Tatra banka

Annual report 2022

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)

	2022	2021	Change
Consolidated Statement of Comprehensive Income			
Net interest income	321 620	299 839	7,3 %
Net fees and commission income	157 913	154 686	2,1 %
Net trading income and fair value result	39 045	25 758	51,6 %
General administrative expenses	(244 067)	(230 162)	6,0 %
Cash contributions to resolution funds and deposit guarantee schemes	(11 228)	(10 349)	8,5 %
Impairment losses on financial assets	(33 986)	(28 599)	18,8 %
Consolidated profit before income taxes	231 770	210 302	10,2 %
Consolidated profit after income taxes	186 775	162 054	15,3 %
Comprehensive consolidated profit after tax	174 781	160 481	8,9 %
Consolidated Statement of Financial Position			
Loans to banks, gross	195 011	74 240	162,7 %
Loans to customers, gross	13 981 867	12 705 451	10,0 %
Deposits from banks	3 324 862	3 481 524	(4,5) %
Deposits from customers	15 447 584	13 473 856	14,6 %
Equity (including consolidated profit)	1 484 450	1 432 806	3,6 %
Total assets	21 724 815	19 511 524	11,3 %
Key ratios			
Return on equity (ROE) before tax	17,0 %	16,1 %	5,6 %
Cost/income ratio [2]	46,9 %	48,7 %	(3,7) %
Return on assets (ROA) before tax	1,1 %	1,2 %	(8,3) %
Tier 1 ratio, total	16,5 %	16,9 %	(2,6) %
Own funds ratio	18,7 %	19,0 %	(2,0) %
Stock data			
Earnings per ordinary share (nominal value per share: 800 EUR)	2 178	2 001	8,8 %
Earnings per ordinary share (nominal value per share: 4 000 EUR)	10 890	10 005	8,8 %
Resources			
Number of staff on balance sheet date	3 324	3 327	(0,1) %
Branches on balance sheet date [1]	142	149	(4,7) %

Ratings	Long-term deposits	Outlook	Short-term deposits	Baseline Credit Assessment
Moody's Investors Service	A2	negative	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,

Last year, I noted Tatra banka's record high economic results for 2021 here. In 2022, we broke that record, but the taste of success is somewhat bitter. The war in Ukraine triggered an energy crisis in Europe, which pushed inflation to record levels and forced the European Central Bank to respond by increasing rates. The end of negative rates was a boost for the profitability of the banking sector, and because profit is a nominal quantity, inflation also contributed to the record high results. However, high inflation and higher rates mean that both businesses and households will be counting every penny in 2023. We bankers know that we can only thrive when our clients and the entire economy are doing well, so we are monitoring the situation very closely and trying to help our clients overcome this difficult period.

In addition to our record-high financial results, we also received a number of awards from global magazines. EMEA Finance named Tatra banka Slovak Bank of the Year for the sixth year in a row, while the bank was also awarded the same title by The Banker magazine. For the fifth time, Tatra banka's private banking was recognized as the best private banking in Slovakia by EMEA Finance. EMEA Finance also confirmed the leading position of Tatra Asset Management in mutual funds in Slovakia. We also defended our first place in digital banking in Slovakia and won the title of Best Consumer Digital Bank in Slovakia. In addition, according to Global Finance, the bank's mobile website dominates within Central and Eastern Europe. SME Banking Club selected the unsecured digital loan from Tatra banka as the best in the CEE region.

We are also very pleased with the success achieved by our digital personality concept. Bejby Blue, the face of our student campaigns since 2020, has been recognized by experts in marketing competitions both in Slovakia and abroad. She has already won almost 40 prestigious awards. The most significant awards in 2022 definitely included silver in the Brand Experience category at EFFIE Europe and the inclusion in the top 3 global finance campaigns at EFFIE Global.

I am happy that our products and services are appreciated not only by professionals but especially by clients. In 2022, we reached the significant milestone of 1 million clients. The main drivers were the acquisition activities of both the Tatra banka and Raiffeisen Bank brands and, above all, meaningful innovations, together with a consistent focus on the satisfaction and needs of our clients.

Our new innovations in 2022 included, for example, instant payments. From February 1, 2022, our clients have been among the first in Slovakia to be able to send money to other banks in just a few seconds. It also takes a much shorter time to receive payments. From the very beginning, we also made the comfort of fast money transfers available to our corporate clients using the **Business** banking^{TB} app.

With the **Account for the Blue Planet** (Účet pre modrú planétu[TB]) we've taken day-to-day banking to a whole new level. In accordance with the *#forthebluеplanet* (*#premodruplanetu*) concept, we also decided to accompany our clients on a sustainable path in their daily lives. In 2022, we offered clients an account with the services they are used to, introducing additional new functionalities to help them actively track their impact on our planet and earn rewards for sustainable purchases.

Last year's green bond issues are also linked to the *#forthebluеplanet* (*#premodruplanetu*) approach. The first issue of EUR 200 million attracted a wide range of institutional investors. The subsequent issue of USD 20 million was designed for a specific investor who showed interest in investing specifically in the bank's assets on the condition that they were a green issue. I am excited that our green issues are in such demand.

In addition to viewing sustainability from the point of view of ecology, we also emphasize its social aspect, especially in relation to education and promotion of the arts. In 2022, we brought innovative VR Generation financial education to high schools, which combines virtual reality with Michal Straka, an artist and rapper known by the stage name Ego. We donated VR headsets to the 133 high schools involved in the project. We believe that the combination of virtual reality, the rapper's artistic personality and engaging content will help the young generation get an insight into the world of finance in a form and language they understand.

Our promotion of the arts included our continued long-term partnership with the Slovak National Theater and the Slovak National Gallery. In 2022, we also followed the tradition of the previous two years and donated a gift for all of society. It was a historic year for the Slovak National Gallery as 2022 saw it open its renovated premises after 21 years. This new space was presented with the opening exhibition "Prologue. 12 Colors of Reality", which took place with Tatra banka's support.

For us, the principles of sustainability are not just a trendy issue, they are deeply rooted in the bank's values. As humans, we were also affected by our eastern neighbor's situation. Therefore, since the beginning of the conflict, we have taken every step to help those affected by it, whether in the form of volunteering, financial support, or easier access to banking services. It is these times that further emphasize the importance of values such as humility and the realization that we must value moments that are sunny and bright.

We would like to thank you, our valued shareholders, business partners and clients, for your continued support and trust. I believe that 2023 will bring more peace to these socially challenging times.

Michal Liday
Chairman of the Management Board and CEO

Report of the Supervisory Board

Ladies and Gentlemen,

In 2022, Tatra banka made a record consolidated profit after tax of EUR 186.8 million, which is a significant achievement in such a turbulent period. Although the year was marked by sharp inflation and interest rate growth in addition to the war in Ukraine, the bank achieved success due to its hard work and the attention it devoted to the client experience. Meanwhile, the bank kept its position as an innovation leader in mind, which was confirmed by a number of awards received from international competitions.

During the 2022 financial year, the members of the Supervisory Board held four meetings. The overall attendance rate for Supervisory Board meetings was around 95 per cent.

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 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 the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

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.

Performance of Supervisory Board duties was fully in line with applicable law and the banks Articles of Association. The Supervisory Board reviewed individual and consolidated financial statements and profit distribution, and recommended approval thereof to the General Meeting.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Tatra banka for their unwavering efforts, 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 12 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 44,000 RBI employees serve 17.6 million customers from around 1,700 business outlets, the vast majority of which are in CEE. At year-end 2022 RBI's total assets was approximately EUR 207 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

Despite the challenging macroeconomic backdrop, Tatra banka Group reported another record-high consolidated after-tax profit in 2022. It increased 15.3 per cent year on year to EUR 186.8 million from EUR 162.1 million in 2021. The higher profitability of the bank was supported by increased revenues in all the main categories. The bank's interest income increased 7.3 per cent year on year and fee and commission income grew 2.1 per cent. The profitability of the bank was further boosted by 51.6 per cent growth in net profit from financial instruments held for trading and exchange rate differences, and by a one-off effect of the reversal of provision for a legal dispute.

A significant year-on-year profit growth also resulted in an improved return on equity reaching 13.7 per cent in 2022. The value achieved the previous year was 12.4 per cent. The ratio of operating expenses to operating income, expressing operational efficiency, also improved compared to the previous year. The ratio was 46.9 per cent in 2022. In 2021, the value was 48.7 per cent.

In 2022, Tatra banka retained its excellent A2 long-term deposit rating awarded by international rating agency Moody's.

Development of Income and Expenses

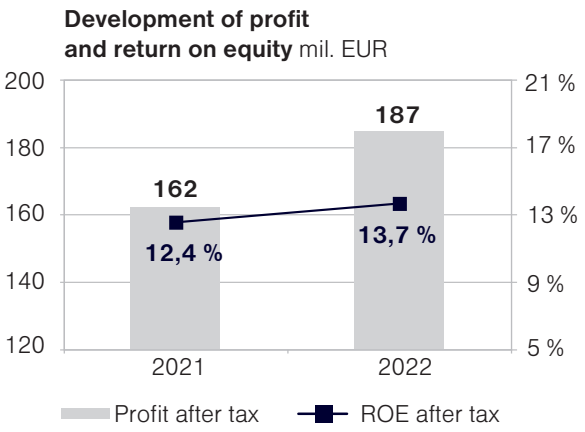
Net interest income increased 7.3 per cent to EUR 321.6 million year on year, while fee and commission income grew 2.1 per cent to 157.9 million in the same period. The growth in both categories of revenue is mainly due to the increase in the amount of loans granted and the number of client transactions resulting from an increase in the number of clients as well as from changes in consumer behavior.

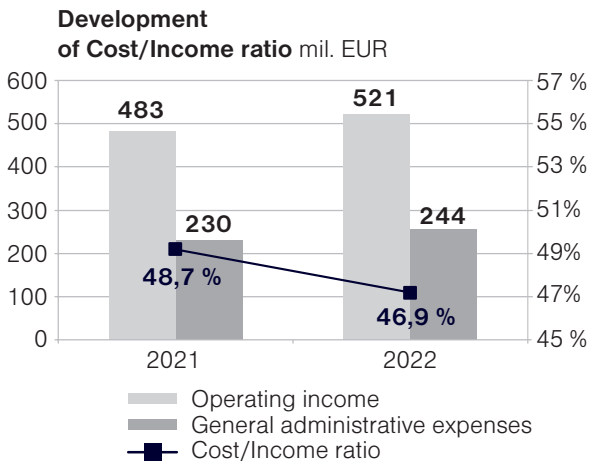
Gross loans to customers increased 10.0 per cent to EUR 14.0 billion year on year. Unlike previous years, corporate loans grew at a faster rate than personal loans.

A 51.6 per cent increase in net profit on financial instruments held for trading and exchange rate differences, and the reversal of part of the provisions for legal disputes also had a positive impact on the bank's financial results.

In an environment of strong inflationary pressures, general administrative expenses increased by 6 per cent to EUR 244.1 million year on year. They thus grew significantly slower than average annual inflation in 2022, which reached 12.8 per cent. Personnel costs grew 8.8 per cent to EUR 140.7 million.

Compared to 2021, the provisions for loans increased 72.1 per cent to EUR 41.8 million. The significant year-on-year increase in provisions in 2022 represents a return to standard levels after 2021, which was marked by exceptionally low provisioning due to a reduction in pandemic-related risks.





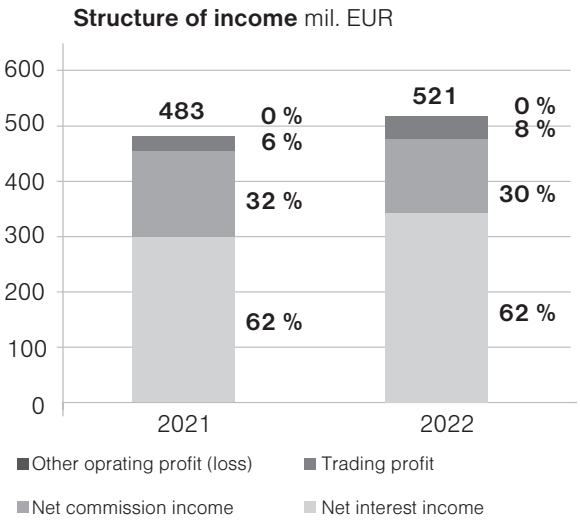
Development of Assets

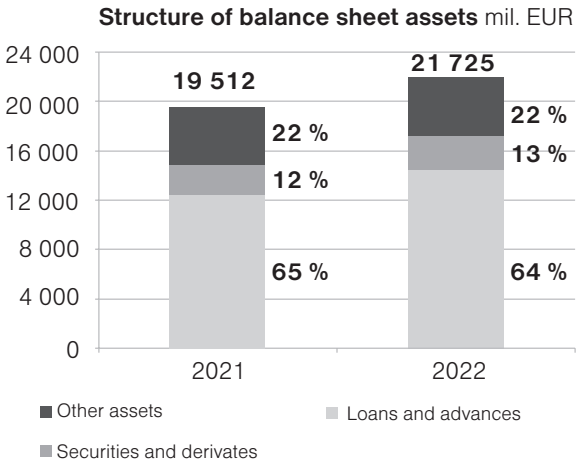
Tatra banka Group's consolidated assets grew by 11.3 per cent to EUR 21.7 billion year on year from EUR 19.5 billion in 2021. This increase was mainly due to strong growth in loans to customers by 10.0 per cent to EUR 14.0 billion. Corporate loans grew faster than personal loans. Among loans to individuals, housing loans in particular saw strong growth, with consumer loans also recording solid year-on-year growth. The share of non-performing loans in the total portfolio remained below 2 per cent, despite the challenging macroeconomic backdrop, which attests to the very good quality of the bank's loan portfolio.

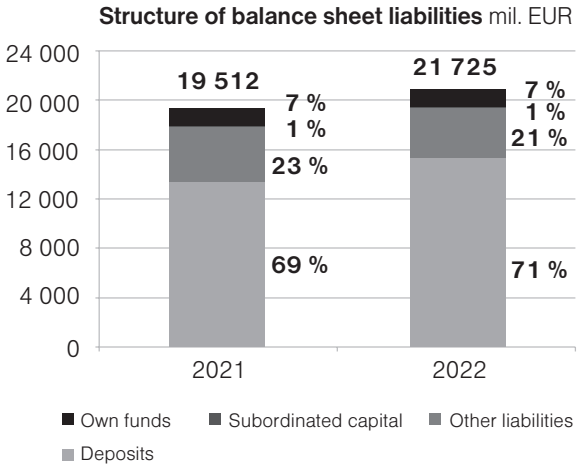
Development of Liabilities and Equity

Client deposits increased 14.6 per cent to EUR 15.5 billion year on year. In the context of rising interest rates, term deposits in particular recorded strong growth, with an increase of as much as 182 per cent year on year to EUR 2.6 billion. Current account deposits grew 3.1 percent to EUR 12.8 billion.

The consolidated ratio of customer loans to deposits was 90.5 per cent as of December 31, 2022. In-house fund ratio was 18.7 per cent as of December 31, 2022.







Objectives for 2023

Tatra banka's mission is to turn innovation into a unique client experience, which defines a substantial part its efforts and goals across all segments. This mission, together with the vision to become the most recommended banking group on the market, also defines its Strategy 20.25, which the bank is continuing to fulfill reliably and consistently in 2023. Moreover, innovations and digitalization represent an opportunity for the bank to actively participate in shaping the future of the whole country. For this reason, the bank's objectives for 2023 are built on continuing these efforts while simultaneously taking into account and applying sustainability principles.

In both the private individual and legal entity segments, the bank intends to introduce improvements and new solutions that will digitize further sales and service processes in order to improve the client experience. The bank will also continue to modernize and renovate branches and to replace cash dispensing ATMs with new recycling ATM 2.0s. By gradually relieving branch staff from selected service operations, the bank will create even more space for personal consultations and high-quality financial advice for clients in new modern branches. In order to take advantage of the synergies of digital and telephone interaction with clients, the bank plans to implement a new service tool at the contact center over the next year which will allow necessary documents to be shared with clients while still on the call and provide them with convenient assistance in digital sales. Raiffeisen Bank's priority for the next year will be to maintain the high satisfaction of its clients, an important pillar in achieving the vision of being the most recommended banking group in Slovakia. The planned increased capacity and availability of the Infoline with a simultaneous increase in the share of loan sales in the bank's output should also contribute to this.

The bank will introduce a number of appealing new solutions in the corporate client and medium-sized company segments as well. The most anticipated is the launch of digital signing of loan and security agreements, which will greatly simplify and speed up the provision of standard loans of up to EUR 1 million. The corporate digital banking app will undergo several design modifications with major improvements concerning clarity and ergonomics. In light of growing interest rates, the bank also intends to expand its range of deposit products for corporate clients. In the private client segment, the bank considers the expansion of the product range and an increase in the assets under the management of private banking as key for 2023.

Corporate Social Responsibility

Tatra banka's Approach to Corporate Social Responsibility

The financial sector plays a key role in the economy, with banks having a significant impact on the economy. Banks can redirect investments to more sustainable projects and influence the fulfillment of global sustainability goals. This is also why Tatra banka takes a very active approach on this topic, both in terms of internal philosophy and in specific products and solutions. 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 people not only adhere to, but actually live.

Products and Communication

Together with affiliated banks in the RBI Group, Tatra banka is actively contributing to 12 of the 17 sustainable development goals (SDGs) defined in the 2030 Agenda. The path to sustainability 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. The RBI Management Board adopted a group policy that requires subsidiary banks, including Tatra banka, to significantly reduce their portfolio of carbon financing, namely its total coal and coal trade related assets. 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. In other words, the adopted policy of a departure from fossil fuels prohibits transactions with companies that generate more than 25 per cent 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.

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 impact of its business on the economy, the environment and society. It considers the ecological and social effects of its products and services. In this respect, Tatra banka implemented the process of obtaining environmental data from its largest corporate clients in 2022. The bank also further expanded the portfolio of sustainable services and solutions:

- **Account for the Blue Planet** (Účet pre modrú planétu™) brings innovation in the form of showing the card payment carbon footprint and the My Benefit reward system #fortheblueplanet (premodruplanetu), which rewards clients for more responsible purchases from sustainable merchants.
- **Mortgage for the Blue Planet** (Hypotéka pre modrú planétu™) with more favorable conditions for energy efficient buildings,
- **Funds for the Blue Planet** (Fondy pre modrú planétu™) as an investment product taking into account the ESG criteria,
- **Loan for the Blue Planet** (Úver pre modrú planétu™) with preferential financing of selected sustainable products,
- **Green bonds** issued by the bank to support the funding of sustainable 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, which is why the bank also continued with its **#forthebluеplanet** (premodruplanetu) communication campaign in 2022. It represents a framework for Tatra banka's approach to sustainability. The communication carries a clear message that the bank cares about the future, so from the very beginning it has focused on innovations and on supporting projects that lead to reducing resource wastage.

Environmental Protection and Responsible Governance

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 environmental policy. This confirms the adoption of environmental protection principles by the bank in order to reduce the negative impact on the planet. At its outlets, the bank promotes the use of renewable energy resources, with its office building powered solely by green electricity. Energy supplier ZSE Energia guarantees the origin of green electricity at all contract locations of the bank.

In 2022, the bank effectively reduced the amount of municipal waste produced, which was achieved with a significant effort to raise staff awareness about recycling. A biological waste collection system was implemented on the premises of the bank's head office. Only recycled paper is used to print documents, and the use of recycled paper towels and eco hand soap was added during the year. The bank uses returnable large-volume loose coffee packages. A green roof with two beehives was created to contribute to the wellbeing of employees in the workplace.

The bank extends sustainability beyond its direct scope. It has extended the principles of corporate social responsibility to its supply chain, and when selecting larger suppliers, the ESG approach has been introduced into the evaluation matrix, which also takes ecological and social criteria into account. Tatra banka is also committed to ecological behavior in transport, reducing its carbon footprint through the use of electric cars. The bank owns 4 fully electric and 4 hybrid vehicles. The possibility of working from home and holding meetings online have become standard.

A significant step in 2021 was to anchor sustainability in the bank's organizational structure through the creation of a new position, sustainability manager, and a working team responsible for the related tasks. In 2022, the bank's ESG team grew to 6 people with the primary goal to integrate sustainability into business processes in the framework of the bank's overall strategy.

