 751**	**3 218 554**
of which Public sector:	***5 222***	***561***	***4 281***	***742***
Minimum risk	-	-	-	-
Excellent credit rating	3	1	-	2
Very good credit rating	4 917	135	877	1
Good credit rating	-	-	1 938	471
Standard credit rating	103	-	1 198	268
Ordinary credit rating	11	11	229	-
Sub-standard credit rating	180	414	39	-
Significantly sub-standard credit rating	8	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2021		2020	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***3 021 439***	***591 295***	***2 356 955***	***981 382***
Minimum risk	9 118	10	194 574	1 379
Excellent credit rating	241 892	746	112 245	5 523
Very good credit rating	497 820	11 551	435 001	40 251
Good credit rating	705 178	12 398	467 066	169 671
Standard credit rating	823 337	31 111	574 048	214 036
Ordinary credit rating	598 641	146 367	445 380	374 112
Sub-standard credit rating	133 071	119 360	115 172	86 977
Significantly sub-standard credit rating	9 288	249 199	12 276	68 010
Doubtful/high risk of default	70	20 433	1 193	21 353
Defaulted	-	-	-	-
With no assigned rating	3 024	120	-	70
of which corporate clients - project financing:	***1 116 255***	***130 932***	***727 386***	***397 451***
Excellent project financing profile rating	827 004	9	600 695	284 010
Good project financing profile rating	289 108	108 223	126 054	93 800
Acceptable project financing profile rating	143	10 023	637	11 281
Weak project financing profile rating	-	12 677	-	8 360
Defaulted	-	-	-	-
of which retail clients	***5 061 755***	***2 352 363***	***4 847 129***	***1 838 979***
Excellent credit rating	1 750 599	751 713	2 695 176	551 415
Very good credit rating	1 694 686	829 570	923 930	425 277
Good credit rating	1 051 904	378 465	643 734	304 335
Ordinary credit rating	362 096	307 758	402 951	423 607
Sub-standard credit rating	12 499	64 294	25 808	115 621
Defaulted	-	-	-	-
With no assigned rating	189 971	20 563	155 530	18 724

	2021		2020	
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*
Debt securities	**1 994 026**	**-**	**1 919 297**	**-**
Minimum risk	102 620	-	-	-
Excellent credit rating	1 625 469	-	115 567	-
Very good credit rating	260 850	-	1 724 031	-
Good credit rating	-	-	15 008	-
Standard credit rating	5 087	-	64 691	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets at amortised cost	**11 294 562**	**3 075 151**	**9 966 681**	**3 218 554**

The summary below represents the quality of the portfolio of contingent liabilities and other off-balance sheet items that is non-impaired (Stage 1 and 2) in accordance with the internal rating:

	2021		2020	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Contingent liabilities and other off-balance sheet items to banks	**105 108**	**-**	**77 723**	**700**
Minimum risk	-	-	-	-
Excellent credit rating	53 250	-	44 357	-
Very good credit rating	36 510	-	31 741	700
Good credit rating	15 348	-	1 625	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Contingent liabilities and other off-balance sheet items to customers	**3 174 546**	**386 666**	**2 669 749**	**539 894**
of which public sector:	***5 118***	***352***	***2 930***	***213***
Minimum risk	-	17	-	-
Excellent credit rating	4 753	175	445	67
Very good credit rating	365	74	2 465	146
Good credit rating	-	-	20	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	86	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2021		2020	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***2 122 502***	***156 282***	***1 749 302***	***304 812***
Minimum risk	10 238	46	141 412	1 317
Excellent credit rating	478 844	2 018	96 139	6 446
Very good credit rating	359 311	18 891	497 519	21 427
Good credit rating	609 815	5 716	467 894	58 939
Standard credit rating	421 142	6 943	338 848	87 937
Ordinary credit rating	202 713	65 861	163 728	82 551
Sub-standard credit rating	37 231	25 569	38 238	20 192
Significantly sub-standard credit rating	2 570	24 841	5 086	22 356
Doubtful/high risk of default	-	6 373	401	3 553
Defaulted	-	-	25	-
With no assigned rating	638	24	12	94
of which corporate clients – project financing	***326 611***	***3 550***	***183 259***	***38 757***
Excellent project financing profile rating	245 402	-	170 191	32 255
Good project financing profile rating	81 209	3 535	13 068	5 524
Acceptable project financing profile rating	-	5	-	968
Weak project financing profile rating	-	10	-	10
Defaulted	-	-	-	-
of which retail clients:	***720 315***	***226 482***	***734 258***	***196 112***
Excellent credit rating	337 474	135 622	431 607	126 511
Very good credit rating	123 363	41 318	71 452	20 888
Good credit rating	57 330	14 360	42 538	13 850
Standard credit rating	10 582	13 054	20 854	14 704
Sub-standard credit rating	533	1 135	1 209	2 623
Defaulted	-	-	-	-
With no assigned rating	191 033	20 993	166 598	17 536
Contingent liabilities and other off-balance sheet items	**3 279 654**	**386 666**	**2 747 472**	**540 594**

The summary below represents the quality of the portfolio of financial assets at fair value through other comprehensive income that is non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2021		*2020*	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Debt securities	**314 341**	**27 171**	**196 952**	**24 532**
Minimum risk	-	-	-	-
Excellent credit rating	244 257	-	21 819	-
Very good credit rating	42 196	-	122 784	-
Good credit rating	27 888	-	52 349	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	27 171	-	24 532
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets at fair value through other comprehensive income	**314 341**	**27 171**	**196 952**	**24 532**

The scoring system of the Group's corporate clients (applied for the entire RBI Group) is based on the client's economic rating and complies with the rules of the Internal Rating Based Approach (IRB). The rating range has 28 grades from 1A to 10 for corporate clients, and 5 grades for project financing from 6.1 to 6.5.

The table below represents details of rating scale:

Institution Rating Scale	**10-Grade Rating Scale**	**28-Grade Rating Scale**			**Description**
A1	0.5	1A	1B	1C	Minimum risk
A2	1.0	2A	2B	2C	Excellent credit rating
A3	1.5	3A	3B	3C	Very good credit rating
B1	2.0	4A	4B	4C	Good credit rating
B2	2.5	5A	5B	5C	Standard credit rating
B3	3.0	6A	6B	6C	Ordinary credit rating
B4	3.5	7A	7B	7C	Sub-standard credit rating
B5	4.0	8A	8B	8C	Significantly sub-standard credit rating
C	4.5	9A	9B	9C	Doubtful/high risk of default
D	5.0	10A			Defaulted

The summary below represents the net book value of the loans and advances to banks and loans and advances to customers in terms of the concentration risk by industry:

	2021	*2020*
A. Agriculture, forestry and fisheries	231 860	211 455
B. Mining and quarrying	6 106	4 919
C. Industrial production	769 783	835 133
D. Supply of electricity, gas, steam and air-conditioning	383 940	437 719
E. Water supply	59 870	48 774
F. Construction	400 000	350 941
G. Wholesale and retail trade	769 301	816 141
H. Transport and storage	525 976	401 148
I. Accommodation and catering services	67 876	50 902
J. Information and Communication	241 026	179 889
K. Financial and insurance activities	245 285	227 775
L. Real estate activities	1 263 231	900 077
M. Professional, scientific and technical activities	243 669	220 672
N. Administrative and support services	164 896	163 291
O. Public administration and defence, compulsory social security	7 258	10 794
P. Education	16 822	19 570
Q. Health and social assistance	151 308	105 614
R. Arts, entertainment and recreation	35 331	45 764
S. Other service activities	16 788	72 360
T. Activities of households, private households with domestic staff	6 962 233	6 324 728
Total	**12 562 559**	**11 427 666**

The structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

	2021	*2020*
Government bonds with no coupon	76 884	29 690
Loans and advances and current accounts to banks	4 067 786	1 572 152
Loans and advances to customers	217 757	314 467
Debt securities	1 876 250	1 704 861
Total	**6 238 677**	**3 621 170**

The following overview represents a change in the impairment allowances for expected losses on loans and advances measured at amortised cost as at 31 December 2021:

	Impairment allowances for expected credit losses – stage 1	*Impairment allowances for expected credit losses – stage 2*	*Impairment allowances for expected credit losses – stage 3*	*Impairment allowances - POCI*	*Total*
As at 1 January 2021	**16 981**	**47 873**	**156 545**	**2 251**	**223 650**
Consolidation adjustments	592	1 743	10 177	-	12 512
Net changes due to credit risk	(8 050)	(2 619)	38 576	2 216	30 123
Increase due to origin or acquisition	17 729	10 516	22	-	28 267
Decrease due to derecognition	(3 253)	(12 403)	(18 990)	(336)	(34 982)
Write-off	-	-	(20 405)	(427)	(20 832)
Unwinding	-	-	(117)	94	(23)
Foreign exchange differences	-	-	42	-	42
As at 31 December 2021	**23 999**	**45 110**	**165 850**	**3 798**	**238 757**

The following overview represents a change in the impairment allowances for expected losses on loans and advances measured at amortised cost as at 31 December 2020:

	Impairment allowances for expected credit losses – stage 1	*Impairment allowances for expected credit losses – stage 2*	*Impairment allowances for expected credit losses – stage 3*	*Impairment allowances - POCI*	*Total*
As at 1 January 2020	**17 941**	**24 863**	**155 185**	**3 488**	**201 477**
Net changes due to credit risk	(12 424)	29 041	55 765	(2 132)	70 250
Increase due to origin or acquisition	14 901	4 252	154	918	20 225
Decrease due to derecognition	(3 437)	(10 283)	(25 695)	(505)	(39 920)
Write-off	-	-	(28 444)	(117)	(28 561)
Unwinding	-	-	(374)	599	225
Foreign exchange differences	-	-	(46)	-	(46)
As at 31 December 2020	**16 981**	**47 873**	**156 545**	**2 251**	**223 650**

Sensitivity analysis of impairment allowances

The retail loan portfolio's sensitivity to change of probability of default (PD) was tested by a 10 % increase/decrease in the PD scenario. In case of a 10 % increase/decrease in PD, the impact on ECL would be +/- 2.3 %.

The retail loan portfolio's sensitivity to change in the loss given default (LGD) was tested by a 10 % increase/decrease in the LGD scenario. If the LGD increases by 10 %, the impact on ECL would be +7.4 %. If the LGD decreases by 10 %, the impact on the ECL would be -9.8 %.

The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to change of probability of default (PD) was tested by a 10 % increase/decrease in the PD scenario. In case of a 10 % increase/decrease in PD, the impact on ECL would be +/- 10 %.

The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to change in the loss given default (LGD) was tested by a 10 % increase/decrease in the LGD scenario. In case of a 10% increase/decrease in LGD, the impact on ECL would be +/- 10 %.

Non-performing exposures (NPE)

Non-performing exposures are defined in the technical standard governing the reporting of forborne exposures and non-performing exposures, as issued by the EBA (European Bank Authority). Non-performing exposures include both defaulted and non-defaulted exposures.

Based on changes (implementation of IFRS 9), in line with the EBA standard definition (FINREP ANNEX III REV1/FINREP ANNEX V), cash balances at central banks and other demand deposits and government and corporate bonds purchased to the Banking book are part of the share of non-performing exposures, resulting in decrease of the indicator.

The table below represents the summary of non-performing exposures as at 31 December 2021:

	Gross carrying amount	*Share of non-performing exposures*	*% coverage of non-performing exposures*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**239 634**	**1.89 %**	**70.79 %**
Public sector	-	-	-
Corporate clients	86 694	1.72 %	130.02 %
Retail clients	152 940	2.00 %	37.20 %
Debt securities	**901**	**0.04 %**	**100.00 %**
Total	**240 535**	**1.25 %**	**70.90 %**

The table below represents the summary of non-performing exposures as at 31 December 2020:

	Gross carrying amount	*Share of non-performing exposures*	*% coverage of non-performing exposures*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**234 256**	**2.03 %**	**67.79 %**
Public sector	-	-	-
Corporate clients	82 369	1.79 %	63.82 %
Retail clients	151 887	2.19 %	6.94 %
Debt securities	**-**	**-**	**-**
Total	**234 256**	**1.77 %**	**67.79 %**

Forborne exposures

This section applies exclusively to non-default exposures based on Article 178 CRR. In the business sphere, when credit conditions change for the benefit of the client, the Group differentiates between modified loans and forborne loans based on valid definitions in the technical standard (ITS) governing the reporting of forborne exposures and non-performing exposures, as issued by the EBA (European Group Authority).

A key aspect when deciding whether a loan is forborne, is in the business sector the client's financial situation at the time of the change in maturity or loan terms. If, on the basis of the client's creditworthiness (taking into account the internal early warning system), it can be assumed that the client has financial difficulties at the time of changing loan terms, and if the change is treated as easing of conditions, such loans are flagged as forborne exposures. If such change is made to a loan or such a loan becomes more than 30 days overdue and was previously considered to be defaulted but is subsequently considered as non-defaulted (under Article 178 CRR), the loan is considered to be a default exposure (NPE) regardless of whether there is a reason for default under Article 178 CRR. Such monitoring is performed over a two-year period after the loan is no longer considered to be defaulted. The decision as to whether the loan is classified as defaulted and/or forborne is not a reason for creation of a specific impairment allowance.

Under IFRS 9, non-defaulted forborne exposures are automatically transferred to Stage 2 and are therefore subject to lifetime expected credit losses. The transfer back to Stage 1 is only possible after all of the exit criteria have been met (including a trial period in the retail segment) and at the same time criteria for classification to Stage 2 are not met (quantitative or qualitative).

The Group may adjust the terms and conditions of repayment of its loan receivables if the client's financial situation is poor and the client would not be able to repay its obligations to the Group in real time.