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.

Ethical Principles and Human Rights Protection

Tatra banka's ethical principles are also formalized in the "Tatra banka Group Ethical Conduct Principles", which are based on the RBI Banking Group standards.

Tatra banka respects and supports the protection of human rights as stipulated in the European Convention on Human Rights and the Universal Declaration of Human Rights. It aims to engage in business that is in line with 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 businesses with products that are intended to be used to suppress demonstrations or political unrest, or for other violations of human rights.

Employee Relations

In 2022, the bank focused intensively on topics concerning employees and, in line with its employer strategy, introduced many improvements with the aim of continuously promoting a positive employee experience.

Due to the continuing difficult economic and social situation, made even worse by the war in Ukraine following the long pandemic period, the focus was mainly on topics such as humanitarian aid, care for physical and mental health (with the new Be Fit concept), remuneration and benefits (where the bank implemented general and individual wage increases as well as the systematic introduction of remote work for the head office departments), and the distribution network as well. Under the Be Better long-term concept, the bank further expanded the options of online learning of a wide range of areas available to all employees.

After relocating all employees from three buildings into the head office in Bratislava, the renovated premises of Tatracentrum at Hodžovo námestie, the bank also completely refurbished and connected the reception premises on the first floor of the building to the innovation Elevator Lab in 2022. Significant progress was made in the renovation of branches, which also contributed to improving the working conditions for employees. By the end of 2022, 64 per cent of Tatra banka's branches had received a new modern design as part of the ongoing branch redesign project. Moreover, 72 per cent of all Tatra banka and Raiffeisen Bank branches are now cashless. A branch without cash registers contributes to greater security for both employees and clients, while also simplifying processes for personnel. Many environmental operational improvements also contributed to the improvement of the working environment.

To support the customer experience culture, the bank introduced a new internal TOP CX competition, which recognizes teams' efforts in terms of improvements for both clients and employees. The quality of internal communication was appreciated by employees as well as the professional community. At its Grand Prix award ceremony, the Association for Internal Communications (AICO) awarded the Humanitarian Aid to Ukraine, NFT Donation for Employees and the One Building projects first place. Third place in one of the categories was won by the Chat with the Service Desk project, which improved the employee user experience when solving a technical problem in the workplace or from home and ensured a faster response. Two projects, One Building and NFT, even won the European Grand Prix.

A total of 310 volunteer employees participated in a unique humanitarian aid project for Ukraine. They were gradually involved at different stages of the program and in various forms of assistance, especially to colleagues from the affiliated Raiffeisen Bank in Ukraine and their families. From February 27 to May 31, they helped 592 Ukrainian citizens fleeing to safety from the war, 193 of whom were children. The colleagues involved experienced strong emotions of belonging at the bank and were proud of their employer. Many of them said that this was a great source of motivation and engagement for them. Even those colleagues who did not participate directly in the volunteering had the opportunity to learn about it from communications, and experience and share stories and emotions together with others. Overall, strong unity and cooperation was felt across the bank.

A total of 15 per cent of employees personally participated in one of the bank's employee volunteering and donation programs and interest is always increasing.

The vision of the Tatra banka Group 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.

As many as 86 per cent of people expressed their opinion in the regular loyalty and engagement survey of Tatra banka Group employees and despite the difficult social situation, the bank was again positively evaluated in all three pillars. The total index value was 78 points, a year-on-year strengthening of a high result and at the same time the highest ever score for the Tatra banka Group. At Tatra banka, 90 per cent of employees are proud to work there. As many as 77 per cent of employees expressed their willingness to recommend work at the bank to their family or friends. The culture of the bank is defined to a great extent by living the common values. In their day-to-day work, 94 per cent of colleagues believe that their team acts in line with our bank's values. As many as 96 per cent consider the bank to be a socially responsible enterprise that supports technology, sustainable innovations, education and the arts, which is a strong source of the sense of fulfillment and meaningful work.

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 applicable legal regulations. More information is available on 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, using all the required expertise and infrastructure. The bank provides its customers with products and services of the highest possible quality.

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

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

Conflict 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
Bribes 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 particular circumstances, and subject to the limitations, approvals and recording requirements defined in internal rules. Gifts of cash or cash equivalents may not be offered or received under any circumstances.

Prevention of Money Laundering and Terrorist Financing
All staff members must comply with the applicable anti-money laundering and anti-terrorist 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 risk-based "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 money laundering and terrorist financing purposes, the bank has issued its *Policy of Protection Against Abuse of the Bank and Its Subsidiary Entities for Money Laundering and Terrorist Financing Purposes*. This protection policy represents a basic outline of the advanced strategy by the Tatra banka Group in the fight against money laundering and terrorist financing, 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 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 relevant legislation. Each staff member is responsible for applying the respective rules in daily business transactions.

Attention is also paid to ensuring compliance with international sanctions in light of the constantly changing international developments in relations and security. In this respect, Tatra banka Group proactively adjusts its resources and capacity to be able to flexibly respond to the current situation in international sanctions (the conflict in Ukraine, in particular) and the issuance of new sanction regulations.

Insider Trading and Market Abuse

Violations related to insider trading and market manipulation may seriously damage the bank's reputation and public trust and may lead to civil and/or criminal penalties, including termination of employment. 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 their establishment, both Tatra banka and the Tatra banka Foundation have supported the arts, education, and digital technologies. The bank is a proud general partner of the Slovak National Theater and all major regional theaters, the Slovak National Gallery, the Academy of Performing Arts and the Academy of Fine Arts in Bratislava. Other recipients of financial support include Kunsthalle Bratislava, major music festival Viva Musica, TEDx Bratislava, the Duke of Edinburgh International Award and many other important events. As a co-founder, Tatra banka actively participated financially and by allocating human resources in the development of the unique Kempelen Institute of Intelligent Technologies in 2022. In 2022, for the third year in a row, in addition to supporting the Slovak National Gallery as its general partner, Tatra banka also financed the opening Prologue exhibition during the historically groundbreaking opening of the refurbished gallery after many years of renovation.

Since its establishment in 2004, the Foundation has given away more than EUR 11 million to more than 4,400 projects. In 2022, Tatra banka and the Tatra banka Foundation jointly supported projects with a total of nearly EUR 2 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™) employee grant program was organized for the ninth time in 2022 in cooperation with the Tatra banka Foundation. The program supports NGO projects submitted by Tatra banka Group employees, in which employees also participate as volunteers. In 2022, 18 projects were supported with a total of EUR 20,000. The program benefited from the participation of 118 employees working a total of 870 volunteering hours at the supported organizations.

Tatra banka’s employees can also participate in the **Our Town** event – which has been the biggest corporate volunteering program in Slovakia since it started. In 2022, 589 employees in 9 Slovak locations around Slovakia took part in the 16th year of the event. Together, they put in 2,467 volunteering hours.

The First Aid (**Prvá** pomoc™) grant program is designed for employees and their close family members experiencing a difficult life situation. A financial support application can be filed by employees themselves, but they often also give a helping hand to their colleagues through this program. In 2022, 36 applicants were supported in this way with a total of EUR 37,200.

The blood donation program, Blood Bank (**Krvná** banka™), which Tatra banka organizes in cooperation with the National Transfusion Service, has already been running for twelve years. In 2022, the mobile blood donation took place as usual in the spring and fall at the head office building in Bratislava, the DIALOG Live contact center in Nitra and the processing center in Prešov. There were 162 blood donors among employees.

For 13 years, in cooperation with the Pontis Foundation, Tatra banka has participated in Pass It On (**Posuň** ďalej™), the collection of clothes and other items for non-profit organizations. In 2022, hundreds of employees from the head office in Bratislava, the processing center in Prešov and Tatra banka branches in central Slovakia participated in the event.

In addition, Tatra banka organized the **Christmas Tree of Fulfilled Wishes** for the fifth time in 2022. Hundreds of employees from all departments of the Tatra banka Group participated. Together, they fulfilled the Christmas wishes of 1,004 children from 17 children and family centers around Slovakia, including 29 children of Raiffeisen Bank in Ukraine.

Moreover, Tatra banka’s employees also assisted as expert volunteers mentoring students in the **Duke of Edinburgh’s International Award** and, in cooperation with **LEAF**, 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 for Slovakia issued by the Slovak Association of Corporate Governance in 2016. The Code is publicly available on the Association's website at www.sacg.sk.

In accordance with the Commercial Code and the bank's Articles of Association, the bodies of the bank are the General Meeting, the Supervisory Board and the Management Board.

General Meeting

The General Meeting is the supreme body of the bank through which shareholders take part in the bank's management. Every shareholder has rights that allow the shareholder to exercise influence on the bank. Shareholders' basic rights are as follows:

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 corresponds mainly to the obligation of the Management Board to convene a General Meeting at least once a year, the obligation to notify each shareholder of the General Meeting by a written invitation sent at least thirty days in advance, and the obligation 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 ordinary share with a nominal value of EUR 800 carries one vote and one ordinary share with a nominal value of EUR 4,000 carries five votes. The General Meeting usually decides by a simple majority of the votes of shareholders holding ordinary shares, unless otherwise stipulated by law or the bank's Articles of Association. Preferred shares do not carry the right to vote at the General Meeting, except where stipulated by law. Where the law allows for voting of shareholders holding preference shares, their vote takes place separately, with one preference share with a nominal value of EUR 4 carrying one vote.

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. Shareholders can exercise this right from the date on which the General Meeting is convened to the date it is held and also during the General Meeting.

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

According to the bank's Articles of Association, ordinary shares carry the right to a share of profit (dividend) and preferred shares carry the preferential right to a share of profit (dividend). The distribution of profit and dividend pay-out is decided by the General Meeting according to operating results determined based on the bank's annual financial statements. The amount of dividend is derived from the nominal value of the shares. Dividends are paid out in euros.

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 the 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 per cent of the share capital of the bank.

g) The right to a secure shareholding registration system

Bank book-entry shares are registered with the Centrálny depozitár cenných papierov SR, a.s. (the "Central Depository") in accordance with the conditions stipulated by applicable legal regulations, Operating Rules and other binding documents of the Central Depository.

h) The right to transfer shares

Ordinary shares are admitted to trading on a regulated market. They are freely transferable. Preference shares are not admitted to trading on a regulated market. The transferability of preferred shares is subject to a prior written agreement of the Management Board in accordance with 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 the 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 other legal requirements, specify at least the nature of the proposed amendments. 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 to shareholders 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, or the European Central Bank, subject to the bank's 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 2022, the Annual General Meeting was held on April 22, 2022. Shareholders holding ordinary shares representing a total of 65,079 votes, which accounted for 91.54 per cent of the voting rights, took part in the voting at the General Meeting. The General Meeting approved the Annual Separate Financial Statements and the Consolidated Financial Statements for 2021, the Annual Report for 2021 and the proposed profit distribution. The General Meeting also decided on the appointment of an auditor and a Supervisory Board member, and on the repurchase of treasury shares.

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. The term of office of members of the Supervisory Board is 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 annual, extraordinary and consolidated 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 by the Management Board;
h. granting approval of the remuneration principles;
i. granting approval or filing a motion for appointment and removal of the director of internal control and internal audit division of the bank and determining their salary by the Management Board;
j. approving the nominated auditor;
k. granting approval to the Management Board to perform specific activities; and
l. other activities under the applicable legal regulations and the bank's Articles of Association.

There were no changes in the Supervisory Board members in 2022.

Dr. Andrii Stepanenko – Supervisory Board Member elected by the General Meeting, Chairperson of the Supervisory Board
Dr. Johann Strobl – Supervisory Board Member elected by the General Meeting, Vice-Chairperson of the Supervisory Board
Mag. Peter Lennkh – Supervisory Board Member elected by the General Meeting
Mag. Andreas Gschwenter – Supervisory Board Member elected by the General Meeting
Dr. Hannes Mösenbacher – Supervisory Board Member elected by the General Meeting
JUDr. Tomáš Borec – Supervisory Board Member elected by the General Meeting, an independent member
Ing. Peter Golha – Supervisory Board Member elected by employees
Mgr. Iveta Medveďová – Supervisory Board Member elected by employees
Ing. Iveta Uhrinová – Supervisory Board Member elected by employees, an independent member

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 or two confidential clerks always jointly act and sign on behalf of the bank. The Management Board consists of seven members with office terms of up to five years.

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 Management Board holds meetings as necessary, at least once a month. 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.

The authority of the Management Board includes:

a. convening the General Meeting;
b. ensuring the development, approval of, and compliance with the bank's organizational structure;
c. Ensuring the 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 the applicable legal regulations and the bank's Articles of Association.

In 2022, the members of the Management Board and the distribution of responsibilities among individual members were as follows:

Mgr. Michal Liday – Chairperson of the Management Board and CEO
- Human Resources
- Brand Management
- Communication
- Compliance
- Legal

Dr. Johannes Schuster – Member of the Management Board
- Accounting, Reporting & Taxes
- Controlling
- Treasury
- Subsidiaries

Ing. Peter Matúš – Member of the Management Board
- Distribution System & Distribution System Management
- Acquisitions, Segments & Non-credit Products
- Retail Loans
- Digital Channels
- Digital Sales & Marketing
- Experience Design & Research
- Raiffeisen Bank

Ing. Martin Kubík – Member of the Management Board
- Research & Development
- SW Solution Design & Implementation
- IT Services
- Demand Management
- Advanced Analytics & Data Governance
- Agile Transformation Manager

Mag. Bernhard Henhappel – Member of the Management Board
- Corporate Risk Management
- Retail Credit Risk Management
- Strategic Risk & Capital Management
- Work Out

Ing. Marcel Kaščák – Member of the Management Board (until June 30, 2022)
Ing. Zuzana Koštialová – Member of the Management Board (from July 1, 2022)
- Large Corporate Clients
- Private Banking
- Capital Markets
- Corporate Centers
- Corporate Products & Support
- RBI Mid Market Competence Center

Mgr. Natália Major – Member of the Management Board
- Processing Centers
- PPM Management & Central Procurement
- Security & BCM
- Cost Management
- Economic Governance
- Data Protection Officer

When appointing members to the Management Board and the Supervisory Board, the bank applies the policy of selection and evaluation of each candidate for membership. The 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 conflicts 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 the 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 the 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 the alignment of approved measures and tasks with the bank's strategic interests. Its members include designated members of the Management Board and designated employees.

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

Retail Non-Performing 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 the 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 the 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 the 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 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 2022, 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 second line of defense in 2022 included ESG – sustainability and corporate social responsibility among the priority areas. The bank also continuously implements automated process tools and automated/semi-automated control activities in order to mitigate various types of risk. 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 2022, 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 the 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 bank units 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 the individual types of risk 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 ensure 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 per cent
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 per cent
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 the 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 per cent
Held for trading: 0 shares

Pursuant to Act No. 566/2001 Coll. on securities and investment services and on the amendment to certain acts as amended, 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 per cent share and an 89.107 per cent 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 a 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 2022 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 2022. 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 2022, the Management Board consisted of eight members, with the term of office ending for one member of the Management Board on June 30, 2022 and beginning for a new member on July 1, 2022. The Supervisory Board consisted of nine members without any change compared to 2021.

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 2022, the annual fixed remuneration component of individual members of the company Management Board ranged from EUR 54,000 to 254,500, 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 600 to EUR 7,830.

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. The annual fixed remuneration component of each Supervisory Board member for 2022 ranged from EUR 50,000 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 2022.

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 per cent of 2/3)
- Cost income ratio (CIR) of the company (usual weight 50 per cent of 2/3)
- Return on equity (ROE) of the RBI Group (usual weight 50 per cent of 1/3)
- Cost income ratio (CIR) of the RBI Group (usual weight 50 per cent 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 2022 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 2022 is unknown. The maximum estimated corresponding target amount of the variable remuneration component of each Management Board member ranges from EUR 20,000 to EUR 81,500.

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 2022 was EUR 0. The share of the fixed and variable components in the total remuneration for 2022 was 100 per cent.

Company Body Members received no remuneration from any company under a special law. Company Body Members were provided no shares or share options in relation to the discharged function.

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

Annual overview of fixed, variable remuneration components for 2020, 2021 and 2022

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 variable remuneration components of the company Management Board members for 2021 ranged from EUR 167,802.65 to EUR 313,276.65.

The total of the fixed and estimated variable remuneration components of the company Management Board members for 2022 ranged from EUR 74,675.65 to EUR 343,905.65.

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 remuneration of Company Body Members to the remuneration of other Tatra banka employees was 1.84 per cent in 2022.

Section 201a(3) of the Commercial Code was not applied to 2022.

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 2022.

Risk Management and Rules Concerning General Prudential Requirements

Well-organized and consolidated risk management plays a vital role in sustainable, bank efficient operation. 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 process of negotiating and approving the respective local legislative norms, the Bank actively participates in the activities of the Slovak Banking Association and its individual 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 risk as well as other risks to which the bank is exposed.

Achieving this goal mainly depends on:
- identifying risks resulting from bank products and processes;
- ensuring the best possible collection and storage of relevant and potentially relevant data;
- developing 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;
- using efficient instruments to mitigate risk exposure;
- ensuring high-quality and secure IT systems for process automation, data collection and analysis; and
- 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 in-house 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. Based on the approved IRB approach, the Bank is authorized to quantify capital adequacy for the aforementioned organizations through its own estimates of the projected likelihood of the counterparty defaulting, making the quantification of credit risk much more risk-sensitive, and additionally, the capital requirement corresponds much more realistically to the assumed risk. 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.

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 as well, 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 clients' defaults 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 2022, 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 the adverse effects of market fluctuations.

Careful monitoring of all types of market risk 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 the financial and capital markets.

The limits protecting the bank against market turbulence are subject to review and are set prudently and conservatively in order to limit losses in the event of negative developments. One of the important 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 banking risks 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 2022.

The process of capital allocation is an integral part of this, as it is closely linked with the budgeting process. As part of this process, by using an approved allocation key, individual commercial units of the bank are assigned an expected RORAC (Return on Risk-Adjusted Capital) performance indicator. 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 a priority in the forthcoming period.

Capital Adequacy Forecasting and Stress Testing

Given 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 2022, the bank continued to develop its stress testing of capital adequacy for credit risk using internal estimates of risk parameters in relation to 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 in the bank's material sub-portfolios, making substantial use of the stress scenarios set by the National Bank of Slovakia.

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Client In The Spotlight

Retail Banking

Corporate Banking

Digital Banking

Retail Banking

(in EUR ths)	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016
Net interest income	224 278	181 279	195 489	203 671	207 492	194 809	182 966
Net fees and commission income	121 384	110 926	94 405	89 433	95 128	100 718	95 380
Net provisioning	(26 752)	(15 933)	(35 480)	(17 823)	(33 006)	(22 576)	(17 606)
Other operating income	874	432	(15 632)	(11 719)	(11 535)	(12 707)	(11 215)
Operating expenses	(188 736)	(176 816)	(178 577)	(184 384)	(176 956)	(172 756)	(165 453)
Profit before income taxes	**131 048**	**99 888**	**60 205**	**79 178**	**81 123**	**87 488**	**84 072**
Cost/Income ratio	54,60 %	60,51 %	61,60 %	62,91 %	58,47 %	58,46 %	59,44 %

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

Private Individuals

2022 was marked by the developments in Ukraine and fast-growing inflation. Despite the difficult situation, Tatra banka continued to develop products and services for private individuals with a focus on improving the customer experience and increasing satisfaction in each segment. 2022 was historically the best acquisition year for Tatra banka in terms of the absolute number of new clients in both mass and student segments. The bank offered several important functionalities to its clients aimed at digitalizing further sales and service processes. As part of the sustainability activities, the bank offered a new **Account for the Blue Planet** (Účet pre modrú planétu[TB]) with unique functionalities. New features included displaying the estimated carbon footprint of card transactions and the unique My Benefit #fortheblueplanet (#premodruplanetu) discount program.

As the face of Tatra banka's student communication, Bejby Blue once again achieved significant success at home and globally. The Bejby Blue campaign was also ranked among the top 3 most effective financial campaigns in the world. As part of its long-term support for financial literacy education, the bank also launched a unique VR Generation app designed primarily for high school students.