In case of overdrafts, where an agreement on repayments of debt due is concluded - the contract is not prolonged, it is only transformed into an instalment loan after being declared as due. In case of instalment loans, repayment schedules are changed due to the client's inability to pay within the agreed deadlines. For retail loans, there is a possibility to apply for loan restructuring in the form of a temporary reduction of repayments, mostly for a period of 12 months, with subsequent changes to the original loan (extension of the maturity, change of the instalment amount) so as not to reduce the cash flows after termination of the credit relationship (i.e., there is no impairment).

The summary below represents the analysis of forborne exposures as at 31 December 2021:

	Gross carrying amount	*Allowances for expected credit losses*	*Net book value*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**162 716**	**(47 407)**	**115 309**
Public sector	-	-	-
Corporate clients	117 921	(32 972)	84 949
Retail clients	44 795	(14 435)	30 360
Total	**162 716**	**(47 407)**	**115 309**

The summary below represents the analysis of forborne exposures as at 31 December 2020:

	Gross carrying amount	*Allowances for expected credit losses*	*Net book value*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**54 936**	**(32 959)**	**21 977**
Public sector	-	-	-
Corporate clients	27 982	(18 149)	9 833
Retail clients	26 954	(14 810)	12 144
Total	**54 936**	**(32 959)**	**21 977**

Default loan portfolio (NPL)

There is no definition of default loans in the methodology of International Financial Reporting Standards. The Group also uses impaired loans as the equivalent for non-performing loans.

To determine the client's default, the Group mainly uses the following indicators, also depending on the client's segment: permanent delay in the repayment of a material portion of a receivable of more than 90 days, declaration of immediate maturity, bankruptcy or insolvency, a portion of the loan receivables from the client written off, legal restructuring, suspended interest on receivables, sale of the receivables from the client resulting in a loss or an anticipated loss from a deal. In the case of the retail portfolio, the group applies a limit set at the level of EUR 10, which the amount of the receivable must exceed. In the retail portfolio, the Group applies a limit set at an absolute materiality threshold of EUR 100 and a relative materiality threshold of 1% of the gross carrying amount of all client credit exposures that the receivable must exceed. In the corporate portfolio, the Group applies a limit that depends on the default type. In case of a permanent default of more than 90 days, the limit is set at EUR 500 and simultaneously 1% of the gross carrying value, in restructuring the limit of change in net present value is set at 1% and in case of other types, the receivable is assessed with no limit application.

The summary below represents analysis of the default loan portfolio (balance sheet items) and impairment off-balance sheet portfolio analysis (guarantees and irrevocable loan commitments) as at 31 December 2021:

	Defaulted loans (Gross book value)	*Impairment allowances for default loans*	*Impaired loans (Net book value)*	*Recoverable value of received collateral for default loans*
Loans and advances	**239 255**	**169 634**	**69 621**	**75 300**
Banks	-	-	-	-
Corporate clients	86 694	59 862	26 832	24 236
Retail clients	152 561	109 772	42 789	51 064
Contingent liabilities and other off-balance sheet items	**18 002**	**812**	**17 190**	**1 027**
Corporate clients	16 533	-	16 533	445
Retail clients	1 469	812	657	582
Total	**257 257**	**170 446**	**86 811**	**76 327**

The summary below represents analysis of the default loan portfolio (balance sheet items) and impairment off-balance sheet portfolio analysis (guarantees and irrevocable loan commitments) as at 31 December 2020:

	Defaulted loans (Gross book value)	*Impairment allowances for default loans*	*Impaired loans (Net book value)*	*Recoverable value of received collateral for default loans*
Loans and advances	**233 500**	**158 793**	**74 707**	**71 932**
Banks	-	-	-	-
Corporate clients	82 383	52 568	29 815	19 265
Retail clients	151 117	106 225	44 892	52 667
Contingent liabilities and other off-balance sheet items	**17 818**	**783**	**17 035**	**130**
Corporate clients	16 778	-	16 778	9
Retail clients	1 040	783	257	121
Total	**251 318**	**159 576**	**91 742**	**72 062**

Concentration risk by geographic regions

Structure of assets and liabilities related to entities outside the Slovak Republic:

	2021	*2020*
Assets	**906 353**	**851 913**
Of which Austria	*200 173*	*180 857*
Of which Czech Republic	*140 022*	*219 571*
Of which United States of America	*9 287*	*9 204*
Of which Poland	*159 766*	*177 084*
Of which Netherlands	*20 165*	*17 322*
Of which Great Britain	*35 007*	*33 144*
Of which Germany	*72 343*	*20 543*
Of which Spain	*27 884*	*28 261*
Of which Bulgaria	*54 155*	*55 443*
Of which other countries (mainly EU countries)	*187 551*	*110 484*

Liabilities	**1 551 773**	**1 099 203**
Of which Austria	*796 453*	*527 430*
Of which Hungary	*51 927*	*56 707*
Of which Luxembourg	*49 110*	*73 846*
Of which Czech Republic	*94 678*	*90 614*
Of which Germany	*54 278*	*54 689*
Of which Ukraine	*57 927*	*44 388*
Of which Romania	*157 178*	*1 571*
Of which other countries (mainly EU countries)	*290 222*	*249 958*

Market risk

The Group is exposed to market risks. Market risks result from open positions of transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risk associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risk faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to accept. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable developments in market rates and prices. To manage market risk, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:
- Currency risk and
- Interest rate risk.

Market risks to which the Group faces insignificant exposure (nominal value does not exceed 0.1 % of the Group's balance):
- Equity price risk and
- Commodity risk.

Currency risk

Currency risk represents the potential of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by determining and monitoring open position limits.

Open currency positions are subject to real-time monitoring through the information system. The currency position of the Group is monitored separately for each currency, as well as the Group limit for specific currencies if monitoring is necessary, e.g., in case of market turbulences. Limits for these positions are set in line with the RBI Group standards. Data on the Group's currency positions and on the compliance with the limits set by RBI are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets gamma and vega limits on an option position for each currency match subject to trading. The gamma limit sets the maximum allowable rate of change in the foreign exchange position from option contracts due to a change in the underlying exchange rate. The Vega limit sets the maximum allowable rate of change in the value of options due to a change in the volatility of the underlying currency pair.

Positions from client option trades to currency matches, where no gamma and vega limits on trading has been specified by the Group, are closed at the market, so as to ensure that the Group has no open position for this currency match.

In addition, the Group has set *stop-loss* limit for the overall foreign exchange position.