Consumer Loans

At the beginning of the year, sales of consumer loans were affected by the developments in Ukraine, as a result of which customers exercised caution. On the other hand, the trend of growing popularity of digital channels was confirmed throughout the year. Tatra banka meets the requirements of its users and continuously expands the capabilities of the **Tatra banka** mobile app and **Internet** banking[TB]. Clients can ask for selected changes in their loans without visiting a branch. Consumer loans from Tatra banka are available online to clients and new customers and can also be obtained directly from selected e-shops thanks to the **In Instalments** (Na splátky[TB]) product.

Tatra banka also supports the idea of sustainability in consumer loans. As part of the **Loan for the Blue Planet** (Úver pre modrú planétu[TB]) offer, clients can get favorable terms if they use the funds to buy sustainable products, such as photovoltaic panels and electric cars.

Housing Loans

Sales of housing loans reached record numbers in 2022. Tatra banka recorded historic high numbers of loans sold in the month of May. The dynamic increase in lending was caused by a gradual increase in interest rates across the entire banking mortgage market. The increase in interest rates was a response to rising mortgage borrowing costs for banks due to strong rising inflation, and the reaction of financial markets to announcements made by the European Central Bank. Since July, the pace of sales gradually decreased, and the situation stabilized towards the end of the year. The demand for loans in the second half of the year was significantly lower, due to rising inflation, higher cost of living and increased interest rates. This had a major impact on the affordability of loans for clients.

In 2022, Tatra banka continued to focus on the digitalization of processes related to housing loans and introduced several new solutions. They increased client comfort and the quality of advice in solving clients' requests from the comfort of their homes without visiting a branch.

In **Internet** banking[TB] and in the **Tatra banka** mobile app, clients could obtain an online Certificate to receive a tax bonus. 99 per cent of the clients reached as part of the campaign used this option. Given the great demand for the service, the bank intends to make it available again in 2023. The bank also made available to clients the option to verify online a co-borrower that was not the bank's client, if such a co-borrower was required for a housing loan. Further new functionalities in the digital environment include the provision of contractual documentation for housing loans for reading before signing at a bank branch. Clients also like and use the new simple and fast services that allow making changes to a loan. Through the **Tatra banka** mobile app or **Internet** banking[TB], they can arrange a change in the instalment date, in the repayment account and in the fixed-rate period.

At the end of the year, Tatra banka also offered a new loyalty product, **Reward** Program Mortgage (Program odmeňovania[TB] Hypotéka, hereinafter the "Program") to clients. The Program will be awarded to clients, who apply for a **Mortgage** (Hypotéka[TB]), a **Home Equity** Loan (Americká hypotéka[TB]) or a **Refinancing** Mortgage (Refinančná hypotéka[TB]), and meet the agreed conditions. Clients can reduce their interest rate by up to 0.2 per cent p.a. by using additional products. Clients can obtain the maximum interest rate discount by combining the products **Account for the Blue Planet** (Účet pre modrú planétu[TB]) and Loan Payment Protection Insurance (Poistenie schopnosti splácať úver).

Payment Cards

The total volume and number of transactions made by payment cards issued by Tatra banka increased again in 2022. The transaction volume was 28 per cent and the transaction number was 33 per cent higher than in 2021. Cashless payments are becoming increasingly popular, and the bank saw significant shifts in this area. The number of cashless card payments increased by 34 per cent compared to 2021, and the volume of cashless payments was higher by 32 per cent.

As part of the **Account for the Blue Planet** (Účet pre modrú planétu[TB]), the bank brought clients a new service of counting the **carbon footprint** that may have been generated by a purchase paid for by a debit card. The calculation is displayed for almost all types of payments, for example, for purchases in a grocery store, a restaurant, a gas station or an e-shop. The calculation is shows to clients in the **Tatra banka** mobile app. Simultaneously, the bank also launched another new service that rewards clients for more sustainable purchases. With the My Benefit #fortheblueplanet (#premodruplanetu) program, clients can get cashback or redeem discount coupons and gifts from card payments for sustainable products and services easily and conveniently via the mobile app.

In line with the sustainability principles, the bank started issuing the first payment cards on **recycled plastic materials** with both new and renewed cards to be issued in this way by the end of 2023.

The bank continues to digitally transform its services and has made available to private individuals and legal entities the most widely used service, the digital issuance of a replacement card without visiting a branch. Clients can request a replacement card directly in the **Tatra banka** mobile app or via **Internet** banking[TB]. Newly, clients can also use the fastest method to claim a card payment. They can make their claim directly through the mobile app without visiting a branch or calling the **DIALOG** Live contact center. The app assists clients with the entire process, they conveniently upload the necessary documents here and receive a notification from the bank in the same way.

The portfolio of credit cards issued by Tatra banka increased by 5 per cent. The market share in the limits drawn on the Slovak banking market has increased by 2 per cent, and Tatra banka's share is more than 35 per cent.

Raiffeisen Bank

In 2022, Raiffeisen bank again confirmed the top position in customer satisfaction among Slovak banks, measured by NPS (Net Promoter Score). After the end of the pandemic measures, the bank continued to reach new clients both through the branch network and through online activities. The bank tried to target especially those who were considering changing their bank in order to offer them useful products and services at fair prices.

Private Clients

Tatra banka' private banking is the long-term leader in its segment on the Slovak market.

In 2022, the bank continued to expand its product offering for private banking clients. In cooperation with its subsidiary, Tatra Asset Management, it launched a new alternative closed-end fund – TAM AP Real Estate Fund with a targeted asset volume of EUR 45 million. The issue of the TB Fix 28/10/2025 senior bond in the amount of EUR 50 million was successfully implemented. The volume of resources managed in the funds exceeded EUR 1 billion and the volume of resources managed in investment certificates exceeded EUR 400 million.

Despite the prevailing uncertainty in the financial markets, clients did not start reducing their investment positions. This is confirmed by net investment product sales, which exceeded EUR 100 million.

The bank continued to expand digitalization of the private client segment. In the mobile app, clients welcomed the new function allowing them to instantly generate a portfolio statement in the digital document archive on demand. Moreover, authorized persons are able access the portfolio via the mobile app.

The efforts of the entire private banking team were also recognized by the Best Private Banking in Slovakia award from EMEA Finance.

Small Corporate Clients

The segment of small corporate clients was also affected by extraordinary circumstances 2022. In addition to the subsiding COVID-19 pandemic, the conflict in Ukraine caused supply chain disruptions, and the escalating energy crisis also had a significant impact on the business environment. Nevertheless, Tatra banka continued to responsibly fulfil its role as a stable partner for small corporate clients. Entrepreneurs continued to be the focus of attention in 2022, and the bank introduced a number of new solutions to help them overcome this difficult period.

In its approach to entrepreneurs and when developing solutions for them, the bank takes into account their current stage of business development. In 2022, new entrepreneurs had the opportunity to open business accounts free of charge and, in cooperation with selected partners, to be provided with practical benefits for starting up a business, including with assistance in establishing a company or trade, with invoicing software, a website or marketing support at a discounted price. New entrepreneurs could also benefit from a lease of up to EUR 35,000 from the bank's subsidiary Tatra Leasing, a start-up loan of EUR 2,000 and a credit card. In 2022, payment terminals at a discounted price were also part of the support for new entrepreneurs, to make it much easier for them to start a business.

For entrepreneurs with an established business, who wished to expand it, the bank offered new forms of financing, such as a loan of up to EUR 25,000 for entrepreneurs with at least 9-months' business history and up to EUR 50,000 for clients with a history of at least 21 months. The Bank also standardized the lending process for clients claiming flat-rate expenses. As a result, these clients do not have to wait for a pre-approved loan offer from the bank, but they can arrange financing at any time according to their current needs. The sales of these new products accounted for 24 per cent of total new sales in 2022. Entrepreneurs with an established business were also offered the opportunity to set up an e-shop and register a trademark at a discounted price.

All entrepreneurs could also continue to benefit from the **Premium** API[TB] product linking the account to invoicing software and ERP software solutions, and e-shops. Due to an active approach throughout the year, the number of clients using this product more than doubled.

The bank continued with its digital developments in this segment. New functionalities and process automation have generally accelerated and simplified the lending process and the processing non-credit requirements for clients and bank employees. In addition, in order to support the digital sale of business loans via the **Tatra banka** mobile app, the bank offered various advantages to clients who use the digital process.

All the new solutions aimed at the development and staring of the business of many entrepreneurs together with the trust of new and existing clients, were reflected in a 6.2 per cent increase in active clients and a positive year-on-year growth in the volume of provided loans by 28 per cent. In addition, as many as 40 per cent of them became the bank's clients through digital channels.

Corporate Banking

(in EUR ths)	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017	12/2016
Net interest income	98 201	71 416	69 296	67 301	66 054	64 914	66 282
Net fees and commission income	36 898	31 024	32 473	28 277	30 357	29 429	32 014
Net provisioning	(14 826)	(7 804)	(28 753)	(370)	8 177	8 030	4 265
Other operating income	0	(1)	(7 214)	20 948	(5 890)	(4 732)	(4 829)
Operating expenses	(36 230)	(34 321)	(38 736)	(45 639)	(43 699)	(50 220)	(52 092)
Profit before income taxes	**84 043**	**60 314**	**27 066**	**70 517**	**54 999**	**47 421**	**45 640**
Cost/Income ratio	26,82 %	33,50 %	38,06 %	47,75 %	45,33 %	53,23 %	53,00 %

Note: Large and medium-sized corporate customers

Large Corporate Clients

Despite the difficult geopolitical situation in Europe in connection with the energy crisis, which affected the economic results of a large number of Tatra banka's clients, it can be concluded that 2022 was historically one of the most successful years in terms of financial results of the large corporate client segment. The segment was able to grow significantly on both the asset and liabilities sides, which again meant a year-on-year increase in total income consisting mainly of interest income on assets and fees. Compared with previous years, the segment's overall results were also positively influenced by positive interest income on liabilities after the ECB's base interest rates increased during the year.

The growth of the loan portfolio was strongly influenced by the fact that after two years of the COVID-19 pandemic marked by caution on the part of the bank's clients and the related restricted development investments, in 2022 many businesses decided to make deferred investments equaling the accumulated total of the previous two years. These were new investments or refinancing of existing investment loans associated with an increase in credit lines, especially in infrastructure, energy, agriculture, health care and real estate. The quality of the loan portfolio was maintained, with the development of risk costs according to plan.

In 2022, Tatra banka maintained its leadership in the Slovak banking market in the provision of syndicated and club loans, mainly due to its professional approach, knowledge and the unique syndication desk concept. As an arranger, Tatra banka completed a number of attractive transactions, while being the first Slovak bank to arrange a syndicated loan applying ESG principles for a state-owned company. The ESG Linked Loan makes a significant contribution to the client's transformation towards greener production. As the absolute leader in real estate financing, the bank provided financing (known as Green Loans) to a large number of projects that meet the strictest long-term sustainability criteria. Since sustainability is embedded in Tatra banka's corporate culture, with this financing the bank seeks to fulfil the defined ESG strategy.

Traditionally, the bank has continuously focused on providing professional service to its clients, which was once again reflected in an above-average client satisfaction index in the large corporate client segment for 2022.

Corporate Centers

The medium-sized corporate client segment reported record business results despite the turbulent economic environment. The volume of loans drawn increased more than 10 per cent year on year. Almost two-thirds of new loans were directed towards the financing of clients' investment plans, and a third to cover their operating needs. The increase in the number of transactions and the successful acquisition of deposits significantly contributed to the segment's year-on-year increase in revenues by almost 30 per cent.

Ambitious digitalization expectations were also met – the share of digitally handled service requests exceeded 50 per cent, with more than 60 per cent of new loans drawn digitally. Exciting new functionalities were added for clients in **Business** banking[TB] with which they can solve gradually more requirements remotely.

Corporate Products

The 2022 business results were largely affected by economic growth. Demand for loans and other business and project financing products offered by the bank in the corporate client segment was relatively stable, with a strong dynamic particularly in the first half of the year.

Demand for real estate project financing continued to increase. The amount of loans drawn increased by more than EUR 200 million year on year, which reinforced Tatra banka's position as the clear leader on the Slovak market.

Factoring and financing of receivables was one of the market leaders again in 2022, with year-on-year sales growth. After a prolonged period of decrease, there was renewed growth in the amount of loans drawn for financing agricultural and renewable energy source projects. The main reason for this was increased business activity in the segment of primary producers, and the return to growth in financing renewable energy sources as a result of repowering.

In electronic banking for corporate clients, Tatra banka continued its further development of the **Business** banking[TB] portal and digital signing. At the beginning of the year, it was the only bank in Slovakia to allow clients to make instant payments through payment import from the accounting system. In November, **Business** banking[TB] celebrated its five-year anniversary, so the bank implemented technological improvements for the entire app and a redesign in order to maintain the high satisfaction of corporate banking clients.

Many activities concerning digital signing were directed towards increasing the penetration of the service use by corporate clients. Currently, our clients can digitally sign almost all service and product documents such as opening of an account, issue of a card, or change in authorized persons via **Business** Banking[TB], **Internet** Banking[TB] or the app. A pilot test was also successfully conducted with selected clients for signing credit agreements using a qualified electronic signature. In addition to the above documents, the bank can also sign unilateral documents, such as bank guarantees, bank information, various types of certificates as well as acquittances for the land register. More than 50 per cent of corporate clients regularly use digital signing, and more than 50 per cent of service and product documents are signed in this form.

Capital Market Products

Despite the globally subsiding pandemic, from the first months of 2022 financial market participants had to adapt to rapidly changing conditions.

Central banks, led by the US Fed, were the first to respond to rising inflationary pressures, announcing to markets a dynamic tightening of their monetary policies, mainly through interest rate rises and the reduction in their balances inflated in previous years through quantitative easing programs.

A new pivot of the global monetary policy, with a focus on fighting inflation instead of supporting economic growth, directed stock indices towards losses while also starting to push bond market yields upwards. Rising nervousness contributed to a wide spread of risk premiums, especially for corporate bonds.

Another catalyst was undoubtedly the Russian military attack on Ukraine and its subsequent escalation, accompanied by the introduction of sanctions. These developments, despite the rise in the prices of key commodities, in particular energy carriers, further increased inflationary pressures, far above the consensus of market participants. Stock markets witnessed further sell-offs, while most government bond yields started to head upwards, especially on the periphery of the euro area.

The markets had to estimate and then reassess the actions of central banks almost all the time. They followed very closely the development of inflation indicators, which increasingly surpassed the record highs of several decades. They tried to estimate the number and range of base interest rate increases.

Unquestionably, the greatest impact on capital markets' clients was caused by the actions of the ECB, which, after initial hesitation, entered a cycle of interest rate increases with a significant delay behind the US Fed, but also the actions of other major central banks and Slovakia's neighbors (CZ, HU, PL). This made interest in the euro achieve positive figures after many years. Volatility in foreign exchange markets also increased sharply.

Corporate and institutional clients reacted almost immediately to the rise in interest rates. Their demand for the appreciation of available funds increased, mainly through term deposits, where the volume of funds hiked virtually from zero to levels approaching EUR 1.5 billion in a short period of time.

Clients who use financing through loans linked to the floating EURIBOR interest rate also reacted immediately to this rate development. They changed the rates on their loans to fixed rates either by amending the terms of their loan agreements or through derivatives, products traded on the financial markets, mainly interest rate swaps (IRS) and interest rate options, taking advantage of their flexibility. The volume of loans secured in this way exceeded EUR 250 million.

Foreign exchange trades, especially simple conversions, through which clients optimize the costs of their foreign currency transactions, remain the main product. The volume of these transactions was more than 1.5 times higher than the previous year. Clients who carry out these transactions more regularly, often with increasing volatility of exchange rates, hedged their currency risk through currency forwards or, more rarely, through option structures.

Tatra banka, as an issuer of its own bonds, made several successful new issues even in this difficult year, including in the retail client segment and for institutional investors. Certainly worth mentioning is the issue of MREL eligible senior bonds of EUR 200 million, which also met the requirements for green bonds that are becoming increasingly attractive to investors. This only further confirms the growing trend towards a responsible and sustainable investment policy, also supported by the European Union.

For the third time in a row, together with parent company Raiffeisen Bank International, Tatra banka defended its position as the bank with the largest trading volumes of Slovak government bonds and based on this was chosen as the arranger of the year's only 10-year syndicated bond issue with a volume of EUR 1 billion.

In light of last year's trends, ESG and digitalization are expected to dominate services and products in 2023 as well. These areas represent and confirm Tatra banka's long-term position as an innovation leader on the Slovak banking market.

Digital Banking

Tatra banka's digital banking is constantly advancing and developing. It plays a strategic role in fulfilling the bank's digitizing sales and services goals. In 2022, the bank introduced significant new services and improvements to enhance client satisfaction and the user experience.

In total, more than 99 per cent of all transactions at Tatra banka are transferred electronically. Clients made over 51 million domestic payments via apps such as **Internet** banking[TB], the **Tatra banka** app, and **Tatra banka VIAMO**.

Internet Banking

In 2022, the bank made a new payment form available enabling instant payments in **Internet** banking[TB]. To increase user comfort, the form is dynamic, with the corresponding fields automatically open to be completed after entering the recipient's account number. An important milestone was the elimination of a regular technical break during the end-of-day procedures. This has made it much easier for clients to access accounts and make payments that are now also available in the evening.

Quick payment, tips and news have been redesigned and account transactions are shown in a simpler and clearer format. As part of the improvements and to increase client satisfaction, the bank also made information available about the **Reward** Program (Program odmeňovania[TB]) for the **Account for the Blue Planet** (Účet pre modrú planétu[TB]), the option to generate a one-time card number for online purchases and to set up an automatic credit card payment. During the period of frequent phishing attacks, there was a connection to a new fraud monitoring system to increase the security of making payment operations via digital channels.

The **TatraPay** internet payment service (credit transfer to a contract merchant's account) recorded a 33 per cent increase in the number of transactions and a 27 per cent increase in the value of transactions year on year. In total, more than 4 million payments with a value exceeding EUR 223 million were made using **TatraPay**.

Mobile Applications

Tatra banka introduced a number of new features in mobile banking in 2022. The **Tatra banka** app underwent the biggest changes and saw an increase of 12 per cent in active users. This means that it now has nearly 560,000 active users.

The app has continued to maintain a high user satisfaction rating with an NPS of more than 75 points. Its high popularity among users was also demonstrated by defending the wins in the nationwide SmartBanka and NAY TECHBOX ROKA surveys, where voters once again chose the **Tatra banka** app as the best banking app in Slovakia.

New features included the option to send instant payments to participating banks, which was offered to clients at the beginning of the year, significantly accelerating interbank payments. This was followed by a number of other changes that were received very positively, such as a request to issue a replacement payment card, a payment card transaction claim or, for example, the option to request a change in the fixed-rate period or the instalment date on a mortgage loan.
My Benefit also received highly positive feedback, bringing users new options for valuable discounts on payments made by payment cards. The app also underwent several security improvements and expanded the range of products sold to include the opening of a Tatra banka supplementary pension savings account.

The **Tatra banka VIAMO** and **Reader** (Čítačka™) apps underwent generational changes and brought a number of improvements. The new version of the **Tatra banka VIAMO** app was introduced in September and the new version of the **Reader** (Čítačka™) app will be introduced at the beginning of 2023.

Chatbot ADAM

In 2022, Chatbot **Adam**™ strengthened its role among electronic distribution and communication channels. It handles more than 28 thousand client conversations per month, which is almost 80 per cent more than the previous year. The chatbot can help clients in additional new areas and topics, and it can help address a number of questions and service requests. **Adam**™ was also added to the app home screen after login, which increased its availability. Currently, it also helps clients on the Tatra banka's website and on the **Internet** banking™ login screen.

Open Banking

In 2022, the bank continued to develop an open banking strategy designed to allow clients to access the bank's products and services through external environments. The option to enter batch and instant payments was added in the **Premium** API™ payments service and additional banks' accounts were added in the **Premium** API™ accounts.

In May 2022, the bank launched a new portal for developers, where they can register and try API services for free. The portal provides complete documentation for APIs, and the total number of developers registered in 2022 was 773.

Another newly launched service was **Identity**™, which allows biometric verification of a person's identity for third parties. With this service, companies that need to verify their customers can get these functionalities as a service from Tatra banka without having to develop their own identity verification solutions.

New PSD2 APIs providing new authentication methods as well as extended account information and payment entry options were published in November 2022. These changes were designed to provide clients with the same functionalities and authentication options as those available in other banking channels.

Acceptance of Payment Cards

Tatra banka maintained its leading position on the Slovak market in payment card acceptance in 2022. Despite prevailing restrictions related to COVID-19, Tatra banka's business partners generated a turnover of EUR 5.267 billion on POS terminals with a total of nearly 188 million transactions. There were 26.6 million transactions, totaling EUR 880 million, using the **CardPay** and **ComfortPay** payment gateways in 2022. The number of payment transactions over the internet keeps growing, as evidenced by a 14.85 per cent increase compared to 2021.

In terms of innovations and service improvements, the bank offered clients who are merchants accepting card payments a new **Merchant Portal** (Obchodnícky portál™) solution. It is a web-based app that provides merchants with easy access to basic data and functions, transactions and statistics. It allows merchants to carry out active operations such as a return or a partial return.

At the end of 2022, Tatra banka had 19,209 active POS terminals, almost all of which supported contactless payments. The share of contactless transactions on Tatra banka's POS terminals was more than 81 per cent in 2022. Alternative payment methods such as payments with a watch or a cell phone comprised about 21 per cent of all payments on POS terminals.

ATMs

At the end of 2022, Tatra banka operated 360 ATMs, of which 155 were cash dispensers and 205 were recycling ATM 2.0s. Throughout the year, cash dispensing ATMs were replaced with recycling ATM 2.0s with 22 new recycling additions into the network. On top of standard ATM functionalities, 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 accounts to which the client has made deposits before. Clients can also scan a QR code with the account number or a code from an invoice using Pay By Square.

In total, more than 12.83 million cash withdrawals were made from Tatra banka's ATMs, amounting to almost EUR 4.66 billion, which represents a 38 per cent year-on-year increase in the amount of cash withdrawn. More than 3.15 million deposits were made, amounting to nearly EUR 2.91 billion, which represents a 27 per cent year-on-year increase in the volume of deposits.

During the year, clients showed increasing interest in cash withdrawals with a cell phone. Clients made more than 1.56 million withdrawals exceeding a total of EUR 171.2 million. The number of withdrawals with a cell phone accounted for 12.2 per cent of the total withdrawals from Tatra banka's ATMs.

DIALOG Live and Raiffeisen Bank Infoline

The role of **DIALOG** Live and Raiffeisen Bank Infoline further strengthened in 2022. Over the last 3 years, the total number of calls increased by more than 20 per cent and the number of staff-assisted chats increased more than threefold. This is due to the continuous development of client desktop functionalities and the introduction of end-to-end processes for further products and services of both contact centers. Client security is a top priority for the bank. A new feature is simplified client verification directly in the **Tatra banka** app. Contact centers were upgraded and streamlined, with the introduction of a dual agent. This means that the bank can use one system solution for both **DIALOG** Live and Raiffeisen Bank Infoline when recording a voice sample.

In 2022, **DIALOG** Live received additional staffing, mainly for relationship positions taking care of premium clients. The Raiffeisen Bank Infoline, in turn, transformed the positions of a larger number of staff from services to sales. Although clients' preference for digital communication continues to grow, human contact remains an important part of interaction.

Consolidated financial statements

Independent Auditor's Report

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Slovak Republic

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, 2022, 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, 2022, 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 21 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 245,058 thousand (as at 31 December 2021: EUR 238,757 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 2022, the estimate of expected credit losses was significantly affected by clients' sensitivity to changes in energy/oil prices, inflation, and interest rates. The estimate of expected credit losses was also affected by Group's clients' connection to the war in Ukraine. In contrast to 2021, there was a decline in impact of the global COVID-19 pandemic on an ability of clients to repay their loans. 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.	• 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 changes in energy/oil prices, inflation, and interest rates - which were also included in creation of impairment allowances beyond portfolio (model generated) and standard individual allowances. We also assessed Group's consideration of war in Ukraine, as well as a declining impact of the COVID-19 pandemic. • 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;

For the above reasons, we consider the creation of impairment allowances for expected credit losses to be a key audit matter.	• We critically assessed the existence of indicators for classification into Stage 2 or Stage 3 as at 31 December 2022 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.

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 contained in the annual report, compiled in accordance with the requirements of Act on Accounting. Our opinion on the consolidated financial statements does not apply to 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 2022 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 2022 included in the Annual Financial Report that complies with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The presentation of the consolidated financial statements for the year ended 31 December 2022 in electronic XHTML format marked up using the XBRL markup language is expected to be made available to us after the date of this auditor's report.

Our 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 Group's General Meeting on April 28th, 2022. The period of our total uninterrupted engagement including our previous renewals and reappointments of the statutory auditors is 2 years.

- *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. Jozef LUKČA
Licence UDVA No. 1213

ÚRAD PRE DOHĽAD NAD VÝKONOM AUDITU
UDVA
1213
číslo licencie
CERTIFIKOVANÝ AUDÍTOR
Ing. Jozef Lukča

February 17th, 2023
Pribinova 10
Bratislava, Slovak republic

Consolidated statement of profit and loss and other comprehensive income for the year ended as at 31 December 2022

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

	Note	2022	2021
Interest income calculated using effective interest rate method		343 847	274 088
Other interest income		7 757	45 871
Interest expenses		(30 024)	(20 146)
Net interest income	**(1)**	**321 580**	**299 813**
Dividend income	(1)	40	26
Net interest income and dividend income	**(1)**	**321 620**	**299 839**
Fee and commission income		218 274	206 398
Fee and commission expense		(60 361)	(51 712)
Net fee and commission income	**(2)**	**157 913**	**154 686**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(3)	223	617
Net profit/(loss) from financial instruments held for trading and exchange rate differences	(4)	39 045	25 758
Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss	(5)	446	431
Other operating profit	(6)	5 739	4 193
Other operating loss	(6)	(4 625)	(3 010)
General administrative expenses	(7)	(244 067)	(230 162)
Contribution to the Resolution fund and the Deposit guarantee fund	(8)	(11 228)	(10 349)
Net modification profit / (loss)	(9)	(6)	(31)
(Creation)/release of provisions	(10)	10 297	(1 314)
(Creation)/release of provisions for expected losses from commitments and guarantees given	(11)	(2 473)	(2 993)
Impairment allowances for financial assets not measured at fair value through profit or loss	(12)	(41 810)	(24 292)
Impairment allowances for non-financial assets	(13)	(4 171)	(281)
Profit/(loss) on non-current assets and assets for disposal classified as held for sale	(14)	4 867	(2 790)
Profit before tax		**231 770**	**210 302**
Income tax	(16)	(44 995)	(48 248)
Profit after tax		**186 775**	**162 054**

	Note	2022	2021
Other comprehensive income after income tax:			
Items which can be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income		(15 139)	(2 007)
Income tax related to items which can be reclassified to profit or loss		3 131	430
Items which can be reclassified to profit or loss		**(12 008)**	**(1 577)**
Items which will not be reclassified to profit or loss			
Equity instruments at fair value through other comprehensive income		18	5
Income tax related to items which will not be reclassified to profit or loss		(4)	(1)
Items which will not be reclassified to profit or loss		**14**	**4**
Other comprehensive income after income tax		**(11 994)**	**(1 573)**
Comprehensive profit after tax		**174 781**	**160 481**
Basic and diluted earnings per ordinary share (face value EUR 800) in EUR	**(16)**	**2 178**	**2 001**
Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR	**(16)**	**10 890**	**10 005**
Basic and diluted earnings per preference share (face value EUR 4) in EUR	**(16)**	**10.9**	**10.0**

Consolidated statement of profit and loss and other comprehensive income for the year ended as at 31 December 2022

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

	Note	2022	2021
Assets			
Cash and Other deposits payable on demand	(17)	226 348	167 532
Cash balances at central banks	(17)	4 435 285	4 067 786
Financial assets held for trading	(18)	47 246	90 279
Non-trading financial assets mandatorily at fair value through profit or loss	(19)	33 136	17 105
Financial assets at fair value through other comprehensive income	(20)	186 047	341 203
Financial assets at amortised cost	(21)	16 527 447	14 534 893
Receivables from hedging transactions	(22)	18 489	8 049
Tangible fixed assets	(23)	92 815	96 252
Intangible non-current assets	(23)	64 747	65 771
Current tax asset	(24)	434	309
Deferred tax asset	(25)	46 702	38 159
Other assets	(26)	45 588	68 929
Non-current assets held for sale	(27)	531	15 257
Total assets		**21 724 815**	**19 511 524**
Equity and liabilities			
Financial liabilities held for trading	(28)	53 705	46 713
Financial liabilities at amortised cost	(29)	19 991 090	17 893 555
Liabilities from hedging transactions	(30)	79 209	8 503
Provisions	(31)	60 002	78 386
Current tax liability	(32)	7 516	13 211
Deferred tax liability	(33)	-	723
Other liabilities	(34)	48 843	37 627
Total liabilities		**20 240 365**	**18 078 718**
EquEquity (excluding profit for current year)	(35)	1 297 675	1 270 752
Profit after tax		186 775	162 054
Total equity		**1 484 450**	**1 432 806**
Total equity and liabilities		**21 724 815**	**19 511 524**

Consolidated statement of changes in Equity for the year ended as at 31 December 2022

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 2022	**64 326**	**(21)**	**298 414**	**(336)**	**15 366**	**3 117**	**789 886**	**100 000**	**162 054**	**1 432 806**
Total profit after tax										
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***186 775***	***186 775***
Other comprehensive income										
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	(12 008)	-	-	-	(12 008)
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	14	-	-	-	14
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**(11 994)**	**-**	**-**	**-**	**(11 994)**
Transfer in equity	**-**	**-**	**-**	**-**	**-**	**(11 994)**	**-**	**-**	**186 775**	**174 781**
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	-	-	-	-	-	-	*155 961*	-	*(155 961)*	-
dividend paid – ordinary shares	-	-	-	-	-	-	*(101 802)*	-	-	*(101 802)*
dividend paid – preference shares	-	-	-	-	-	-	*(13 225)*	-	-	*(13 225)*
AT1 revenue payment	-	-	-	-	-	-	-	-	*(6 093)*	*(6 093)*
Disposal of treasury shares	-	513	-	8 505	-	-	-	-	-	9 018
Profit from the sale of ordinary and preference shares	-	-	33	-	-	-	-	-	-	33
Repurchase of preference shares	-	(628)	-	(10 440)	-	-	-	-	-	(11 068)
Total contributions and distributions	**-**	**(115)**	**33**	**(1 935)**	**-**	**-**	**40 934**	**-**	**(162 054)**	**(123 137)**
Equity as at 31 December 2022	**664 326**	**(136)**	**298 447**	**(2 271)**	**15 366**	**(8 877)**	**830 820**	**100 000**	**186 775**	**1 484 450**

Consolidated statement of changes in Equity 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)

	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)**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**(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 payment - ordinary shares	-	-	-	-	-	-	*(60 285)*	-	-	*(60 285)*
dividend payment - 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**

Consolidated Cash Flow Statement for the year ended as at 31 December 2022

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

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		***231 771***	***210 303***
Adjustments for non-cash transactions		***(274 442)***	***(270 283)***
Interest expense	(1)	30 024	20 146
Interest income	(1)	(351 604)	(319 959)
Dividend income	(1)	(40)	(26)
Impairment loss allowances, provisions for losses and other provisions, net	(10-13)	3 612	7 736
(Profit)/loss on sale and other disposal of investment property	(6)	14	632
(Profit)/loss from sale of non-current assets held for sale	(15)	14 726	2 748
Unrealised (profit)/loss from financial derivatives and securities held for trading	(4)	(85 927)	(20 941)
Unrealised (profit)/loss from non-trading financial assets mandatorily at fair value through profit or loss	(5)	(5 220)	504
Unrealised (profit)/loss from hedging derivatives	(4)	56 007	9 612
Net (profit)/loss from securities at fair value through other comprehensive income		3 410	(3 259)
Depreciation and amortisation	(7)	35 120	32 907
Impairment allowances for investment property		1 182	314
(Profit)/loss from foreign exchange operations and other operations with cash and cash equivalents	(4)	24 254	(697)

	Note	2022	2021
Cash flows used in operating activities before changes in working capital, interest received and paid and income tax paid		***(42 671)***	***(59 980)***
(Increase)/decrease in operating assets			
Obligatory reserve with National Bank of Slovakia	(17)	(367 499)	(2 495 634)
Loans and advances to banks and customers	(21)	(1 387 930)	(945 829)
Financial assets held for trading	(18)	48 950	(29 100)
Non-trading financial assets mandatorily at fair value through profit or loss	(19)	(10 810)	2 282
Other assets	(26)	22 921	(1 112)
Increase/(decrease) in operating liabilities:			
Deposits from customers and current bank accounts	(29)	1 962 298	1 186 608
Financial liabilities held for trading	(28)	11 689	(36 387)
Other liabilities	(33)	11 215	(7 009)
Cash (used in)/earned from operations before interest paid received and income tax paid		***248 163***	***(2 386 161)***
Interest paid	(1)	(26 055)	(42 225)
Interest received	(1)	321 335	321 823
Income tax paid	(15)	(56 954)	(40 879)
Cash flows from operating activities, net		**486 489**	**(2 147 442)**

Cash flows from investment activities			
(Increase) in debt securities at amortised cost	(21)	(711 492)	(467 940)
Decrease in debt securities at amortised cost	(21)	90 183	397 673
(Increase) in debt securities at fair value through other comprehensive income	(20)	(24 428)	(200 626)
Decrease in debt securities at fair value through other comprehensive income	(20)	163 034	84 049
Interest received from financial assets at amortised cost	(21)	15 844	9 429
Proceeds from the sale or disposal of non-current tangible and intangible assets	(23)	677	1 212
Acquisition of goodwill	(23)	-	(1 651)
Purchase of non-current tangible and intangible assets	(23)	(36 283)	(35 074)
Acquisition of subsidiary, net of cash acquired		-	(16 546)
Dividends received	(1)	40	26
Cash flows from investment activities, net		**(502 428)**	**(229 448)**

	Note	2022	2021
Cash flows from financing activities			
Redemption of preference shares	(35)	(11 067)	(8 550)
Sale of preference shares	(35)	9 051	9 920
Loans received	(29)	25 662	2 237 000
Loans paid	(29)	(176 615)	-
Subordinated debt	(29)	481	(3)
Received debt security liabilities	(29)	361 698	309 523
Repayments of debt security liabilities	(29)	-	(54 800)
Rentals paid	(29)	(13 098)	(17 304)
Dividends paid	(35)	(121 121)	(74 290)
Cash flows from financing activities, net		**74 991**	**2 401 496**
Effects of exchange rate changes on cash and cash equivalents and other effects	(17)	(239)	739
Change in cash and cash equivalents		**58 816**	**25 343**
Cash and cash equivalents, beginning of the year*	(17)	167 532	142 189
Cash and cash equivalents, end of the year*	**(17)**	**226 348**	**167 532**

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

Notes to the consolidated financial statements for the year ended 31 December 2022

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 7 subsidiaries and one joint venture. 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 registered in the Commercial Register of the Parent company, its subsidiaries and associates.

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

	2022	2021
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:

	2022	2021
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:

	2022	2021
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 78 branches, corporate centres and corporate centre sub-agencies and 57 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 2022:

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:	Zuzana KOŠTIALOVÁ
	Peter MATÚŠ
	Natália MAJOR
	Bernhard HENHAPPEL
	Johannes SCHUSTER
	Martin KUBÍK

Changes in the Parent company's (the Group) Supervisory Board in 2022:

There were no changes to the composition of the Group's Supervisory Board during 2022.

Changes in the Parent company's (the Group) Board of Directors in 2022:

Marcel Kaščák - termination of the function of a member of the Board of Directors as of 30.6.2022.
Zuzana Koštialová - appointment as a member of the Board of Directors as of 1.7.2022.

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 2022, 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 Asset Management, správ. spol., a.s.	100 %	100 %	n/a	5 742 968	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
Monilogi, s.r.o.	11,3 %	100 %	Tatra-Leasing, s.r.o.	44 426 682	Leasing	Full consolidation	Bratislava
Monilogi, s.r.o.	26 %	26 %	n/a	54 508 673	Mediation activities	Equity method	Bratislava

Changes in the Group in 2022

The Group has acquired a 26% interest in Monilogi s.r.o. on decisive day as of 13 January 2022.

On the decisive day of 29 March 2022, the Parent company purchased 11.3% of the shares in IMPULS-LEASING Services s. r. o. from IMPULS-LEASING Slovakia s. r. o. On the decisive day of 1 April 2022, IMPULS-LEASING Slovakia s. r. o. merged with Tatra-Leasing, s. r. o., IMPULS-LEASING Slovakia s. r. o. ceased to exist on that date. On the decisive day of 13 July 2022, IMPULS-LEASING Services s.r.o. changed its name, the new name of the company is Tatra Leasing Broker, s.r.o.

On the decisive day of 18 July 2022, the Parent company sold its participation in the subsidiary Tatra Residence, a. s.

Distribution of the Parent company's profit for 2021

AT1 Investment certificate revenue payment*	6 094
Contribution to retained earnings	144 819
Total	**150 913**

** 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	101 803
Dividends – preference shares	13 360
Total	**115 163**

Dividend per 1 piece of ordinary share with nominal value of 800 EUR amounted to 1 432 EUR.
Dividend per 1 piece of ordinary share with nominal value of 4 000 EUR amounted to 7 160 EUR.
Dividend per 1 piece of preference share with nominal value of 4 EUR amounted to 7.17 EUR.

The separate and consolidated financial statements for 2021, the Annual Report for 2021, the distribution of profit, retained earnings and the determination of royalties to the members of the Supervisory Board for 2021 were approved by the Parent company's General Meeting held on 22 April 2022.

Dividends for which no entitlement arose in the amount of EUR 220 thousand till the date of the General Meeting, were recognised in retained earnings of previous years as of 30 September 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.

Naturally, the Group continued to benefit from its long-standing strategic focus on digital innovation, which made it easy and convenient for clients to use the full range of services despite the constraints imposed by the pandemic.

We expect the direct impact of the pandemic on the economy, clients and hence the Group to continue to ease this year.

The Group has not been granted any lease concessions in respect of COVID-19 and therefore the requirement of "Amendment to IFRS 16, Lease concessions in respect of COVID-19" effective for periods beginning on or after 1 April 2021 is not a part of the financial statements.

The following table presents the carrying amount of loans and advances subject to the public guarantee scheme as at 31 December 2022 and at 31 December 2021:

	2022	***2021***
Loans and advances to banks	**-**	**-**
Loans and advances to customers	**152 944**	**213 199**
Public sector	-	-
Corporate clients	36 392	51 721
Retail clients	116 552	161 478
Total	**152 944**	**213 199**

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 2022.

	Gross carrying amount			*Impairment allowances for expected losses*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**776 945**	**308 580**	**87 205**	**(2 936)**	**(11 333)**	**(49 893)**
Public sector	-	-	-	-	-	-
Corporate clients	358 543	154 905	37 680	(1 940)	(3 576)	(24 594)
Retail clients	418 402	153 675	49 525	(996)	(7 757)	(25 299)
Total	**776 945**	**308 580**	**87 205**	**(2 936)**	**(11 333)**	**(49 893)**

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**	**Stage 1**	**Stage 2**	**Stage 3**
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)**

Impact of the situation in Ukraine

Considering the minimum amount of exposure to entities from Russia, Belarus and Ukraine (the gross carrying amount of exposures as at 31 December 2022 to entities from Russia, Belarus and Ukraine was in amount of EUR 874 thousand, at 31 December 2021 in amount of EUR 778 thousand), the Group does not expect a material negative impact on the Bank's results.

Russia's invasion of Ukraine has only indirectly affected the Group through the changes in the macroeconomic environment that it has triggered. These include, in particular, the rapid growth
in energy prices and concerns about energy security, high inflation, tighter monetary policy, higher interest rates and slowing economic growth. The impact of these changes on the macroeconomic environment of the Slovak banking sector is complex and multi-layered. Higher inflation and higher interest rates lead to a nominal increase in revenues, while inflationary pressures and a slowing economy simultaneously push up operating and risk costs.