Items in foreign currencies

The financial statements consist of the following assets and liabilities denominated in foreign currencies:

	2021	*2020*
Assets	**326 600**	**252 787**
Of which: USD	*150 989*	*52 034*
Of which: CZK	*98 068*	*125 684*
Of which: other currencies (PLN, HUF, GBP and other)	*77 543*	*75 069*
Liabilities	**420 616**	**428 534**
Of which: USD	*223 248*	*258 357*
Of which: CZK	*84 526*	*84 875*
Of which: other currencies (PLN, HUF, GBP and other)	*112 842*	*85 302*

The Group's net foreign exchange (FX) position of assets, liabilities as at 31 December 2021 and as at 31 December 2020 was as follows:

	Net FX position as at 31 December 2021	*Net FX position as at 31 December 2020*
USD	(72 259)	(206 323)
CZK	13 542	40 809
Other (GBP, CHF, PLN, HUF and other)	(35 299)	(10 233)
Total net FX balance sheet position	**(94 016)**	**(175 747)**
USD	73 842	204 416
CZK	(11 968)	(52 690)
Other (GBP, CHF, PLN, HUF and other)	36 318	13 657
Total net FX off-balance sheet position	**98 192**	**165 383**
Total net FX position	**4 176**	**(10 364)**

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group separately controls and manages its interest rate risk for all trades, the Banking book and the Trading Book. Interest rate risk is monitored and assessed on a daily basis. The interest rate risk in the Banking book in terms of change in the Group's income is monitored and evaluated monthly, always as at the end of the month. Interest rate risk in the Banking book is monitored and evaluated on a daily basis in terms of changes in economic value.

To monitor interest rate risk the Group uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by a defined number of basis points (basis point value – BPV), method of interest field sensitivity yield curve shift by a defined number of basis points, and *stop-loss* limits to interest rate sensitive instruments.

The internal interest rate risk limits applicable in the Banking book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking book (mainly EUR and USD).

The Group's limit on the interest rate risk of the Banking book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in the Banking Book, with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits related to the sensitivity of the overall position to yield curve shifts (BPV). The limits are set for individual currencies included in the Trading Book. The loss resulting from interest rate variations is limited to the *stop-loss* limit.

Market Risk Management regularly submits information on the actual amount of credit risk in individual currencies and information on the use of the Banking Book's credit risk limits to the Assets and Liabilities Committee (ALCO).

In the event of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information in the carrying amount on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the" Unspecified" category.

The interest rate gap of financial assets and liabilities as at 31 December 2021:

	Up to 3 months included	*From 3 months to 1 year included*	*From 1 to 5 years included*	*Over 5 years*	*Unspecified*	*Total*
Assets						
Cash and Oher demand deposits	47 925	-	-	-	119 607	167 532
Cash balances at central banks	4 067 786	-	-	-	-	4 067 786
Financial assets held for trading	12 408	25 841	-	21 728	30 302	90 279
Financial assets at fair value through other comprehensive income	1 102	125 320	165 155	49 535	91	341 203
Financial assets at amortised cost	3 843 895	2 057 061	6 822 066	1 672 547	139 324	14 534 893
Hedging derivative financial assets	-	-	-	-	4 322	4 322
Change in fair value of hedged items in interest rate risk hedging	-	-	-	-	3 727	3 727
Other assets	-	-	-	-	68 929	68 929
Interest rate position for financial assets as at 31 December 2021	**7 973 116**	**2 208 222**	**6 987 221**	**1 743 810**	**366 302**	**19 278 671**
Liabilities						
Financial liabilities held for trading	-	-	-	-	46 713	46 713
Financial liabilities at amortised cost*	5 836 401	1 395 221	8 018 512	2 525 601	117 820	17 893 555
Hedging derivative financial liabilities	-	-	-	-	8 503	8 503
Provisions	-	-	-	-	78 386	78 386
Other liabilities	-	-	-	-	37 627	37 627
Interest rate position for financial liabilities as at 31 December 2021	**5 836 401**	**1 395 221**	**8 018 512**	**2 525 601**	**289 049**	**18 064 784**
Net interest rate position as at 31 December 2021	**2 136 715**	**813 001**	**(1 031 291)**	**(781 791)**	**77 253**	**1 213 887**

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorised for up to 10 years.*

The interest rate gap of financial assets and liabilities as at 31 December 2020:

	Up to 3 months included	*From 3 months to 1 year included*	*From 1 to 5 years included*	*Over 5 years*	*Unspecified*	*Total*
Assets						
Cash and Oher demand deposits	26 225	-	-	-	115 964	142 189
Cash balances at central banks	1 572 152	-	-	-	-	1 572 152
Financial assets held for trading	1	57	-	20 038	34 453	54 549
Financial assets at fair value through other comprehensive income	2 622	22 215	113 765	82 523	86	221 211
Financial assets at amortised cost	3 888 734	1 828 149	6 111 787	1 423 905	92 475	13 345 050
Hedging derivative financial assets	-	-	-	-	14 191	14 191
Other assets	-	-	-	-	63 771	63 771
Interest rate position for financial assets as at 31 December 2020	**5 489 734**	**1 850 421**	**6 225 552**	**1 526 466**	**320 940**	**15 413 113**
Liabilities						
Financial liabilities held for trading	-	-	-	-	84 277	84 277
Financial liabilities at amortised cost*	5 117 722	1 482 953	5 108 755	2 269 535	110 095	14 089 060
Hedging derivative financial liabilities	-	-	-	-	3 322	3 322
Change in fair value of hedged items in interest rate risk hedging	-	-	-	-	1 991	1 991
Provisions	-	-	-	-	70 739	70 739
Other liabilities	-	-	-	-	42 068	42 068
Interest rate position for financial liabilities as at 31 December 2020	**5 117 722**	**1 482 953**	**5 108 755**	**2 269 535**	**312 492**	**14 291 457**
Net interest rate position as at 31 December 2020	**372 012**	**367 468**	**1 116 797**	**(743 069)**	**8 448**	**1 121 656**

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorised for up to 10 years.*

Equity price risk

Equity price risk arises from the Group's exposure to changes in equity investment prices. Equity price risk is determined at the Group level. Equity price risk is measured using individual exposures and by calculating and monitoring the overall equity investment position. Equity investment positions are reported at the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Group's exposure to changes in commodity prices. Commodity risk is determined at the Group level and is measured using positions in individual commodities. Sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

Sensitivity analysis reflects the implications on the Group's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices etc.) by predetermined delta values. For monitoring and limiting of risk, the Group uses 100 basis points for interest rates, a 5% movement in exchange rates, a 50 % movement in share prices, and 30 % movement in commodity prices.

The GAP method sorts the Group's positions into baskets and examines the Group's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however, it takes into consideration a marginal situation on the market. It combines movements in the market parameters so that these are the least favourable for the Group.

The table below shows the Group's sensitivity to movements in exchange rates, assuming negative movements in exchange rates by 5 % to the detriment of the Group.

Change in the present value of assets and liabilities of the Group following movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2021 (in thousands of EUR):

	Present value of exchange rate	*Exchange rate in sensitivity scenario*	*Group's position on the respective currency*	*Economic loss of the Group for a given scenario with an impact on equity*
USD	1.1326	1.1892	1 573	(79)
CZK	24.8580	26.1009	1 572	(79)
HUF	369.1900	387.6495	518	(26)
PLN	4.5969	4.8267	316	(16)
CHF	1.0331	0.9814	(204)	(10)
Total			**3 775**	**(209)**

Change in the present value of assets and liabilities of the Group following movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2020 (in thousands of EUR):

	Present value of exchange rate	*Exchange rate in sensitivity scenario*	*Group's position on the respective currency*	*Economic loss of the Group for a given scenario with an impact on equity*
CZK	26.2420	24.9299	(11 881)	(594)
PLN	4.5597	4.7877	1 334	(67)
USD	1.2271	1.1657	(277)	(14)
NOK	10.4703	10.9938	138	(7)
JPY	126.4900	120.1655	(128)	(6)
Total			**(10 814)**	**(688)**

The table below shows the Group's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Group by 100 basis points.