Provisioning methodology of the Group captures forward looking information in calculation of provisions in several ways. Besides macro-economic scenarios, Industry Module is specifically designed to capture different stage of credit cycle or different impact of distortions like Covid-19, supply squeeze or UA-RU induced impacts. Within Industry Module, so called Special Risk Factors approach is implemented
and is designed to address RU-UA war and its impact on the economy driven mainly by sanctions imposed on Russia, exploded prices of oil and energies, high inflation, significantly increased interest rates and generally high volatility and uncertainty.

Climate change

The Group has implemented an accounting policy for ESG - linked financial instruments in accordance with the opinions published by the IFRS working groups.

ESG (Environment, Social, Governance) means sustainability and social responsibility.
For all ESG-linked instruments, it is equally necessary to examine whether they meet the SPPI test and, based on the result, assign the instrument to the relevant portfolio. The SPPI test is met if:

- the conditions change the cash flow only minimally (de minimis condition), or
- the contractual terms are such that the instrument meets the definition of a Master Credit Agreement and is valid:
  - the contractual cash flows before and after the event/change (reset point) represent principal and interest payments and thus meet the SPPI test
  - the contingent event is specific to the debtor and is specified in the contract
  - the contractual terms do not represent an investment in or exposure to a specific asset or cash flows that are not solely interest and principal payments and therefore do not meet the SPPI test;

If the contingent event is neither borrower-specific nor meets the de minimis condition, the financial asset may not meet the SPPI test.

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 2022 and comparatives for 2021 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 Group has adopted all 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 approved for use in the European Union ("EU") that are applicable to its operations and are effective for accounting periods beginning on or after 1 January 2022. The application of these standards and amendments to existing standards has not resulted in any material changes to the Group's accounting policies.

As of 1.1.2022 the following standards entered into force:

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Loss Contracts - Contract Performance Costs

The amendments require that in assessing the costs required to perform the contract, the Company include in those costs all the costs directly related to the contract. Paragraph 68A clarifies that the cost of fulfilling the contract includes the incremental cost of fulfilling the contract as well as an allocation of other costs that are directly related to the contract fulfilment.

Annual Improvements to IFRS Standards 2018-2020:

The following improvements were completed in May 2020:
• IFRS 9 Financial Instruments - clarifies which charges should be included in the 10% test for derecognition of financial liabilities.
• IFRS 16 Leases - modifying illustrative example 13 to remove the illustration of payments from the lessor in respect of leasehold improvements and to remove any ambiguity about the treatment of lease incentives.
• IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at the carrying amounts recorded in their parent's accounts to
also measure any cumulative translation differences using the amounts recognised by the parent. This amendment will also apply to associates and joint ventures that have taken advantage of the same exemption from IFRS 1.
IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows from taxation when

measuring fair value under IAS 41. The objective of this amendment is to align with the Standard's requirement to discount after-tax cash flows.

IAS 16 Property, Plant and Equipment (Appendix – Revenue before intended use)

In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting from the cost of property, plant and equipment the amount earned on the sale of items manufactured
in the course of preparing an asset for its intended use. Instead, the Company shall recognise such sales proceeds and any related costs in the statement of profit or loss.

Reference to Conceptual Framework - Amendments to IFRS 3

Minor adjustments have been made to IFRS 3 Business Combinations to update references to the Conceptual Framework for Financial Reporting and to add an exemption for the recognition of liabilities and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The additions also confirm that contingent assets should not be recognised at the acquisition date.

The Group has assessed the impact on the consolidated financial statements for aforementioned amendments to standards as immaterial.

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

Classification of liabilities as current or non-current - Amendments to IAS 1

Narrow amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the accounting period. Classification is not affected by expectations or events of the entity after the reporting date (e.g. receipt of a revocation or breach of contract). The Appendices also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities,
particularly for entities that have previously considered management's intentions in determining classification and for some liabilities that can be converted to equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for accounting periods beginning on or after 1 January 2023. Since the IASB endorsed these amendments, it has issued an exposure draft proposing further changes and deferring the changes until at least 1 January 2024).

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRSs Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material accounting policies, instead of significant accounting policies. The amendments define what 'material accounting policy information'
is and explain how to identify when accounting policy information is significant. They further clarify

that immaterial accounting policy information need not be disclosed. If disclosed, it should not obscure material accounting information. In support of this amendment, the IASB has also modified IFRS Practice Statement 2 Assessing Materiality to provide guidance on how to apply the concept of materiality
in disclosing accounting policies (effective for accounting periods beginning on or after 1 January 2023).

Definition of accounting estimates – Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively
to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as to the current period (with effect for accounting periods beginning on or after 1 January 2023).

Deferred tax relating to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax
on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Typically, these will relate to transactions such as lessee leases
and decommissioning liabilities and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur at or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning
of the earliest comparative period for all deductible and taxable temporary differences related to:

- lease assets and liabilities, and
- decommissioning, restoration and similar obligations and the corresponding amounts

recognised as part of the cost of the related assets. The cumulative effect of the recognition of these adjustments is recognised in retained earnings or another component of equity, as appropriate.
IAS 12 has not previously addressed how to account for the tax effects of balance sheet leases and similar transactions, and different approaches have been considered acceptable. Some entities may already have accounted for such transactions in accordance with the new requirements. These entities will not be affected by the amendments (effective for accounting periods beginning on or after 1 January 2023).

IFRS 17 Insurance contracts

IFRS 17 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 faithfully 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.

The purpose of preparation

The preparation of the above-mentioned regular consolidated financial statements in the Slovak Republic is in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The Group prepares
the separate and consolidated financial statements and the annual report in accordance with specific regulations - Regulation (EC) 1606/2002 of the European Parliament and of the Council on the application of International Accounting Standards (IFRS). The separate and consolidated financial statements in accordance with IFRS prepared as at 31 December 2022 and dated 17 February 2023 will be filed in the register of financial statements after preparation in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The financial statements have been prepared for general use.
The information contained therein may not be used for any specific purpose or to assess individual transactions. Readers of the financial statements should not rely on these financial statements as the sole source of information in making their decisions.

The financial statements have been prepared on the historical cost basis, except for the following material items which have been valued on an alternative basis at the reporting date.

Items	Measurement basis
Non-derivative financial instruments at fair value through profit or loss	Fair value
Derivative financial instruments	Fair value
Debt and equity securities at fair value through other comprehensive income	Fair value
Recognised financial assets and financial liabilities as hedged items when qualifying fair value hedging relationships (which would otherwise be measured at amortised cost)	Amortised cost adjusted for hedging gain or loss

Basis of preparation of the financial statements

The financial statements have been prepared on the accrual basis, i.e. the Group recognises the effects of transactions and other events as they occur. Transactions and other events are recognised in the financial statements in the period to which they relate on a going concern basis.

The currency used in the financial statements is the euro ('EUR') and balances are presented in thousands of euros unless otherwise stated.

Significant accounting estimates

The preparation of financial statements in conformity with IFRS requires to make of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates by future changes in economic conditions business strategies, regulatory actions, accounting rules, or other factors, and may cause estimates to change, which could materially affect the financial position and results of operations.

The effect of a change in accounting estimates is included prospectively in profit or loss in the period in which the change in estimate occurs, provided that the change affects only that period, or in profit or loss in subsequent periods, provided that the change also affects subsequent periods. Significant areas involving the need for subjective judgement:

- 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 15 "*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 2022.

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 2022 include the following key indicators for the Slovak republic for the years ended 31 December 2023 to 2025:

	(%)	2023	2024	2025
Unemployment rate	Baseline	6.11	5.84	5.71
	Downside	8.72	7.29	7.16
	Upside	3.96	4.38	4.25
Interest rates	Baseline	2.60	2.15	1.78
	Downside	3.50	2.65	2.27
	Upside	2.12	1.88	1.51
GDP growth	Baseline	1.71	2.47	2.50
	Downside	-1.13	0.90	0.92
	Upside	3.25	3.33	3.35
Real estate price index	Baseline	2.88	2.97	3.06
	Downside	2.67	2.65	2.63
	Upside	3.10	3.31	3.54

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

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 2022 written off receivables for which the right to recovery have not expired were in the amount of EUR 33 228 thousand (as at 31 December 2021: EUR 26 954 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 2022, the Group had 3 324 employees included in the program (31 December 2021: 3 327 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 2022:

	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	96 919	3 658	234 922	(14 507)	**320 992**	628	**321 620**
Net fee and commission income	28 526	9 994	19 480	(407)	**157 593**	320	**157 913**
From payment transfers business	*15 658*	*2 407*	*61 659*	*(45)*	***79 679***	*(108)*	***79 571***
From credit processing business	*7 701*	*98*	*12 855*	*-*	***20 654***	*13*	***20 667***
From securities business	*191*	*4 267*	*10 907*	*(362)*	***15 003***	*37*	***15 040***
From activities related to the management of investment and pension funds	*298*	*2 949*	*28 050*	*-*	***31 297***	*331*	***31 628***
From activities regarding mediation for third parties	*18*	*-*	*6 481*	*-*	***6 499***	*38*	***6 537***
From guarantee business	*4 669*	*278*	*303*	*-*	***5 250***	*9*	***5 259***
For other banking services	*(9)*	*(5)*	*(775)*	*-*	***(789)***	*-*	***(789)***
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	223	**223**	-	**223**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	8 670	484	22 624	4 880	**36 658**	2 387	**39 045**
Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss	-	(55)	874	95	**914**	(468)	**446**
Other operating profit	-	-	-	-	**-**	5 739	**5 739**
Other operating loss	-	-	-	-	**-**	(4 625)	**(4 625)**
General administrative expenses	(37 061)	(3 055)	(191 204)	(2 664)	**(233 984)**	(10 083)	**(244 067)**
Contribution to the Resolution und and the Deposit Guarantee fund	(1 624)	(339)	(6 397)	(1 883)	**(10 243)**	(985)	**(11 228)**
Net profit/(loss) from adjustment of profit or loss	-	-	-	-	**-**	(6)	**(6)**
(Creation)/release of provisions	-	-	-	-	**-**	10 297	**10 297**
(Creation)/release of provisions for expected losses from commitments and guarantees given	(2 635)	(13)	79	-	**(2 569)**	96	**(2 473)**
Impairment allowances for financial assets not measured at fair value through profit or loss	(13 042)	(50)	(24 117)	(799)	**(38 008)**	(3 802)	**(41 810)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(4 171)	**(4 171)**
Net profit on non-current assets held for sale	-	-	-	-	**-**	4 867	**4 867**
Profit before income tax	**79 753**	**10 624**	**156 261**	**(15 062)**	**231 576**	**194**	**231 770**
Income tax	-	-	-	-	**-**	(44 995)	**(44 995)**
Profit after tax	**79 753**	**10 624**	**156 261**	**(15 062)**	**231 576**	**(44 801)**	**186 775**
Total assets	**4 660 577**	**574 469**	**8 614 090**	**7 399 521**	**21 248 657**	**476 158**	**21 724 815**
Total equity and liabilities	**3 558 075**	**1 483 327**	**10 024 614**	**4 162 632**	**19 228 648**	**2 496 167**	**21 724 815**

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**
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**

IV. OTHER NOTES

1. Net interest and dividend income

	2022	2021
Interest income calculated using effective interest rate method:	**343 847**	**274 088**
from loans and advances to banks at amortised cost	19 669	536
from loans and advances to customers at amortised cost	292 895	258 031
from financial leases	10 947	-
from debt securities at amortised cost	18 555	13 892
from debt securities at fair value through other comprehensive income	1 781	1 629
Other interest income:	**7 757**	**45 871**
from financial leases	-	7 956
from debt securities held for trading	139	80
from derivatives held for trading	476	134
from financial liabilities	7 068	37 621
from other interest income	74	80
Interest expense:	**(30 024)**	**(20 146)**
on deposits from banks	(533)	(315)
on deposits from customers	(8 942)	(458)
on subordinated debts	(3 324)	(2 546)
on liabilities from debt securities issued by the bank at amortised cost	(7 982)	(779)
on liabilities from debt securities at fair value through profit or loss	(72)	-
on loans and deposits at amortised cost (including negative interest)	(8 156)	(15 207)
on financial leases	(551)	(605)
other interest expenses	(464)	(236)
Net interest income	**321 580**	**299 813**
Dividend income:	**40**	**26**
from financial assets at fair value through other comprehensive income	40	26
Net interest and dividend income	**321 620**	**299 839**

2. Net fee and commission income

	2022	2021
Fee and commission income:	**218 274**	**206 398**
out of which related to IFRS 15:	***213 013***	***202 253***
from payment transfers business	132 445	119 448
from credit processing business	22 575	20 325
from securities business	16 779	16 255
from activities related to the management of investment and pension funds	31 656	38 007
from activities regarding mediation for third parties	6 877	5 989
for other banking services	2 681	2 229
Other fee and commission income	***5 261***	***4 145***
from guarantee business	5 261	4 145
Fee and commission expenses:	**(60 361)**	**(51 712)**
out of which related to IFRS 15:	***(60 359)***	***(51 710)***
from payment transfers business	(52 874)	(44 005)
from credit processing business	(1 908)	(2 038)
from securities business	(1 739)	(1 842)
from activities related to the management of investment and pension funds	(28)	(20)
from activities regarding mediation for third parties	(340)	(396)
for other banking services	(3 470)	(3 409)
Other fee and commission expenses	**(2)**	**(2)**
from guarantees business	(2)	(2)
Net fee and commission income	**157 913**	**154 686**

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

	2022	2021
Net profit / (loss) from derecognition of financial assets at amortised cost:	**-**	**(2)**
Profit / (loss) from debt securities sold	-	(2)
Net profit / (loss) from derecognition of financial assets at fair value through other comprehensive income:	**223**	**619**
Profit / (loss) from debt securities sold	223	619
Total	**223**	**617**

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

	2022	*2021*
Interest rate contracts – securities:	**1 604**	**2 810**
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 – derivatives:	**3 141**	**415**
Realised profit/(loss) from derivatives	(1)	(268)
Revaluation to fair value	3 142	683
Net gain/(loss) on hedge accounting:	**15**	**(443)**
Revaluation to fair value of hedging instruments - interest rate derivatives	(161 512)	(15 330)
Revaluation to fair value of hedged instruments - debt securities	(18 090)	(3 946)
Revaluation to fair value of hedged instruments - debt securities liabilities	74 112	13 115
Revaluation to fair value of hedged instruments - loans to customers	(7 874)	-
Revaluation to fair value of hedged instruments - deposits with customers	113 379	5 718
Currency contracts:	**7 275**	**919**
Realised profit/(loss) from derivatives	6 164	2 516
Revaluation to fair value of derivatives	1 111	(1 597)
Foreign exchange differences	**27 364**	**21 703**
Total	**39 045**	**25 758**

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

	2022	*2021*
Interest-rate contracts – securities:	**914**	**498**
Revaluation to fair value	914	498
Loans and advances	**(468)**	**(67)**
Revaluation to fair value	(468)	(67)
Total	**446**	**431**

6. Other operating profit/(loss)

	2022	*2021*
Income from non-banking operations	3 487	2 321
Other operating income	2 252	1 872
Other operating income	**5 739**	**4 193**

	2022	*2021*
Net loss from disposal of tangible and intangible fixed assets	(418)	(632)
Other operating expenses	(4 207)	(2 378)
Other operating expenses	**(4 625)**	**(3 010)**

7. General administrative expenses

	2022	*2021*
Personnel costs:	**(140 718)**	**(129 309)**
Wages and salaries	(100 162)	(91 917)
Social security costs	(36 052)	(33 265)
Other social expenses	(5 570)	(4 191)
(Creation)/release of provisions for employee benefits	1 066	64
Other administrative expenses:	**(68 229)**	**(67 946)**
Costs of premises	(10 931)	(9 997)
Costs of information technology	(24 232)	(23 281)
Communication costs	(2 170)	(2 151)
Legal and consultancy costs*	(11 241)	(10 896)
Advertising and entertainment expenses	(12 749)	(13 807)
Consumption of stationeries	(540)	(606)
Transport and processing of cash	(750)	(704)
Travel costs	(1 246)	(750)
Education of employees	(1 999)	(1 530)
Other taxes and charges	(340)	(398)
Other expenses	(2 031)	(3 826)
Depreciation and amortisation of non-current tangible and intangible assets:	**(35 120)**	**(32 907)**
Non-current tangible assets	(21 717)	(21 448)
out of which: right-of-use assets	*(11 167)*	*(11 102)*
Non-current intangible assets	(13 403)	(11 459)
Total	**(244 067)**	**(230 162)**

* *"Legal and consultancy costs" include fee for the statutory audit in the amount of EUR 319 thousand (2021: EUR 315 thousand) from which other audit-related assurance services in the amount of EUR 46 thousand (2021: EUR 46 thousand), that related to 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 audit services in the amount of EUR 73 thousand (2021: EUR 0 thousand), that related to review of interim financial statements of the Parent company and other non-audit service in amount of EUR 0 thousand (2021: EUR 11 thousand.*

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

	2022	2021
Contribution to the Resolution fund and the Deposit Guarantee fund		
Contribution to the Resolution fund*	(6 202)	(5 757)
Contribution to the Deposit Guarantee fund	(5 026)	(4 592)
Total	**(11 228)**	**(10 349)**

* *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.*

9. Net modification profit/(loss)

	2022	2021
Financial assets at amortised cost:	**(6)**	**(31)**
Net modification profit / (loss) – Stage 1	(1)	(1)
Net modification profit / (loss) – Stage 2	(6)	(25)
Net modification profit / (loss) – Stage 3	1	(2)
Net modification profit / (loss) – POCI	-	(3)
Total	**(6)**	**(31)**

10. (Creation)/release of provisions

	2022	2021
(Creation)/release of provisions for:	**10 297**	**(1 314)**
(Creation)/release of provisions for litigations	10 297	(1 314)
Total	**10 297**	**(1 314)**

In the course of 2022, based on expectations, the group dissolved a significant part of the reserve for litigation in the amount of EUR 9 909 thousand.

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

	2022	*2021*
Provisions for provided commitments and guarantees (Stage 1):	**(847)**	**(3 174)**
(Creation)/release	(847)	(3 174)
Provisions for provided commitments and guarantees (Stage 2):	**(1 937)**	**278**
(Creation)/release	(1 937)	278
Provisions for provided commitments and guarantees (Stage 3):	**311**	**(97)**
(Creation)/release	311	(97)
Total	**(2 473)**	**(2 993)**

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

	2022	*2021*
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1):	**(17 010)**	**(6 521)**
(Creation)/release	(17 010)	(6 521)
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2):	**(16 971)**	**3 883**
(Creation)/release	(16 971)	3 883
Impairment allowances for credit impaired financial assets (Stage 3):	**(7 465)**	**(20 228)**
(Creation)/release	(7 465)	(20 228)
Impairment allowances for financial assets (POCI):	**(364)**	**(1 426)**
(Creation)/release	(364)	(1 426)
Total	**(41 810)**	**(24 292)**

For further information on the impairment allowances for expected credit losses, see Note 20 *„Financial assets at fair value through other comprehensive income"* and Note 21 *„Financial assets at amortised cost".*

13. Impairment allowances for non-financial assets

Movement in impairment allowances for non-financial assets:

	2022	*2021*
(Creation)/release of impairment allowances for non-current tangible assets	902	(30)
(Creation)/release of impairment allowances for non-current intangible assets	(4 652)	-
(Creation)/release of impairment allowances for other assets	(421)	(251)
Total	**(4 171)**	**(281)**

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

	2022	*2021*
Net profit/(loss) on assets held for sale	3 958	(2 790)
Result of deconsolidation	909	-
Total	**4 867**	**(2 790)**

15. Income tax

	2022	*2021*
Current tax expense	(51 134)	(49 496)
Deferred tax (expense)/income	6 139	1 248
Total	**(44 995)**	**(48 248)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2022, the corporate income tax rate amounted to 21% (2021: 21%).

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

	2022	*2021*
Profit before tax	**231 771**	**210 303**
Theoretical tax calculated at the tax rate 21 % (2021: 21 %)	48 672	44 164
Non-taxable income	(6 541)	(2 212)
Tax non-deductible expense	2 569	1 409
Impairment allowances and provisions, net	(5 094)	3 189
Additional tax of previous periods	(638)	(647)
Creation/(release) of impairment allowances for uncertain realisation of deferred tax assets	237	(173)
Impact of non - tax losses	-	632
Impact of consolidation	5 790	1 886
Income tax expense	**44 995**	**48 248**
Effective tax for accounting period	**19.41 %**	**22.94 %**

Deferred tax assets and liabilities as at 31 December 2022 and as at 31 December 2021 relate to the following items:

	Book value	*Tax value*	*Permanent difference*	*Temporary difference*	*2021*	*2020*
Deferred tax assets						
Financial assets at amortised cost	16 527 447	16 749 528	7 533	214 548	45 055	43 380
Financial liabilities at amortised cost	19 991 090	20 003 660	-	12 570	2 640	276
Non-current tangible assets and investment property	157 562	176 782	-	19 220	4 036	1 684
Other assets	45 032	49 500	1 077	3 391	712	344
Provisions	60 002	356	22 764	36 882	7 745	8 862
Other liabilities	48 843	15 746	1 944	31 153	6 542	5 799
Total					**66 730**	**60 345**
Deferred tax liabilities						
Financial assets at fair value through other comprehensive income	186 047	197 497	-	11 450	2 405	(722)
Total					**2 405**	**(722)**
Net deferred tax asset/(liability)					**69 135**	**59 623**
Uncertain realisation adjustment of deferred tax asset					(22 425)	(22 187)
Net deferred tax asset/(liability)					**46 710**	**37 436**

As at 31 December 2022 the Group did not present a deferred tax asset of EUR 22 425 thousand (31 December 2021: EUR 22 187 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.

16. Basic and diluted earnings per share

2022	*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:	132 148	22 837	19 943
Weighted average number of shares outstanding during the period	60 616	2 095	1 829 528
Basic and diluted earnings per share	**2 178**	**10 890**	**10.9**

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**

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

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

	2022	*2021*
Cash in hand	213 268	119 607
Balances at central banks	4 435 285	4 067 786
Other deposits payable on demand	13 080	47 925
Total	**4 661 633**	**4 235 318**

The obligatory minimum reserve is maintained as an interest-bearing deposit under the regulations of the National Bank of Slovakia and are the 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"*).

The Group has reassessed the accounting treatment for cash entrusted to companies which, under the contracts, provide ATM filling and cash distribution to branches or cash collection to NBS. In order to enable the companies to carry out these activities, the Group entrusted them with the necessary cash. The cash may only be handled by the company on the instructions of the Group and may not be used for its own activities. The cash in question has been transferred from note 26 'Other assets' under 'Due from service company' to *'Cash on hand'.*

18. Financial assets held for trading

	2022	*2021*
Positive fair value of financial derivatives held for trading	**42 892**	**30 302**
Interest rate contracts	36 910	14 556
Currency contracts	5 982	15 746
Debt securities	**4 354**	**47 569**
Government bonds	4 354	47 569
Loans and advances to customers	**-**	**12 408**
Loans and advances to the corporate sector	-	12 408
Total	**47 246**	**90 279**

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

	2021	*2020*
Equity securities, debt securities and other securities with variable yield	**13 919**	**10 402**
Equity securities	5 033	-
Debt securities	4 897	8 541
Mutual funds units*	3 989	1 861
Loans and advances to customers	**19 217**	**6 703**
Loans and advances to corporate sectors	19 217	6 703
Total	**33 136**	**17 105**

** The Group had equity securities (mutual fund units) in that portfolio for which the fair value through other comprehensive income (FVOCI) option could not be used because those securities have a defined maturity and do not meet the definition of an equity instrument under IAS 32. As at 31 December 2022, the value of the above mutual fund units was EUR 894 thousand (31 December 2021: EUR 799 thousand).*

20. Financial assets at fair value through other comprehensive income

	2020	*2021*
Debt securities	**185 938**	**341 112**
Government bonds	53 496	168 693
Bonds issued by bank sector	74 792	103 367
Bonds issued by other sectors	57 650	69 052
Equity investments	**109**	**91**
Equity instruments	109	91
Total	**186 047**	**341 203**

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2022:

	Gross book value	*Impairment allowances*	*Net book value*
Debt securities	**186 108**	**(170)**	**185 938**
Government bonds	53 517	(21)	53 496
Bonds issued by bank sector	74 804	(12)	74 792
Bonds issued by other sectors	57 787	(137)	57 650
Total	**186 108**	**(170)**	**185 938**

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**

21. Financial assets at amortised cost

Classification of financial assets measured at amortised cost as at 31 December 2022:

	Gross book value	*Impairment allowances*	*Net book value*
Loans and advances to banks	**195 011**	**-**	**195 011**
Money-market business	149 782	-	149 782
Reverse repo transactions	45 224	-	45 224
Other loans and advances to banks	5	-	5
Loans and advances to customers	**13 981 867**	**(245 058)**	**13 736 809**
Overdraft loans and current account overdrafts	1 032 361	(19 501)	1 012 860
Receivables from credit cards	109 190	(4 503)	104 687
Factoring and loans backed by bills of exchange	66 670	(599)	66 071
Mortgage and housing loans	5 423 611	(35 717)	5 387 894
Home Equity Loans	1 136 710	(8 238)	1 128 472
Consumer loans	1 145 585	(71 511)	1 074 074
Financial lease receivables*	356 179	(12 490)	343 689
Investment, operating and other loans	4 711 561	(92 499)	4 619 062
Debt securities	**2 596 512**	**(885)**	**2 595 627**
Government bonds	2 400 053	(797)	2 399 256
Bonds issued by bank sector	176 830	(30)	176 800
Bonds issued by other sector	19 629	(58)	19 571
Total	**16 773 390**	**(245 943)**	**16 527 447**

** 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 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).*

As at 31 December 2022, the total amount of syndicated loans managed by the Group was in the amount of EUR 1 454 711 thousand (31 December 2021: EUR 1 255 143 thousand). The Group's share amounted to EUR 495 576 thousand (31 December 2021: EUR 445 674 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 2022:

	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 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**

An overview of the quality of financial assets measured at amortised values is stated in Note 43 *"Risk report".*

Movement in impairment allowances for losses on financial assets measured at amortised cost as at 31 December 2022:

	As at 1 January 2022	*Creation/ (Release)**	*Usage*	*Transfers, FX differences*	*As at 31 December 2022*
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**24 066**	**16 723**	**-**	**-**	**40 789**
Banks	-	-	-	-	-
Corporate clients	16 101	7 606	-	-	23 707
Retail clients	7 898	8 349	-	-	16 247
Debt securities	67	768	-	-	835
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)	**45 110**	**16 143**	**-**	**-**	**61 253**
Banks	-	-	-	-	-
Corporate clients	14 637	4 045	-	-	18 682
Retail clients	30 473	12 048	-	-	42 521
Debt securities	-	50	-	-	50
Specific impairment allowance for individually and collectively assessed items (Stage 3)	**165 850**	**608**	**(28 063)**	**184**	**138 579**
Banks	-	-	-	-	-
Corporate clients	56 774	(1 311)	(8 133)	54	47 384
Retail clients	109 076	1 919	(19 930)	130	91 195
Debt securities	-	-	-	-	-
Impairment allowances for financial assets impaired on initial recognition (POCI)	**3 798**	**1 980**	**(472)**	**16**	**5 322**
Banks	-	-	-	-	-
Corporate clients	3 087	1 173	(347)	6	3 919
Retail clients	711	807	(125)	10	1 403
Debt securities	-	-	-	-	-
Total	**238 824**	**35 454**	**(28 535)**	**200**	**245 943**

** 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 164 thousand.*

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.*

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 2022:

	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	**1 716 157**	**947 383**	**6 308**	**45 531**	**3 178**	**20 932**	**2 954**
Corporate clients	202 617	293 844	59	7 546	158	4 666	2 636
Retail clients	1 513 540	653 539	6 249	37 985	3 020	16 266	318
Debt securities	-	-	-	-	-	-	-
Provided commitments and financial guarantees	**191 002**	**681 724**	**111**	**175**	**106**	**480**	-
Banks	-	-	-	-	-	-	-
Corporate clients	112 679	614 561	9	43	-	432	-
Retail clients	78 323	67 163	102	132	106	48	-
Total	**1 907 159**	**1 665 610**	**6 419**	**45 706**	**3 284**	**21 412**	**2 954**

* *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 arised and the qualitative and quantitative criteria are met.*

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 2022:

	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	**(18 681)**	**(4 865)**	**(4 052)**	**(3 247)**	**(1 624)**	**(173)**	**(1 528)**
Corporate clients	(3 743)	(2 693)	(47)	(1 093)	(57)	(13)	(1 117)
Retail clients	(14 938)	(2 172)	(4 005)	(2 154)	(1 567)	(160)	(411)
Debt securities	-	-	-	-	-	-	-
Provided commitments and financial guarantees	**(772)**	**(1 382)**	**(72)**	**(1)**	**(73)**	-	-
Banks	-	-	-	-	-	-	-
Corporate clients	(421)	(1 332)	-	-	-	-	-
Retail clients	(351)	(50)	(72)	(1)	(73)	-	-
Total	**(19 453)**	**(6 247)**	**(4 124)**	**(3 248)**	**(1 697)**	**(173)**	**(1 528)**

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	**5 592**	**25 682**	**245**	**17 836**	**17**	**9 635**
Corporate clients	2 280	6 533	12	2 574	-	2 004
Retail clients	3 312	19 149	233	15 262	17	7 631
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**681**	**2 644**	**1**	**26**	**-**	**420**
Banks	-	-	-	-	-	-
Corporate clients	648	2 259	-	-	-	403
Retail clients	33	385	1	26	-	17
Total	**6 273**	**28 326**	**246**	**17 862**	**17**	**10 055**

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 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**

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 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**

Balance of financial lease assets as at 31 December 2022 and 31 December 2021:

	2022	*2021*
Gross investment	**383 117**	**386 593**
Less than 3 months	38 081	43 263
3 months to 1 year	86 809	86 807
1 to 5 years	220 753	215 798
More than 5 years	37 474	40 725
Unrealised financial income	**26 938**	**23 236**
Less than 3 months	2 728	2 374
3 months to 1 year	6 728	5 874
1 to 5 years	14 758	12 284
More than 5 years	2 724	2 704
Net investment	**356 179**	**363 357**
Less than 3 months	35 353	40 889
3 months to 1 year	80 081	80 933
1 to 5 years	205 995	203 514
More than 5 years	34 750	38 021

Assets leased under finance lease contracts:

	2022	*2021*
Vehicle leasing	185 839	187 668
Real estate leasing	55 532	87 051
Movable assets leasing	114 808	88 638
Total	**356 179**	**363 357**

22. Receivables from hedging transactions

	2022	*2021*
Positive fair value of financial derivatives for fair value hedging	**26 363**	**4 322**
Interest–rate contracts	26 363	4 322
Change in fair value of hedged items in hedging of interest rate risk	**(7 874)**	**3 727**
Interest–rate contracts	(7 874)	3 727
Total	**18 489**	**8 049**

A more detailed overview of hedge receivables is shown in note 40 Fair value hedges related to hedging transactions.

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

Movements in non-current tangible assets for own use as at 31 December 2022:

	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 2022	**2 120**	**74 836**	**35 195**	**57 785**	**16 119**	**4 751**	**4 079**	**194 885**
Additions	-	-	-	-	-	-	19 055	19 055
Disposals	(711)	(2 921)	(5 294)	(8 862)	(2 047)	(1 127)	-	(20 962)
Transfer from own use to noncurrent assets held for sale*	-	-	(603)	-	(157)	-	-	(760)
Transfer from tangible assets in progress	-	8 967	2 033	2 216	3 667	851	(17 734)	-
31 December 2022	**1 409**	**80 882**	**31 331**	**51 139**	**17 582**	**4 475**	**5 400**	**192 218**
Accumulated depreciation and provisions								
1 January 2022	**(710)**	**(26 613)**	**(21 089)**	**(42 007)**	**(5 802)**	**(2 412)**	**-**	**(98 633)**
Additions	(324)	(11 167)	(2 337)	(3 086)	(4 294)	(509)	-	(21 717)
Disposals	807	2 031	5 570	8 783	1 612	871	-	19 674
Transfer from own use to non - current assets held for sale*	-	-	309	-	62	-	-	371
Impairment allowance	-	-	902	-	-	-	-	902
31 December 2022	**(227)**	**(35 749)**	**(16 645)**	**(36 310)**	**(8 422)**	**(2 050)**	**-**	**(99 403)**
Carrying amount as at 1 January 2022	**1 410**	**48 223**	**14 106**	**15 778**	**10 317**	**2 339**	**4 079**	**96 252**
Carrying amount as at 31 December 2022	**1 182**	**45 133**	**14 686**	**14 829**	**9 160**	**2 425**	**5 400**	**92 815**

** See Note 27 Non-current assets held for sale*

Movements in 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 27 Non-current assets held for sale*

Movements in intangible assets as at 31 December 2022:

	Software	*Goodwill*	*Other intangible assets*	*Intangible assets in progress*	*Total*
Cost					
1 January 2022	**180 867**	**12 876**	**4 367**	**5 158**	**203 268**
Additions	-	-	-	17 228	17 228
Disposals	(59 150)	-	-	-	(59 150)
Transfer from tangible assets in progress	12 433	-	-	(12 433)	-
31 December 2022	**134 150**	**12 876**	**4 367**	**9 953**	**161 346**
Accumulated depreciation					
1 January 2022	**(136 943)**	**-**	**(554)**	**-**	**(137 497)**
ChargeDepreciation	(12 039)	-	(1 364)	-	(13 403)
Disposals	58 953	-	-	-	58 953
Impairment allowance	(3 206)	-	(1 446)	-	(4 652)
31 December 2022	**(93 235)**	**-**	**(3 364)**	**-**	**(96 599)**
Carrying amount at 1. 1. 2022	**43 924**	**12 876**	**3 813**	**5 158**	**65 771**
Carrying amount at 31. 12. 2022	**40 915**	**12 876**	**1 003**	**9 953**	**64 747**

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**

Development of goodwill in the periods:

	2022	*2021*
As at 1 January	12 875	12 220
Additions	-	655
Impairment	-	-
Carrying amount	**12 875**	**12 875**

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. resulted from 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 reliably measured separately.

In 2021, the Group acquired 100% stake in Tatra Leasing Broker, s.r.o. (at the time of acquisition under the name IMPULS-LEASING Slovakia s.r.o.), from this acquisition arose a goodwill in the amount of EUR 655 thousand.

Insurance coverage

The Parent company concluded property insurance and business interruption insurance (international insurance programme) under which the buildings are covered up to the amount of EUR 28 385 thousand, operating and business facilities are covered up to EUR 6 668 thousand, business interruption up to EUR 2 000 thousand, loss of assets up to EUR 500 thousand, electronics insurance (local addition to the fronting contract) under which ATMs and cash dispensers are covered for an amount of EUR 4 086 thousand and liability insurance – damage to property, life and health of a third party, defence costs of the insured for the amount of EUR 10 000 thousand. Vehicles under accident insurance are insured up to the maximum risk EUR 4 522 thousand.

24. Current tax asset

	2022	2021
Tax asset – current	434	309
Total	**434**	**309**

25. Deferred tax asset

	2022	2021
Tax asset – deferred	46 702	38 159
Total	**46 702**	**38 159**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 15 *"Income tax".*

26. Other assets

	2022	2021
Prepayments and other deferrals	31 203	19 509
Receivables from a service company	-	42 921
Inventories	891	941
Lease-related prepayments	11 471	4 313
Other assets	1 203	1 245
Total	**45 588**	**68 929**

The Group has reassessed the accounting treatment for cash entrusted to companies which, under the contracts, provide ATM filling and cash distribution to branches or cash collection to NBS. This cash has been moved from *'Due from service company'* to 'Cash on hand' in Note 17 *'Cash, cash balances with central banks and other deposits repayable on demand'.*

27. Non-current assets held for sale

	2022	2021
Non-current assets held for sale	531	15 257
Total	**531**	**15 257**

In 2022 the Group reclassified part of the property from own use to non-current assets held for sale with a carrying amount of EUR 399 thousand. During 2022, the Bank sold real estate with a residual value of EUR 14 771 thousand.

28. Financial liabilities held for trading

	2022	*2021*
Negative fair value of financial derivatives held for trading	**48 989**	**22 380**
Interest rate contracts	35 076	16 032
Currency contracts	13 913	6 348
Liabilities from debt securities held for trading	**4 716**	**24 333**
Total	**53 705**	**46 713**

29. Financial liabilities at amortised cost

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

	2022	*2021*
Deposits from banks	**3 324 862**	**3 481 524**
Current accounts and interbank settlement	3 211	15 496
Money-market business	11 842	-
Loans received	3 173 957	3 330 657
Subordinated debt	135 852	135 371
Deposits from customers	**15 447 584**	**13 473 856**
Current accounts and settlement	12 828 664	12 441 351
Term deposits	2 618 351	926 424
Savings deposits	310	105 447
Loans received	259	634
Liabilities from debt securities	**1 161 538**	**871 379**
Issued debt securities – mortgage bonds	432 074	451 188
Issued debt securities – other bonds	729 464	420 191
Other financial liabilities	**57 106**	**66 796**
Out of which: Lease liabilities	*46 955*	*49 888*
Total	**19 991 090**	**17 893 555**

Deposits measured at amortised cost by customer segment as at 31 December 2022 and as at 31 December 2021:

	2022	*2021*
Banks	3 324 862	3 481 524
Public sector	457 329	421 402
Corporate clients	5 442 726	3 917 770
Retail clients	9 547 529	9 134 684
Total	**18 772 446**	**16 955 380**

Under the TLTRO (Targeted Long-Term Refinancing Operations) programme, the Parent company received 4 loans from the central bank in the total amount of EUR 3 137 000 thousand. As at 31 December 2022, the outstanding loans included in the balance sheet under the third series of the Targeted Longer-Term Refinancing Operations (TLTRO-III) programme to the Central Bank amounted to EUR 3 127 000 thousand. As collateral for the business received, the Parent Company provided purchased securities and its own issued covered bond, which is secured by mortgage loans, housing loans and non-purpose loans guaranteed by real estate, for a total amount of EUR 4 182 042 thousand.

The Parent company has analysed as of 31 December 2022 and as of 31 December 2021 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 2022, the parent company increased the volume in TLTRO operations by EUR 10 000 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*	*2022*	*2021*
Loans received from banks:							
- national bank	EUR	Long-term	2.0%	June 2020	June 2023	431 201	441 963
- national bank	EUR	Long-term	2.0%	December 2020	December 2023	443 256	444 150
- national bank	EUR	Long-term	2.0%	March 2021	March 2024	2 173 290	2 177 389
- national bank	EUR	Long-term	2.0%	December 2021	December 2024	36 908	36 900
- commercial bank	EUR	Long-term	2.0%	January 2022	January 2027	19 068	-
- commercial bank	EUR	Long-term	3.33%	June 2021	May 2026	14 754	25 688
- bank for reconstruction and development	EUR	Long-term	3.37 %	May 2014	August 2028	55 480	48 886
Subordinated debt from banks:	-	-	-	-	-	-	155 681
- commercial banks	EUR	Long-term	3M EURIBOR + 2.4 %	November 2019	November 2029	135 852	135 371
Total						**3 309 809**	**3 466 028**

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*	*Frequency of Coupon payment*	*2022*	*2021*
Covered bonds									
HZL 068	5.00 %	EUR	1 000	10 000	14.10.2011	14.10.2031	annually	10 037	10 031
HZL 083	1.11 %	EUR	500	100 000	29.4.2015	29.4.2025	annually	47 131	51 217
HZL 086	0.75 %	EUR	600	100 000	15.2.2016	15.2.2023	annually	60 387	60 328
HZL 088	1.00 %	EUR	500	100 000	16.11.2016	16.11.2026	annually	45 232	51 310
HZL 089	0.90 %	EUR	280	100 000	10.2.2017	10.2.2024	annually	27 384	28 673
TATSK FVHDG	0.13 %	EUR	2 500	100 000	1.7.2019	1.7.2026	annually	223 213	249 629
TATSK KD4	0.125%	EUR	200	100 000	5.3.2021	5.3.2025	annually	18 690	-
Uncovered bonds									
TB FLOAT1	6M EUR EURIBOR	EUR	1 000	100 000	26.10.2020	26.10.2027	semi-annually	103 328	103 369
TB FIX1	0.50%	EUR	250	100 000	26.10.2020	26.10.2027	annually	24 597	22 016
TB FVHDG GREEN	0.50%	EUR	3 000	100 000	23.4.2021	23.4.2028	annually	258 709	294 806
TB FIX2	3.20%	EUR	70 981	1 000	10.10.2022	9.10.2026	annually	71 388	-
TB GREEN	5.50%	EUR	2 000	100 000	25.10.2022	25.10.2025	annually	201 880	-
TB FIX3	3.60%	EUR	50 000	1 000	28.10.2022	28.10.2025	annually	50 295	-
TB FIX3	3.60%	EUR	50 000	1 000	28.10.2022	28.10.2025	annually	50 295	-
TB GREEN FVHDG2	7.50%	USD	200	100 000	10.11.2022	10.11.2029	semi-annually	19 267	-
Total issued bonds								**1 161 538**	**871 379**

In addition to the aforementioned covered bonds, the Parent Company issued a covered bond (nominal value EUR 1 480 000 thousand, carrying amount EUR 1 357 856 thousand) which was not sold by the Parent Company but provided as collateral under 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.