Change in the present value of assets and liabilities of the Group following changes in the interest rate for the selected currencies as at 31 December 2021 (in thousands of EUR):

	Yield curve shift	***Group's loss from yield curve shift***
EUR	-100 BPV	(6 938)
USD	+100 BPV	(473)
Total		**(7 411)**

Change in the present value of assets and liabilities of the Group following changes in the interest rate for the selected currencies as at 31 December 2020 (in thousands of EUR):

	Yield curve shift	***Group's loss from yield curve shift***
EUR	-100 BPV	(65 714)
USD	+100 BPV	(1 527)
Total		**(67 241)**

As at 31 December 2021, the Group's exposure position in the Trading book to equity price risk is nil, as at 31 December 2020 it was also nil. The Group, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2021, the Group's net exposure position to commodities in the Trading book is insignificant; as at 31 December 2020 the Group's position was also insignificant. Therefore, the Group does not recognise this exposure position to commodity risk.

The Group, in the sensitivity analysis scenario, uses the negative development of exchange rates, yield curves movements, and decrease in share prices. In case of exactly-opposite movements, the Group would book profit instead of loss in approximately the same amounts.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its obligation to settle its liabilities when they fall due.

The Group wishes to maintain its solvency, i.e. its ability to meet its financial liabilities duly and timely, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO), the Asset and Liabilities Management function, and the Capital Markets division. The ALCO at its regular meetings assesses the Group's liquidity and, subsequently, makes decisions based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees, and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals during unexpected levels of demand.

The Risk Management department monitors the Group's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to ALCO at least once a month. The Asset and Liabilities Management function submits reports on the Group's structure of assets and liabilities at regular meetings of ALCO and proposes the size and structure of the portfolio of securities held strategically for the following period, subject to monitoring. Treasury department informs ALCO about new investments in securities on a regular basis.

The Group monitors short-term, medium- and long-term liquidity risk by developing a liquidity and crisis liquidity gap (3 scenarios) based on rules and assumptions set by the parent company RBI. Internal liquidity limits are approved by the Group's management through an annual update of the liquidity management strategy. The Group also monitors the regulatory coefficients set by the NBS and the ECB and the coefficients and limits set by the parent company RBI.

Deposits from customers are the primary funding source for the Group. Although the terms of the majority of the deposits permit customer withdrawals with little or no advanced notice, the actual balances maintained by customers provide a stable source of funding.

The Group's liquidity position reflecting the existing contractual residual maturity of assets and liabilities as at 31 December 2021:

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Assets				
Cash and Other demand deposits	167 532	-	-	167 532
Cash balances at central banks	4 067 786	-	-	4 067 786
Financial assets held for trading	27 181	32 796	30 302	90 279
Non-trading financial assets mandatorily at fair value through profit or loss	6 703	-	10 402	17 105
Financial assets at fair value through other comprehensive income	126 422	214 690	91	341 203
Financial assets at amortised cost	2 717 783	11 520 923	296 187	14 534 893
Hedging derivative financial assets[3)]	-	-	4 322	4 322
Change in fair value of hedged items in interest rate risk hedging	-	-	3 727	3 727
Non-current tangible assets	-	-	96 252	96 252
Non-current intangible assets	-	-	65 771	65 771
Current tax asset	-	-	309	309
Deferred tax asset	-	-	38 159	38 159
Other assets	-	-	68 929	68 929
Non-current assets and assets for disposal classified as held for sale	-	-	15 257	15 257
Total assets	**7 113 407**	**11 768 409**	**629 708**	**19 511 524**

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Liabilities				
Financial liabilities held for trading[3)]	-	-	46 713	46 713
Financial liabilities at amortised cost[1)]	2 295 222	15 534 546	63 787	17 893 555
Hedging derivative financial liabilities[3)]	-	-	8 503	8 503
Change in fair value of hedged items in interest rate risk hedging	-	-	78 386	78 386
Provisions	-	-	13 211	13 211
Deferred tax liability	-	-	723	723
Other liabilities	-	-	37 627	37 627
Total liabilities	**2 295 222**	**15 534 546**	**248 950**	**18 078 718**
Net balance sheet position	**4 818 185**	**(3 766 137)**	**380 758**	**1 432 806**
Net off-balance sheet position[2)]	**(3 206 702)**	**(186)**	**(479 001)**	**(3 685 889)**
Cumulative balance sheet and off-balance sheet position	**1 611 483**	**(3 766 323)**	**(98 243)**	**(2 253 083)**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.
2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the underlying instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.
3) Positive/ negative fair value of financial derivatives held for trading and hedging derivative assets/liabilities are classified as not specified under the National Bank of Slovakia Reporting on the current and estimated residual maturity of assets and liabilities.

The Group's liquidity position reflecting the existing contractual residual maturity of assets and liabilities as at 31 December 2020:

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Assets				
Cash and Other demand deposits	142 189	-	-	142 189
Cash balances at central banks	1 572 152	-	-	1 572 152
Financial assets held for trading	59	20 037	34 453	54 549
Non-trading financial assets mandatorily at fair value through profit or loss	172	11 522	8 197	19 891
Financial assets at fair value through other comprehensive income	24 837	196 288	86	221 211
Financial assets at amortised cost	2 777 178	100 299 677	268 195	13 345 050
Hedging derivative financial assets[3]	-	-	14 191	14 191
Non-current tangible assets	-	-	109 871	109 871
Investment property	-	-	1	1
Non-current intangible assets	-	-	57 265	57 265
Current tax asset	-	-	34	34
Deferred tax asset	-	-	36 266	36 266
Other assets	-	-	63 771	63 771
Non-current assets and assets for disposal classified as held for sale			4 290	4 290
Total assets	**4 516 587**	**10 527 524**	**596 620**	**15 640 731**

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Liabilities				
Financial liabilities held for trading[3)]	-	-	84 277	84 277
Financial liabilities at amortised cost[1)]	1 772 664	12 263 656	52 740	14 089 060
Hedging derivative financial liabilities[3)]	-	-	3 322	3 322
Change in fair value of hedged items in interest rate risk hedging	-	-	1 991	1 991
Provisions	-	-	70 739	70 739
Current tax liability	-	-	4 028	4 028
Other liabilities	-	-	42 068	42 068
Total liabilities	**1 772 664**	**12 263 656**	**259 165**	**14 295 485**
Net balance sheet position	**2 724 831**	**(1 717 029)**	**337 444**	**1 345 246**
Net off-balance sheet position[2)]	**(2 776 103)**	**(150)**	**(408 994)**	**(3 305 688)**
Cumulative balance sheet and off-balance sheet position	**(51 272)**	**(1 717 179)**	**(71 539)**	**(1 960 442)**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.
2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the underlying instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.
3) Positive/ negative fair value of financial derivatives held for trading and hedging derivative assets/liabilities are classified as not specified under the National Bank of Slovakia Reporting on the current and estimated residual maturity of assets and liabilities.

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2021 (in non-discounted amounts):

				Remaining maturity		
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years*
Non-derivative financial assets:						
Cash in hand	119 607	119 607	119 607	-	-	-
Balances at central banks	4 067 786	4 067 786	4 067 786	-	-	-
Other deposits payable on demand	47 925	47 925	47 925	-	-	-
Loans and advances	12 547 637	14 001 125	2 122 747	1 891 087	4 372 251	5 615 040
Debt securities	2 393 042	2 458 785	122 112	299 789	919 526	1 117 358
Derivative financial assets:						
Positive fair value of financial derivatives held for trading	30 302	494 825	221 526	198 885	57 110	17 304
Hedging derivative financial assets	4 322	35 168	1 321	5 035	24 129	4 683

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts):

				Remaining maturity		
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years*
Non-derivative financial assets:						
Cash in hand	115 964	115 964	115 964	-	-	-
Balances at central banks	1 572 152	1 572 152	1 572 152	-	-	-
Other deposits payable on demand	26 225	26 225	26 225	-	-	-
Loans and advances	11 437 581	12 585 892	1 995 813	1 734 251	4 063 183	4 792 645
Debt securities	2 168 581	2 250 202	315 081	89 270	749 983	1 095 868
Derivative financial assets:						
Positive fair value of financial derivatives held for trading	34 453	678 477	3 488	566 932	89 759	18 298
Hedging derivative financial assets	14 191	17 409	522	2 328	12 274	2 285

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2021 (in non-discounted amounts):

				Remaining maturity		
	Carrying amount	***Contractual cash flows***	***Up to 3 months incl.***	***From 3 months up to 1 year incl.***	***From 1 year up to 5 year incl.***	***Over 5 years***
Non-derivative financial liabilities:						
Financial liabilities held for trading	24 333	24 333	24 333	-	-	-
Financial liabilities at amortised cost	17 893 555	17 979 141	13 487 115	307 977	3 610 976	573 073
Of which Deposits	*16 955 380*	*17 009 541*	*13 464 793*	*242 378*	*3 158 858*	*143 512*
Of which Liabilities from debt securities	*871 379*	*902 804*	*2 570*	*58 452*	*426 609*	*415 173*
Of which Other financial liabilities	*66 796*	*66 796*	*19 752*	*7 147*	*25 509*	*14 388*
Provisions	78 386	78 386	78 386	-	-	-
Other liabilities	37 627	37 627	37 627	-	-	-
Derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	22 380	484 576	220 404	191 904	54 426	17 842
Derivative financial liabilities	8 503	11 348	518	1 570	6 999	2 261

The summary below represents an analysis of the earliest possible contractual maturity of contingent liabilities and other off-balance sheet items, in the worst-case scenario, as at 31 December 2021 (in non-discounted amounts)

				Remaining maturity		
	Carrying amount	***Contractual cash flows***	***Up to 3 months incl.***	***From 3 months up to 1 year incl.***	***From 1 year up to 5 year incl.***	***Over 5 years***
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	479 001	479 001	479 001	-	-	-
Contingent liabilities from letters of credit	416	416	416	-	-	-
From irrevocable loan commitments	11 178 378	1 178 378	1 178 378	-	-	-

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts):

			Remaining maturity			
	Carrying amount	***Contractual cash flows***	***Up to 3 months incl.***	***From 3 months up to 1 year incl.***	***From 1 year up to 5 year incl.***	***Over 5 years***
Non-derivative financial liabilities:						
Financial liabilities held for trading	36 355	36 355	36 355	-	-	-
Financial liabilities at amortised cost	14 089 060	14 167 018	12 014 690	402 742	1 295 348	455 968
Of which Deposits	*13 399 621*	*13 470 941*	*12 001 563*	*346 116*	*977 075*	*146 187*
Of which Liabilities from debt securities	*628 830*	*637 468*	*1 452*	*59 034*	*283 042*	*293 940*
Of which Other financial liabilities	*60 609*	*60 609*	*11 945*	*6 642*	*26 181*	*15 841*
Provisions	70 739	70 739	70 739	-	-	-
Other liabilities	42 068	42 068	42 068	-	-	-
Derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	47 922	688 640	3 635	575 345	91 379	18 281
Derivative financial liabilities	3 322	5 438	285	646	2 901	1 606

The summary below represents an analysis of the earliest possible contractual maturity of contingent liabilities and other off-balance sheet items, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts)

			Remaining maturity			
	Carrying amount	***Contractual cash flows***	***Up to 3 months incl.***	***From 3 months up to 1 year incl.***	***From 1 year up to 5 year incl.***	***Over 5 years***
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	408 994	408 994	408 994	-	-	-
Contingent liabilities from letters of credit	1 039	1 039	1 039	-	-	-
From irrevocable loan commitments	1 117 431	1 117 431	1 117 431	-	-	-

Operational risk

Operational risk is the risk arising from inappropriate or erroneous procedures, human error, failures of the Group's systems or from external events. Operational risk also includes legal risk, i.e., the risk of loss primarily due to the failure to enforce contracts, and the risk of unsuccessful legal disputes or court rulings with adverse impacts on the Group. As in other types of risk, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For the purposes of the capital requirement calculation to cover operational risk, the Group uses the standardised approach according to the requirements of BASEL II and the Banking Act. Under the Standardised Approach, the Group's activities and the related Gross Income are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. The total capital requirement equals the sum of eight partial requirements for each business line and the average for the past three years.

To identify operational risk, the Group uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection covers the obtaining of all operational losses by individual risk categories of this three-dimensional model.

The Group puts an emphasis on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and operational risk Group culture.

The Group also uses other tools to manage operational risk such as Key Risk Indicators and Self-Assessment and operational risk scenarios, which are designated to identify, analyse and monitor areas with increased operational risk.

The Group is also active in preparing Business Continuity plans. The plans aim to minimise impacts of unexpected events on the Group's operation.

Other risks

Simultaneously, in terms of implementing an internal process of capital adequacy determination, the Group monitors and develops quantification and management methods aimed at other risks.

Basel III

In connection with the adopted new legislative rules known as Basel III (by Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which is directly applicable in all member states of the EU with effect from 1 January 2015, and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudent supervision of credit institutions and investment firms), the Group has prepared and applies these stricter rules in capital adequacy and liquidity. The Group ensured smooth compliance with these rules while maintaining the required level of risk appetite, portfolio performance and return on capital.

The concepts, methodology, and documentation for the activities in the Basel III Project are prepared in close co-operation with Raiffeisen Group International AG while reflecting the local specifics of the Group and the entire bank environment.

The Group's intention is to implement an advanced approach to the management, quantification, and reporting of individual risks as soon as possible. As at the reporting date, for credit risk, the Group uses the standardised approach and the internal rating approach for calculating the regulatory capital requirement to cover credit risk. The general approach of internal ratings is applied by the Group for the bulk of the non-retail portfolios. For the bulk of the retail portfolios, the advanced internal ratings-based approach is applied.

The IRB approach is used for central governments and central banks, institutions, and corporate entities (including project financing, insurance companies, leasing companies and financial institutions) as of 1 January 2009, as of 1 April 2010 for the retail part of the portfolio, and as of 1 December 2013 for the SME portfolio. In connection with the approved IRB approach, the Group continuously reassesses the performance of its rating models and subsequently ensures the required performance of the models.

The Group modifies and supplements its methodology and process procedures for Pillar 2 (internal process of capital adequacy assessment) in the context of its risk appetite and performed business activities. As part of this process, pursuant to the approved methodology, the Group performs a risk relevance and materiality assessment, a risk quantification and an assessment with respect to the Group's capital and subsequent reporting on a regular basis. The process of capital allocation, which is closely linked with budgeting, forms an integral part.

An important aspect of the Group's capital management is a thorough prediction of capital adequacy developments and its stress testing to eliminate the effects of unforeseen events and for efficient capital planning. Information on the Group's individual risks and capital are reflected in the management of the Group and its business strategies to achieve an optimum compromise between the mitigation of individual risk types and augmentation of the market share, profit and return on capital. Major changes introduced by the Group with respect to changing economic developments included, for instance, implementing comprehensive stress testing for Pillar 1 risks as well as for other risk types identified by the Group, as material or partial optimisation of parameter estimates for the calculation of the own funds requirement for the retail portion of the portfolio. At the same time, the Group actively uses the results of stress testing in capital planning and capital management.

OTHER DISCLOSURES

46. Contingent liabilities and other off-balance sheet items

The Group reports the following contingent liabilities and other off-balance sheet items::

	2021	*2020*
Contingent liabilities:	**479 417**	**410 033**
from guarantees	479 001	408 994
from letters of credit	416	1 039

Commitments:	**3 205 038**	**2 895 826**
from irrevocable loan commitments:	1 178 378	1 117 430
up to 1 year	*869 577*	*655 648*
more than 1 year	*308 801*	*461 782*
from revocable loan commitments:	2 026 660	1 778 396
up to 1 year	*807 035*	*1 317 065*
more than 1 year	*1 219 625*	*461 331*
Total	**3 684 455**	**3 305 859**

Off-balance sheet commitments from guarantees represent obligations that the Group will make payments in the event that a customer cannot fulfil its obligations against third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make a payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, considering the financial position and activities of the entity to which the Group issued the guarantee, and considering the collateral obtained. As at 31 December 2021, the Group created reserves for these risks amounting to EUR 9 997 thousand (31 December 2020: EUR 7 004 thousand), Note 34 "*Provisions*".

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 45 "*Risk report*".

Litigations and claims

In the sound course of business, the Group is subject to legal actions and complaints. Each dispute is subject to special monitoring and regular re-assessment as a part of the Group's standard procedures. In the event of significant disputes, the Group cooperates with external lawyers, submitting the changes in dispute to the Board of Directors on a regular basis. In 2020, the Group was not subject to new significant disputes, and some long-term disputes developed in favour of the Group. It is the policy of the Group not to disclose details of ongoing legal actions in cases where such disclosure might be prejudicial. This policy is in line with wording of IAS 37.92.

The case of the most serious legal action revolves around agreed credit facilities and a contract breach allegedly committed by the Parent Company through failing to execute payment transfer orders and renew credit facilities, which ultimately allegedly led to the termination of the customer's business activities, and an additional two related lawsuits for damages and lost profit. In the former one, the first and second instance court rejected the applied claim and the court of appeal dismissed the appeal. In the latter case, the court of first instance dismissed the action. In the Group's view, both actions are speculative.

As at 31 December 2021, the Group examined the status of disputes, taking into account the amount of claims and IFRS requirements related to provision and contingent liabilities recognition in the amount of EUR 3 673 thousand.

If it is probable that the Group will be required to settle a claim and a reliable estimate of the amount can be made, the Group creates provisions. The total provision for claims is in the amount of EUR 33 681 thousand (31 December 2020: EUR 32 235 thousand), Note 34 "*Provisions*". To determine the amount of provisions, the Group uses professional judgement and relies on advice from legal counsel, considering all circumstances and available factors, including the application of publicly available information on disputes in the Slovak Republic in the past. For important accounting estimates, see Note II.

47. Leases as a lessee (IFRS 16)

The right-of-use the asset (under IFRS 16) is part of the Group's tangible assets. Its amount and movement, along with the amount and movement of accumulated depreciation, are recognised in the non-current tangible assets in "*Right-of-use the asset*".

Depreciation of the right-of-use is included in the general administrative expenses under "*Depreciation and amortisation of non-current tangible and intangible assets*", where they are separately allocated: "o*ut of which the right-of-use the asset*".

The amount of interest expense on lease liability is disclosed in Note 1 "I*nterest income and dividend income, net*", separately reported in "*Interest expense: lease liability*".

The following table provides an overview of rental costs under IFRS 16, which are part of the general administrative expenses under "*Other administrative expenses: Other expenses*" for which the Group has chosen an exception in accordance with IFRS 16.22 to 49:

	2021	***2020***
Lease costs:	**(862)**	**(860)**
Short-term lease	(177)	(13)
Low-value tangible assets leases	(685)	(847)

The following table provides an analysis of the maturity of contractual undiscounted cash flows from lease liability:

	2021	***2020***
Contractual undiscounted cash flows:	**52 148**	**54 676**
Less than 1 year	11 112	10 452
1 to 5 years	26 238	31 746
More than 5 years	14 798	12 478

48. Related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the ordinary course of business, the Group enters into several banking transactions with related parties. Bank transactions were carried out under normal conditions and relationships at market prices.

Assets, liabilities, commitments, issued and received guarantees of related parties as at 31 December 2021:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board***	*Other related parties*	*Total*
Loans, advances and current accounts to banks and customers	11 122	70 826	1 663	3 041	**86 652**
Receivables from financial derivative transactions	29 118	1	-	-	**29 119**
Other assets	153	639	-	-	**792**
Deposits and current accounts from banks and customers	762	158 338	2 094	1 027	**162 221**
Liabilities from financial derivative transactions	28 742	-	-	-	**28 742**
Subordinated debts	135 371	-	-	-	**135 371**
Other liabilities	2 933	1 131	-	-	**4 064**
Guarantees issued	5 593	10 546	-	-	**16 139**
Loan commitments	37 000	3 107	142	1 025	**41 274**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Assets, liabilities, commitments, issued and received guarantees of related parties as at 31 December 2020:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board***	*Other related parties*	*Total*
Loans, advances and current accounts to banks and customers	22 886	100 062	1 627	3 386	**127 961**
Receivables from financial derivative transactions	38 305	27	-	-	**38 332**
Other assets	312	399	-	-	**711**
Deposits and current accounts from banks and customers	2 838	442	2 097	2 732	**8 109**
Liabilities from financial derivative transactions	49 900	-	-	-	**49 900**
Subordinated debts	135 374	-	-	-	**135 374**
Other liabilities	2 003	978	-	-	**2 981**
Guarantees issued	4 968	2 074	-	-	**7 042**
Loan commitments	37 000	4 023	145	1 113	**42 281**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Revenue and expenses of related parties as at 31 December 2021:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board*	*Other related parties*	*Total*
Interest and dividend income	8 606	1 525	13	55	**10 199**
Fee and commission income	781	948	-	-	**1 729**
Unrealised gain / (loss) on financial derivative transactions	9 983	(27)	-	-	**9 956**
Operating revenue	474	328	-	-	**802**
Interest expenses	(8 627)	(72)	-	(1)	**(8 700)**
Fee and commission expenses	(713)	(8 299)	-	-	**(9 012)**
General administrative expenses	(8 447)	(781)	(4 894)**	-	**(14 122)**
Total	**2 057**	**(6 378)**	**(4 881)**	**54**	**(9 148)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the Board of Directors' members, Supervisory board members and authorised signatories*

Revenue and expenses of related parties as at 31 December 2020:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board*	*Other related parties*	*Total*
Interest and dividend income	7 384	1 723	14	56	**9 177**
Fee and commission income	765	853	-	-	**1 618**
Unrealised gain / (loss) on financial derivative transactions	(11 829)	156	-	-	**(11 673)**
Operating revenue	749	533	-	-	**1 282**
Interest expenses	(9 811)	(53)	-	(1)	**(9 865)**
Fee and commission expenses	(647)	(8 439)	-	-	**(9 086)**
General administrative expenses	(7 971)	(81)	(4 972)**	-	**(13 024)**
Total	**(21 360)**	**(5 308)**	**(4 958)**	**55**	**(31 571)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the Board of Directors' members, Supervisory board members and authorised signatories*

During 2021 and 2020, the following remuneration was paid to the members of the Bank's Statutory body:

	2021	*2020*
Short-term employee benefits	3 276	3 056
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total	**3 276**	**3 056**

The members of Statutory body own preference shares of Tatra Banka. Conditions of the preference shares are described in Note 38 *Equity*.

49. Average number of employees

The average number of Group's employees was as follows:

	2021	*2020*
Bank employees	3 488	3 688
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 488**	**3 688**

50. Capital management

For capital management purposes, the Group defines regulatory capital, capital adequacy, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying regulatory capital, the Group complies with current legislation, defining its structure and minimum amount.

Regulatory capital, referred to as own funds, consists of Tier 1 equity, additional Tier 1 capital and Tier 2 capital. Regulatory capital is used to cover credit risk from Grouping book activities, counterparty risk related to activities in the Trading book, market risks (position risk for activities in the Trading book, foreign exchange risk and commodity risk from all trading activities), settlement risk, CVA risk, OTC derivative and operational risk.

Capital adequacy is monitored with regard to Tier 1 regulatory capital expressed as its percentage of the total risk exposure, and with regard to Tier 1 capital expressed as its percentage of the total risk exposure and as own funds expressed as a percentage of the total risk exposure. The methodology for its quantification is regulated. Additional information on the Group's capital requirement is disclosed in Note 45 "*Risk report*", part "*BASEL III*".

During 2021, the Group complied with the level of capital adequacy defined for the Group.

Internal capital represents such own sources of the Group's financing that are internally held and placed by the Group to cover its risks. The capital consists of capital components supplemented by other additional funds available to the Group. The Group's objective is to maintain the required amount of internal capital. For 2021, the Group met this objective.

Economic capital is the necessary capital and/or it responds to the minimum capital requirement to cover unexpected losses resulting from internal risks, which are defined by the Group as material and quantifies them. Economic capital ensures the financial stability of the Group at the reliability level corresponding to the Group's credibility. The benefits of the knowledge of economic capital are important for the Group, for active portfolio management, valuation, and controlling etc.

An additional own resources requirement, the so-called "own resources requirement", is designed to cover risks that are not or are not sufficiently covered by the first pillar own funds requirement. Pillar 2 requirement (P2R). Its value has been determined to the parent company by the banking supervision based on the SREP assessment as of 1 January 2020 at 1.5 %.

The below table provides the outline of the structure of the Group's regulatory capital, including the capital adequacy ratios:

	2021	*2020*
The original own funds (TIER 1)	**1 170 750**	**1 139 538**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(21)	(97)
Share premium	298 414	298 094
(-) Share premium- treasury shares	(336)	(1 310)
Funds from profit and other capital reserves	15 366	15 344
Other specific items of original own funds	789 884	758 490
Other temporary adjustments to Tier 1 capital	3 117	4 691
The additional own funds (TIER 1) (AT1 equity)	**100 000**	**100 000**
(-) Items deductible from the original own funds	**(58 829)**	**(50 769)**
(-) Intangible assets	(45 954)	(38 550)
(-) Goodwill	(12 875)	(12 219)
Additional own funds (TIER 2)	**150 011**	**147 454**
Subordinated debts	135 000	135 000
Excess of provisions over expected losses eligible	15 011	12 454
(-) Items deductible from the original and additional own funds	**(9 255)**	**(26 905)**
(-) From the original own funds	(9 255)	(26 905)
Total own funds	**1 352 677**	**1 309 318**
Adequacy of own funds (%)	**19.04**	**20.80**
Own funds	**1 352 677**	**1 308 820**
Risk-weighted assets (RWA)	**7 102 836**	**6 295 457**
RWA from receivables recorded in the Banking book	6 291 816	5 437 262
RWA from positions recorded in the Trading book	42 541	112 558
RWA from operating risk – standardised approach	768 479	745 637

51. Events after the balance sheet date

There were no significant events between the balance sheet date and the approval date of these financial statements that would require an adjustment or additional disclosure.

Considering minimal value of exposures to counterparties from Russia, Belarus and Ukraine, the Bank does not expect a material negative impact on the Bank's financial results.

52. Approval of the Consolidated financial statements

The annual consolidated financial statements for the immediately preceding reporting period 31 December 2020 were signed and authorised for issue on 9 March 2021.

The financial statements were signed and authorised for issue on 3 March 2022 by the following bodies/ persons:

a) Statutory body

Michal Liday
Chairman of the Board of Directors
and Chief Executive Officer

Johannes Schuster
Member of the Board of Directors

b) Person responsible for the bookkeeping and the preparation of the financial statements

Ľubica Jurkovičová
Accounting, Reporting
and Tax Director

Profit for the Year 2021 and Dividend Payment

Distribution of the Profit for the Year 2021

(in EUR)

Profit after tax for the year 2021	**150 912 823**
Distribution for Investment certificate AT1	6 093 472
Allocation to retained earnings	144 819 351

Distribution of the Retained Earnings

(in EUR)

Retained earnings	**115 162 582**
Dividends - Ordinary shares	101 802 312
Dividends - Preferred shares	13 360 270

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 1 432.
Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 7 160.
Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 7.17.

The payment of proceeds from the AT1 Investment certificate will be carried out in accordance with the instrument's emission conditions.

The 2021 Annual report and The profit distribution draft were approved at the General meeting on April 22, 2022.

TATRA BANKA
Member of RBI Group

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