30. Liabilities from hedging transactions

	2022	*2021*
Negative fair value of financial derivatives for fair value hedging	**196 315**	**8 503**
Interest rate contracts	196 315	8 503
Change in fair value of hedged items in interest rate risk hedges	**(117 106)**	**-**
Deposits to customers	(117 106)	-
Total	**79 209**	**8 503**

A more detailed overview of hedge liabilities is shown in note 40 Fair value hedges related to hedging transactions.

31. Provisions

Movements in provisions for contingent liabilities as at 31 December 2022:

	As at 1 January 2022	*Creation/ (Release)*	*Usage*	*As at 31 December 2022*
Provision for guarantees and loan commitments without significant increase in credit risk since initial recognition (Stage 1)	6 252	847	-	7 099
Provision for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2)	2 867	1 937	-	4 804
Specific impairment allowances for guarantees and loan commitments to individually and collectively measured items (Stage 3)	878	(311)	-	567
Litigations (Note 44)	33 681	(10 046)	(1 273)	22 362
Provisions for employee benefits	5 377	(869)	(19)	4 489
Employee provisions	19 796	8 247	(7 666)	20 377
Other provisions	9 535	(9 231)	-	304
Total	**78 386**	**(9 426)**	**(8 958)**	**60 002**

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**

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.

32. Current tax liability

	2022	*2021*
Current tax liability	7 516	13 211
Total	**7 516**	**13 211**

33. Deferred tax liability

	2022	*2021*
Deferred tax liability	-	723
Total	**-**	**723**

34. Other liabilities

	2022	*2021*
Outstanding and other liabilities	37 027	28 060
Other liabilities to the state budget	303	32
Social fund – liabilities	1 727	998
Liabilities to employees	7 430	5 539
Other liabilities	2 356	2 998
Total	**48 843**	**37 627**

35. Equity

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

	2022	*2021*
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Treasury shares	(2 407)	(357)
Share premium	298 447	298 414
Reserve and other funds	15 366	15 366
Revaluation reserve for financial instruments at fair value through other comprehensive income	(8 877)	3 117
Retained earnings (excluding current year net profit after tax)	830 820	789 886
AT1 capital	100 000	100 000
Total	**1 297 675**	**1 270 752**

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
	serie 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 2020, 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.

36. Values in custody and management

	2022	2021
Values in custody	**19 802**	**14 999**
MercMerchandise and warehouse trust receipts	16 273	12 345
Gold	3 529	2 654
Total	**19 802**	**14 999**

The Group recognises values received to custody and management from its clients at fair values. Values received to custody and management do not represent the Group's property and accordingly they are not part of the Group's assets.

In addition to the data presented in the table above, the Parent company, in accordance with its function as depositary for Tatra Asset Management, správ. spol., a. s., ("TAM"), has recognised as at 31 December 2022 securities deposited in the management of TAM's mutual funds in the amount of EUR 1 466 073 thousand (31 December 2021: EUR 1 947 282 thousand). At the same time, the Group, through the management company Tatra Asset Management, správ. spol., a. s., manages 30 open-end mutual funds with a net asset value of EUR 2 578 696 thousand (31 December 2011: EUR 2 862 011 thousand) and through the Supplementary Pension Company Tatra banka, a.s. it manages 6 supplementary pension funds with net asset value of EUR 965 210 thousand (31.12.2021: EUR 977 183 thousand).

37. Sale and repurchase agreements

As at 31 December 2022 and as at 31 December 2021 the following repurchase agreements were concluded:

	2022	2021
Repo deals (debtor)		
Deposits from banks	-	155 681
Total	**-**	**155 681**

	2022	2021
Reverse repo deals (creditor)		
Loans and advances to banks	45 224	68 399
Total	**45 224**	**68 399**

As part of the reverse repo deals, the Group received government debt securities as collateral with a fair value of EUR 42 751 thousand.

38. Assets pledged as collateral

Liabilities secured by the Group's assets:

	2022	2021
Deposits to banks at amortised cost – received loans - repo transactions with National Bank of Slovakia	3 084 655	3 100 402
Deposits to banks at amortized cost - Loans received- repo transactions	-	155 681
Debt securities liabilities	432 074	451 188
Financial liabilities held for trading – negative fair value of financial derivatives held for trading	777	20 181
Borrowed securities liabilities	4 715	24 595
Total	**3 522 221**	**3 752 047**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

	2022	2021
Other demand deposits	1 831	6 048
Loans and advances to customers at amortised cost	2 674 859	2 908 809
Debt securities for trading	4 354	22 353
Debt securities at fair value through other comprehensive income	130 540	124 131
Debt securities at amortised cost	1 989 446	1 669 396
Total	**4 801 030**	**4 730 737**

Other pledged assets without a liability:

	2022	2021
Debt securities at amortised cost	64 656	164 820
Total	**64 656**	**164 820**

As at 31 December 2022, the Parent Company has determined the volume of housing loans to be used as collateral for future covered bond issues in the amount of EUR 2 281 128 thousand (31 December 2021: EUR 1 241 222 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, the Group pledged to the NBS government bonds and bonds issued by the banking sector held in the portfolio of securities measured at amortised cost in the amount of EUR 2 046 152 thousand (31 December 2021: EUR 1 632 701 thousand). The Group does not have an intraday drawdown facility for the pledged securities (31 December 2021: also did not have a drawdown facility). With the exception of the TLTRO Facility, the Group has no other drawdowns from the Central Bank as at 31 December 2022 (31 December 2021: 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:

	2022 Nominal value	*2021 Carrying amount*
Government bonds	2 456 172	2 453 301
Bonds issued by other sectors	315 185	303 942
Loans and advances to customers	189 110	189 172
Total	**2 960 467**	**2 946 415**

39. 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 2022:

	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	69 040	68 976	64
Total assets	**69 040**	**68 976**	**64**
Liabilities:			
Negative fair value of financial derivatives available-for-sale	211 950	68 976	142 974
Total liabilities	**211 950**	**68 976**	**142 974**

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**

40. Fair value hedges related to hedging transactions

The Group uses interest rate swaps to hedge the interest rate risk on debt securities issued - mortgage bonds from the portfolio of debt securities payable and debt securities from the portfolio of financial assets measured at fair value through other comprehensive income. Changes in the fair values of these interest rate swaps due to changes in interest rates substantially offset changes in the fair values of mortgage bonds issued and bonds purchased for sale caused by changes in risk-free interest rates. The hedge was effective during the reporting period.

As at 31 December 2022, the Group has recognised a net loss of EUR 56 007 thousand in respect of the above hedging instruments. As at 31 December 2021, the Group recognised a net loss of EUR 9 612 thousand in respect of the hedging instruments. The net gain on hedged items relating to the hedged risk amounted to EUR 74 112 thousand at 31 December 2022. As at 31 December 2021, the Group recognised a net gain of EUR 13 115 thousand. Both items are recognised in note 4 *"Net gain/(loss) on financial instruments held for trading and foreign exchange differences".*

The following tables present an overview of the Receivables and payables from hedging transactions as at 31 December 2022:

Below is a table showing the periods when hedged cash flows are expected to occur:

	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 financial derivatives	24 805	-	1 543 000	823 751
Total interest rate transactions	**24 805**	**-**	**1 543 000**	**823 751**

The impact of hedge accounting on financial position and performance - 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 in the calculation of hedge ineffectiveness*
Interest risk	949 556	19 349	78 651	(56 007)
Micro financial derivatives for fair value hedging	**949 556**	**19 349**	**78 651**	**(56 007)**
Interest risk	1 442 000	7 014	117 664	(105 505)
Portfolio financial derivatives for fair value hedging	**1 442 000**	**7 014**	**117 664**	**(105 505)**

The impact of hedge accounting on financial position and performance - hedged instruments:

	Assets - Carrying amount of the hedged instrument	*Liabilities - Carrying amount of the hedged instrument*	*Carrying amount of the hedging instrument*	*Accumulated amount of the change in fair value included in vthe carrying amount*	*Changes in fair value used in the calculation of hedge ineffectiveness*
Debt securities	216 683	-	251 556	(14 372)	(18 090)
Loans and advances	653 375	-	653 375	(7 874)	(7 874)
Deposits to customers	-	788 625	788 625	(117 106)	113 379
Issued debt securities	-	620 935	698 000	(75 032)	74 112
Hedged financial instruments	**870 058**	**1 409 560**	**2 391 556**	**(214 384)**	**161 526**

The following tables present an overview of the Receivables and payables from hedging transactions as at 31 December 2021:

Below is a table showing the periods when hedged cash flows are expected to occur
:

	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 financial derivatives	-	-	493 182	630 000
Total interest rate transactions	**-**	**-**	**493 182**	**630 000**

The impact of hedge accounting on financial position and performance - 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 in the calculation of hedge ineffectiveness*
Interest risk	792 182	4 322	4 787	(9 443)
Micro financial derivatives for fair value hedging	**792 182**	**4 322**	**4 787**	**(9 443)**
Interest risk	331 000	-	3 716	(5 887)
Portfolio financial derivatives for fair value hedging	**331 000**	**-**	**3 716**	**(5 887)**

The impact of hedge accounting on financial position and performance - hedged instruments:

	Assets - Carrying amount of the hedged instrument	*Liabilities - Carrying amount of the hedged instrument*	*Carrying amount of the hedging instrument*	*Accumulated amount of the change in fair value included in vthe carrying amount*	*Changes in fair value used in the calculation of hedge ineffectiveness*
Debt securities	114 428	-	114 182	(1 075)	(3 946)
Loans and advances	-	331 000	331 000	3 728	5 717
Deposits to customers	-	675 635	678 000	(912)	13 115
Hedged financial instruments	**114 428**	**1 006 635**	**1 123 182**	**1 741**	**14 886**

41. Derivative financial instruments

The total volume of unsettled derivative financial instruments as at 31 December 2022 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 18 and Note 22)*	*Negative (Note 28 and Note 30)*
a) Interest rate contracts for hedging	**24 805**	**1 543 000**	**823 751**	**2 391 556**	**26 363**	**(196 315)**
OTC products:						
Interest rate swaps	24 805	1 543 000	823 751	2 391 556	26 363	(196 315)
b) Interest rate contracts for trading	**78 904**	**1 035 267**	**148 720**	**1 262 891**	**36 909**	**(35 076)**
Interest rate swaps	76 998	925 405	122 697	1 125 100	32 708	(32 568)
Interest rate options –buy	1 575	59 397	21 709	82 681	4 201	-
Interest rate options – sell	331	50 465	4 314	55 110	-	(2 508)
Stock exchange products:						
Interest rate futures	-	-	-	-	-	-
c) Currency contracts for trading	**605 706**	**52**	**-**	**605 758**	**5 983**	**(13 913)**
OTC products:						
Currency swaps	453 550	-	-	453 550	5 557	(13 019)
Currency-interest rate swaps	36 959	-	-	36 959	-	(39)
Currency forwards	43 985	52	-	44 037	207	(655)
Currency options-buy	29 676	-	-	29 676	219	-
Currency options-sell	41 536	-	-	41 536	-	(200)
Total	**709 415**	**2 578 319**	**972 471**	**4 260 205**	**69 255**	**(245 304)**

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 18 and Note 22)*	*Negative (Note 28 and Note 30)*
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)**

42. Fair value of financial instruments

Financial instruments at fair value

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 2022:

Financial assets at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial assets held for trading	**4 354**	**42 892**	**-**	**47 246**
Positive fair value of financial derivative instruments for trading	-	42 892	-	42 892
Debt securities	4 354	-	-	4 354
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**9 930**	**23 206**	**33 136**
Equity securities	-	5 033	-	5 033
Debt securities	-	4 897	-	4 897
Mutual fund units	-	-	3 989	3 989
Loans provided to customers	-	-	19 217	19 217
Financial assets at fair value through other comprehensive income	**129 136**	**56 802**	**109**	**186 047**
Equity instruments	-	-	109	109
Debt securities	129 136	56 802	-	185 938
Receivables from hedging transactions	**-**	**26 363**	**-**	**26 363**
Positive fair value of financial derivative instruments for fair value hedging	-	26 363	-	26 363
Total	**133 490**	**135 987**	**23 315**	**292 792**

Financial liabilities at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial liabilities held for trading	**4 716**	**48 989**	**-**	**53 705**
Negative fair value of financial derivative instruments for trading	-	48 989	-	48 989
Debt securities and other fixed income securities	4 716	-	-	4 716
Liabilities from hedging transactions	**-**	**196 315**	**-**	**196 315**
Negative fair value of financial derivative instruments for fair value hedging	-	196 315	-	196 315
Total	**4 716**	**245 304**	**-**	**250 020**

* *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 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
Receivables from hedging transactions	**-**	**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
Liabilities from hedging transactions	**-**	**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).*

Movements between Level 1 and Level 2

During 2022, 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 2021	*Increase/ Decrease*	*Revaluation: Profit/loss*	*Revaluation: Other comprehensive income*	*As at 31 December 2022*
Mutual fund shares	1 861	2 099	29	-	3 989
Equity investments	91	-	-	18	109
Loans and advances	19 111	928	(822)	-	19 217
Total	**21 063**	**3 027**	**(793)**	**18**	**23 315**

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 shares	Net asset value	3 989	discount	20 – 50 %	399	(399)
Equity investments	Market value	109	-	-	11	(11)
Loans and advances	Market value	19 217	credit and liquidity surcharge	0 – 10 %	1 922	(961)
Total		**23 315**			**2 332**	**(1 371)**

** 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 2022	***Carrying amount as at 2022***	***Difference as at 2022***	***Fair value as at 2021***	***Carrying amount as at 2021***	***Difference as at 2021***
Assets						
Financial assets at amortised cost	**15 807 933**	**16 527 447**	**(719 514)**	**14 751 974**	**14 536 199**	**215 775**
Loans and advances to banks	**195 011**	**195 011**	**-**	**74 240**	**74 240**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*195 011*	*195 011*	-	*74 240*	*74 240*	-
Loans and advances to customers	**13 253 250**	**13 736 809**	**(483 559)**	**12 597 212**	**12 468 000**	**129 212**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*13 253 250*	*13 736 809*	*(483 559)*	*12 597 212*	*12 468 000*	*129 212*
Debt securities	**2 359 672**	**2 595 627**	**(235 955)**	**2 080 522**	**1 993 959**	**86 563**
of which Level 1	*2 187 705*	*2 418 797*	*(231 092)*	*1 575 419*	*1 501 235*	*74 184*
of which Level 2	*171 967*	*176 830*	*(4 863)*	*505 103*	*492 724*	*12 379*
of which Level 3	-	-	-	-	-	-

	Fair value as at 2022	Carrying amount as at 2022	Difference as at 2022	Fair value as at 2021	Carrying amount as at 2021	Difference as at 2021
Liabilities						
Financial assets at amortised cost	**19 823 336**	**19 991 090**	**(167 754)**	**17 908 204**	**17 894 326**	**13 878**
Deposits from banks	**3 324 892**	**3 324 857**	**35**	**3 482 239**	**3 481 877**	**362**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*3 324 892*	*3 324 857*	*35*	*3 482 239*	*3 481 877*	*362*
Deposit from customers	**15 314 649**	**15 447 589**	**(132 940)**	**13 475 173**	**13 474 275**	**898**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*15 314 649*	*15 447 589*	*(132 940)*	*13 475 173*	*13 474 275*	*898*
Liabilities from debt securities	**1 126 689**	**1 161 538**	**(34 849)**	**883 997**	**871 379**	**12 618**
of which Level 1	-	-	-	-	-	-
of which Level 2	*1 126 689*	*1 161 538*	*(34 849)*	*883 997*	*871 379*	*12 618*
of which Level 3	-	-	-	-	-	-
Other financial liabilities	**57 106**	**57 106**	**-**	**66 795**	**66 795**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*57 106*	*57 106*	-	*66 795*	*66 795*	-

43. 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:

	2022	*2021*
Credit risk related to balance sheet assets:		
Cash and other demand deposits	226 348	167 532
Cash balances at central banks	4 435 285	4 067 786
Financial assets held for trading	47 246	90 279
Non-trading financial assets mandatorily at fair value through profit or loss	33 136	17 105
Financial assets at fair value through other comprehensive income	186 047	341 203
Financial assets at amortised cost	16 527 447	14 534 893
Receivables from hedging transactions	18 489	8 049
Other assets	31 203	62 430
Total	**21 505 201**	**19 289 277**

	2022	*2021*
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	605 215	479 417
Irrevocable loan commitments/ “stand-by facility”	1 224 549	1 178 378
Revocable loan commitments/ “stand-by facility”	2 142 983	2 026 660
Total	**3 972 747**	**3 684 455**

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 2022:

	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	**16 773 387**	**14 213 733**	**2 326 711**	**223 219**	**9 724**	**40 786**	**61 253**	**138 579**	**5 322**	**16 527 447**
Loans and advances to banks	195 011	195 011	-	-	-	-	-	-	-	195 011
Loans and advances to customers	13 981 864	11 434 378	2 314 543	223 219	9 724	39 951	61 203	138 579	5 322	13 736 809
Public sector	*4 995*	*4 743*	*226*	*26*	*-*	*16*	*2*	*26*	*-*	*4 951*
Corporate clients	*5 784 924*	*4 665 339*	*1 041 545*	*72 854*	*5 186*	*23 688*	*18 680*	*47 358*	*3 919*	*5 691 279*
Retail clients	*8 191 945*	*6 764 296*	*1 272 772*	*150 339*	*4 538*	*16 247*	*42 521*	*91 195*	*1 403*	*8 040 579*
Debt securities	2 596 512	2 584 344	12 168	-	-	835	50	-	-	2 595 627
Banks	*176 830*	*176 830*	*-*	*-*	*-*	*30*	*-*	*-*	*-*	*176 800*
Public sector	*2 400 053*	*2 400 053*	*-*	*-*	*-*	*797*	*-*	*-*	*-*	*2 399 256*
Corporate clients	*19 629*	*7 461*	*12 168*	*-*	*-*	*8*	*50*	*-*	*-*	*19 571*
Financial assets at fair value through other comprehensive income	**186 108**	**161 086**	**25 022**	**-**	**-**	**106**	**64**	**-**	**-**	**185 938**
Debt securities	186 108	161 086	25 022	-	-	106	64	-	-	185 938
Banks	*74 804*	*74 804*	*-*	*-*	*-*	*12*	*-*	*-*	*-*	*74 792*
Public sector	*53 517*	*53 517*	*-*	*-*	*-*	*21*	*-*	*-*	*-*	*53 496*
Corporate clients	*57 787*	*32 765*	*25 022*	*-*	*-*	*73*	*64*	*-*	*-*	*57 650*
Contingent liabilities and other off-balance sheet items	**3 972 747**	**2 906 206**	**1 063 435**	**3 106**	**-**	**7 099**	**4 804**	**567**	**-**	**3 960 277**

* *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 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 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 2022:

	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	**118 010**	**1 123**	**81**	**111 788**	**13 810**	**1 719**	**9 139**	**11 197**	**36 890**	**596**	**263**	**1 194**
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	81 802	13	-	54 010	2 044	165	2 129	347	7 801	149	15	682
Retail clients	36 208	1 110	81	57 778	11 766	1 554	7 010	10 850	29 089	447	248	512
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-	-	-	-
Total	**118 010**	**1 123**	**81**	**111 788**	**13 810**	**1 719**	**9 139**	**11 197**	**36 890**	**596**	**263**	**1 194**

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 following summary presents 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 2022:

	Gross carrying amount (stage 3)	*Impairment allowances (stage 3)*	*Recoverable value of received collateral*
Banks	-	-	-
Corporate clients	78 065	51 300	22 836
Retail clients	154 878	92 601	50 865
Total	**232 943**	**143 901**	**73 701**

The following summary presents 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 summary of individual types of received collaterals for financial assets at recoverable amount is as follows:

	2022	*2021*
Collateralisation of provided loans		
Cash and cash equivalents	30 127	31 911
Guarantees	247 797	260 780
Securities	50 795	91 502
Real estate	7 374 322	6 538 290
Movables	473 867	460 482
Receivables and other collaterals	163 112	183 999
Total	**8 340 020**	**7 566 964**

The summary of individual types of received collaterals for contingent liabilities and other off-balance sheet liabilities at recoverable amount is as follows:

	2022	*2021*
To cover contingent liabilities and other off-balance sheet liabilities		
Cash and cash equivalents	42 361	31 625
Guarantees	115 263	43 218
Securities	10 717	31 243
Real estate	298 585	214 593
Movables	333	169
Receivables and other collaterals	117 299	115 681
Total	**584 558**	**436 529**

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:

	2022		2021	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Loans and advances to banks	**95 865**	**-**	**111 633**	**-**
Minimum risk	1 130	-	460	-
Excellent credit rating	193 881	-	76 111	-
Very good credit rating	-	-	19 294	-
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	**11 326 948**	**2 193 513**	**9 204 671**	**3 075 151**
of which Public sector:	***4 743***	***226***	***5 222***	***561***
Minimum risk	-	-	-	-
Excellent credit rating	7	5	3	1
Very good credit rating	2 174	39	4 917	135
Good credit rating	1 778	38	-	-
Standard credit rating	34	-	103	-
Ordinary credit rating	9	90	11	11
Sub-standard credit rating	741	54	180	414
Significantly sub-standard credit rating	-	-	8	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2022		2021	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***3 149 206***	***865 461***	***3 021 439***	***591 295***
Minimum risk	9 198	11	9 118	10
Excellent credit rating	189 278	141 616	241 892	746
Very good credit rating	458 337	27 832	497 820	11 551
Good credit rating	847 719	80 298	705 178	12 398
Standard credit rating	917 601	85 407	823 337	31 111
Ordinary credit rating	529 309	198 176	598 641	146 367
Sub-standard credit rating	189 577	118 597	133 071	119 360
Significantly sub-standard credit rating	8 095	189 706	9 288	249 199
Doubtful/high risk of default	32	23 818	70	20 433
Defaulted	60	-	-	-
With no assigned rating	-	-	3 024	120
of which corporate clients - project financing:	***1 439 413***	***126 435***	***1 116 255***	***130 932***
Excellent project financing profile rating	717 954	-	827 004	9
Good project financing profile rating	721 459	66 414	289 108	108 223
Acceptable project financing profile rating	-	47 615	143	10 023
Weak project financing profile rating	-	12 406	-	12 677
Defaulted	-	-	-	-
of which retail clients	***6 733 586***	***1 201 391***	***5 061 755***	***2 352 363***
Excellent credit rating	-	-	-	-
Very good credit rating	1 650 328	38 805	304 352	173 375
Good credit rating	3 974 903	572 203	4 192 837	1 786 373
Ordinary credit rating	880 841	299 027	362 096	307 758
Sub-standard credit rating	142 682	271 643	12 499	64 294
Defaulted	-	-	-	-
With no assigned rating	84 832	19 713	189 971	20 563

	2022		2021	
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*
Debt securities	**2 584 344**	**12 168**	**1 994 026**	**-**
Minimum risk	101 864	-	102 620	-
Excellent credit rating	2 116 969	-	1 625 469	-
Very good credit rating	306 137	12 168	260 850	-
Good credit rating	59 374	-	-	-
Standard credit rating	-	-	5 087	-
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	**14 106 303**	**2 205 681**	**11 294 562**	**3 075 151**

The summary below presents 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:

	2022		2021	
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*
Contingent liabilities and other off-balance sheet items to banks	**115 532**	**125**	**105 108**	**-**
Minimum risk	-	-	-	-
Excellent credit rating	96 618	120	53 250	-
Very good credit rating	18 806	5	36 510	-
Good credit rating	-	-	15 348	-
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	108	-	-	-
Contingent liabilities and other off-balance sheet items to customers	**2 790 673**	**1 063 311**	**3 174 546**	**386 666**
of which public sector:	***1 655***	***399***	***5 118***	***352***
Minimum risk	-	17	-	17
Excellent credit rating	49	141	4 753	175
Very good credit rating	1 167	241	365	74
Good credit rating	-	-	-	-
Standard credit rating	266	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	173	-	-	86
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2022		2021	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***1 584 625***	***877 734***	***2 122 502***	***156 282***
Minimum risk	4 611	1 667	10 238	46
Excellent credit rating	211 755	40 255	478 844	2 018
Very good credit rating	438 918	241 844	359 311	18 891
Good credit rating	417 516	211 310	609 815	5 716
Standard credit rating	230 157	169 433	421 142	6 943
Ordinary credit rating	230 165	143 733	202 713	65 861
Sub-standard credit rating	49 622	52 318	37 231	25 569
Significantly sub-standard credit rating	1 843	12 840	2 570	24 841
Doubtful/high risk of default	37	4 330	-	6 373
Defaulted	-	-	-	-
With no assigned rating	1	4	638	24
of which corporate clients – project financing	***431 748***	***6 758***	***326 611***	***3 550***
Excellent project financing profile rating	230 097	-	245 402	-
Good project financing profile rating	201 651	6 037	81 209	3 535
Acceptable project financing profile rating	-	711	-	5
Weak project financing profile rating	-	10	-	10
Defaulted	-	-	-	-
of which retail clients:	***772 645***	***178 420***	***720 315***	***226 482***
Excellent credit rating	-	-	-	-
Very good credit rating	59 398	4 178	38 711	4 224
Good credit rating	532 403	119 029	479 456	187 076
Standard credit rating	51 799	29 653	10 582	13 054
Sub-standard credit rating	4 984	8 043	533	1 135
Defaulted	-	-	-	-
With no assigned rating	124 061	17 517	191 033	20 993
Contingent liabilities and other off-balance sheet items	**2 906 205**	**1 063 436**	**3 279 654**	**386 666**

The summary below presents 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:

	2022		2021	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Debt securities	**161 086**	**25 022**	**314 341**	**27 171**
Minimum risk	-	-	-	-
Excellent credit rating	118 434	-	244 257	-
Very good credit rating	42 652	-	42 196	-
Good credit rating	-	-	27 888	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	25 022	-	27 171
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	**161 086**	**25 022**	**314 341**	**27 171**

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 presents 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:

	2022	*2021*
A. Agriculture, forestry and fisheries	260 234	231 860
B. Mining and quarrying	17 762	6 106
C. Industrial production	794 248	769 783
D. Supply of electricity, gas, steam and air-conditioning	492 543	383 940
E. Water supply	63 184	59 870
F. Construction	548 264	400 000
G. Wholesale and retail trade	874 782	769 301
H. Transport and storage	424 205	525 976
I. Accommodation and catering services	67 855	67 876
J. Information and Communication	300 212	241 026
K. Financial and insurance activities	434 356	245 285
L. Real estate activities	1 429 338	1 263 231
M. Professional, scientific and technical activities	250 989	243 669
N. Administrative and support services	189 515	164 896
O. Public administration and defence, compulsory social security	6 516	7 258
P. Education	13 958	16 822
Q. Health and social assistance	138 257	151 308
R. Arts, entertainment and recreation	30 394	35 331
S. Other service activities	26 830	16 788
T. Activities of households, private households with domestic staff	7 568 378	6 962 233
Total	**13 931 820**	**12 562 559**

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:

	2022	*2021*
Government bonds with no coupon	75 543	76 884
Loans and advances and current accounts to banks	4 435 295	4 067 786
Loans and advances to customers	279 505	217 757
Debt securities	2 197 753	1 876 250
Total	**6 988 096**	**6 238 677**

The following overview presents a change in the impairment allowances for expected losses on loans and advances measured at amortised cost as at 31 December 2022:

	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 2022	**23 999**	**45 110**	**165 850**	**3 798**	**238 757**
Consolidation adjustments	(570)	18 806	18 737	3 334	40 307
Net changes due to credit risk	24 065	10 509	-	-	34 574
Increase due to origin or acquisition	(7 543)	(13 222)	(18 129)	(1 354)	(40 248)
Decrease due to derecognition	-	-	(28 063)	(472)	(28 535)
Write-off	-	-	148	16	164
Unwinding	-	-	36	-	36
As at 31 December 2022	**39 951**	**61 203**	**138 579**	**5 322**	**245 055**

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**

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 2022:

	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 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 %**

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 presents the analysis of forborne exposures as at 31 December 2022:

	Gross carrying amount	*Allowances for expected credit losses*	*Net book value*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**162 984**	**(41 297)**	**121 687**
Public sector	-	-	-
Corporate clients	124 605	(28 956)	95 649
Retail clients	38 379	(12 341)	26 038
Total	**162 984**	**(41 297)**	**121 687**

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**

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 presents 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 2022:

	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	**231 057**	**143 782**	**87 275**	**72 903**
Banks	-	-	-	-
Corporate clients	77 963	51 198	26 765	23 158
Retail clients	153 094	92 584	60 510	49 745
Contingent liabilities and other off-balance sheet items	**3 091**	**569**	**2 522**	**586**
Corporate clients	2 642	402	2 240	397
Retail clients	449	167	282	189
Total	**234 148**	**144 351**	**89 797**	**73 489**

The summary below presents 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**

Concentration risk by geographic regions

Structure of assets and liabilities related to entities outside the Slovak Republic:

	2022	*2021*
Assets	**1 413 893**	**906 353**
Of which Austria	*387 830*	*200 173*
Of which Czech Republic	*236 723*	*140 022*
Of which United States of America	*10 722*	*9 287*
Of which Poland	*171 468*	*159 766*
Of which Netherlands	*43 933*	*20 165*
Of which Great Britain	*28 102*	*35 007*
Of which Germany	*78 073*	*72 343*
Of which Spain	*12 541*	*27 884*
Of which Bulgaria	*61 904*	*54 155*
Of which Hungary	*88 296*	*12 217*
Of which other countries (mainly EU countries)	*294 301*	*175 334*
Liabilities	**1 919 098**	**1 551 773**
Of which Austria	*1 008 848*	*796 453*
Of which Hungary	*57 424*	*51 927*
Of which Luxembourg	*56 641*	*49 110*
Of which Czech Republic	*255 023*	*94 678*
Of which Germany	*49 902*	*54 278*
Of which Ukraine	*178 975*	*57 927*
Of which Romania	*2 347*	*157 178*
Of which other countries (mainly EU countries)	*309 938*	*290 222*

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:

	2022	*2021*
Assets	**158 338**	**326 600**
Of which: USD	*37 788*	*150 989*
Of which: CZK	*84 912*	*98 068*
Of which: other currencies (PLN, HUF, GBP and other)	*35 638*	*77 543*
Liabilities	**554 170**	**420 616**
Of which: USD	*388 633*	*223 248*
Of which: CZK	*65 413*	*84 526*
Of which: other currencies (PLN, HUF, GBP and other)	*100 124*	*112 842*

The Group's net foreign exchange (FX) position of assets, liabilities as at 31 December 2022 and as at 31 December 2021 was as follows:

	Net FX position as at 31 December 2022	*Net FX position as at 31 December 2021*
USD	(350 845)	(72 259)
CZK	19 499	13 542
Other (GBP, CHF, PLN, HUF and other)	(64 486)	(35 299)
Total net FX balance sheet position	**(395 832)**	**(94 016)**
USD	354 115	73 842
CZK	(18 210)	(11 968)
Other (GBP, CHF, PLN, HUF and other)	60 298	36 318
Total net FX off-balance sheet position	**396 203**	**98 192**
Total net FX position	**371**	**4 176**

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 2022:

	Up to 3 months (including)	*3 months - 1 year (including)*	*1 - 5 years (including)*	*Over 5 years*	*Not specified*	*Total*
Assets						
Cash and Oher demand deposits	13 080	-	-	-	213 268	226 348
Cash balances at central banks	4 435 285	-	-	-	-	4 435 285
Financial assets held for trading	-	3	4 351	-	42 892	47 246
Non-trading financial assets designated at fair value through profit or loss	2 344	16 873	-	-	13 919	33 136
Financial assets at fair value through other comprehensive income	37 922	39 372	69 740	38 904	109	186 047
Financial assets at amortised cost	4 767 263	1 904 166	6 768 101	2 950 705	137 212	16 527 447
Receivables from hedging transactions	-	-	-	-	18 489	18 489
Other assets	-	-	-	-	45 588	45 588
Interest rate position for financial assets as at 31 December 2022	**7 973 116**	**2 208 222**	**6 987 221**	**1 743 810**	**366 302**	**19 278 671**
Liabilities						
Financial liabilities held for trading	-	-	-	-	53 705	53 705
Financial liabilities at amortised cost*	6 561 278	3 118 922	7 094 696	3 074 876	141 318	19 991 090
Liabilities from hedging transactions	-	-	-	-	79 209	79 209
Provisions	-	-	-	-	60 002	60 002
Other liabilities	-	-	-	-	48 843	48 843
Interest rate position for financial liabilities as at 31 December 2022	**6 561 278**	**3 118 922**	**7 094 696**	**3 074 876**	**383 077**	**20 232 849**
Net interest rate position as at 31 December 2022	**2 694 616**	**(1 158 508)**	**(252 504)**	**(85 267)**	**88 400**	**1 286 737**

** 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 2021:

	Up to 3 months (including)	*3 months - 1 year (including)*	*1 - 5 years (including)*	*Over 5 years*	*Not specified*	*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
Receivables from hedging transactions	-	-	-	-	8 049	8 049
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
Liabilities from hedging transactions	-	-	-	-	8 503	8 503
Change in fair value of hedged items in interest rate risk hedging	-	-	-	-	78 386	78 386
Provisions	-	-	-	-	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.*

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 2022 (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*
HUF	400,8700	380,8265	(4 149)	(207)
USD	1,0666	1,1199	3 257	(163)
CZK	24,1160	25,3218	1 282	(64)
GBP	0,8869	0,8426	(1 215)	(61)
PLN	4,6808	4,9148	785	(39)
Total			**(40)**	**(534)**

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)**

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 2022 (in thousands of EUR):

	Yield curve shift	*Group's loss from yield curve shift*
EUR	-100 BPV	(43 707)
USD	+100 BPV	(127)
Total		**(43 834)**

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	(6 938)
USD	+100 BPV	(473)
Total		**(7 411)**

As at 31 December 2022, the Group's exposure position in the Trading book to equity price risk is nil, as at 31 December 2021 it was also nil. The Group, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2022, the Group's net exposure position to commodities in the Trading book is insignificant; as at 31 December 2021 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.

Client deposits are one of the group's primary sources of funding. Although the terms of most deposits allow clients to withdraw them without prior notice, existing sources represent a stable source of funding.

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.

The Group's liquidity position reflecting the existing contractual residual maturity of assets and liabilities as at 31 December 2022:

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Assets				
Cash and Other demand deposits	226 348	-	-	226 348
Cash balances at central banks	4 435 285	-	-	4 435 285
Financial assets held for trading	3	351	42 892	47 246
Non-trading financial assets mandatorily at fair value through profit or loss	19 217	-	13 919	33 136
Financial assets at fair value through other comprehensive income	77 294	108 644	109	186 047
Financial assets at amortised cost	3 235 064	12 997 526	294 857	16 527 447
Receivables from hedging transactions[3]	-	-	18 489	18 489
Non-current tangible assets	-	-	92 815	92 815
Non-current intangible assets	-	-	64 747	64 747
Current tax asset	-	-	434	434
Deferred tax asset	-	-	46 702	46 702
Other assets	-	-	45 588	45 588
Non-current assets and assets for disposal classified as held for sale	-	-	531	531
Total assets	**7 993 211**	**13 110 521**	**621 083**	**21 724 815**

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Liabilities				
Financial liabilities held for trading[3)]	-	-	53 705	53 705
Financial liabilities at amortised cost[1)]	4 833 367	15 067 568	90 155	19 991 090
Liabilities from hedging transactions[3)]	-	-	79 209	79 209
Provisions	-	-	60 002	60 002
Deferred tax liability	-	-	7 516	7 516
Other liabilities	-	-	48 843	48 843
Total liabilities	**4 833 367**	**15 067 568**	**339 430**	**20 240 365**
Net balance sheet position	**3 159 844**	**(1 957 047)**	**281 653**	**1 484 450**
Net off-balance sheet position[2)]	**(3 371 664)**	**(127)**	**4 031 845**	**660 054**
Cumulative balance sheet and off-balance sheet position	**(211 820)**	**(1 957 174)**	**4 313 498**	**2 144 504**

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 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 summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2022 (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 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
Positive fair value of financial derivatives for fair value hedges	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 liabilities, in the worst-case scenario, as at 31 December 2022 (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	4 716	4 716	4 716	-	-	-
Financial liabilities at amortised cost	19 991 090	20 375 491	15 060 070	764 698	4 262 420	288 303
Of which Deposits	*18 772 446*	*18 986 101*	*14 913 043*	*678 440*	*3 246 080*	*148 538*
Of which Liabilities from debt securities	*1 161 538*	*1 332 284*	*135 360*	*78 838*	*989 751*	*128 335*
Of which Other financial liabilities	*57 106*	*57 106*	*11 667*	*7 420*	*26 589*	*11 430*
Provisions	60 002	60 002	60 002	-	-	-
Other liabilities	48 843	48 843	48 843	-	-	-
Derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	48 989	620 886	272 499	300 104	42 497	5 786
Negative fair value of financial derivatives for fair value hedges	196 315	283 866	5 776	40 213	181 320	56 557

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***
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	601 852	601 852	601 852	-	-	-
Contingent liabilities from letters of credit	3 363	3 363	3 363	-	-	-
From irrevocable loan commitments	1 224 549	1 224 549	1 224 549	-	-	-

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2022 (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
Negative fair value of financial derivatives for fair value hedges	8 503	11 348	518	1 570	6 999	2 261

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***
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	-	-	-

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

44. Contingent liabilities and other off-balance sheet items

The Group reports the following contingent liabilities and other off-balance sheet items::

	2022	*2021*
Contingent liabilities:	**605 215**	**479 417**
from guarantees	601 852	479 001
from letters of credit	3 363	416
Commitments:	**3 367 532**	**3 205 038**
from irrevocable loan commitments:	1 224 549	1 178 378
up to 1 year	*263 915*	*869 577*
more than 1 year	*960 634*	*308 801*
from revocable loan commitments:	2 142 983	2 026 660
up to 1 year	*1 106 437*	*807 035*
more than 1 year	*1 036 546*	*1 219 625*
Total	**3 972 747**	**3 684 455**

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 in the same way as for customer loans, taking into account the financial position and activities of the entity to which the Group has provided the guarantee, as well as the collateral received. As at 31 December 2022, the Group has made provisions for the above risks in the amount of EUR 12 470 thousand (31 December 2021: EUR 9 997 thousand), Note 31 *'Provisions for liabilities'.* Other contingent liabilities at 31 December 2022 amount to EUR 105 thousand (31 December 2021: EUR 105 thousand). An overview of the quality of future liabilities and other off-balance sheet items is provided in Note 43 *'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 2022, 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.

The Group has reviewed the status of the litigation as at 31 December 2022, taking into account the amount of the defendant's claims and the IFRS requirements in relation to the recognition of provisions and contingent liabilities in the amount of EUR 3 669 thousand (31 December 2021: EUR 3 673 thousand).

If it is probable that the Group will be required to settle a claim and an estimate of the amount of the claim can be determined reliably, the Group establishes a provision. The total amount of the provision for lawsuits is EUR 22 362 thousand (31 December 2021: EUR 33 681 thousand), note 31 *"Provisions for liabilities".* In determining the amount of the provision, the Group makes a professional estimate and relies on the advice of legal counsel, taking into account all the circumstances of the case and considering all available factors, including the application of publicly available information regarding past litigation in the Slovak Republic. For significant accounting estimates, see Note II.

45. 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: *"out of which the right-of-use the asset".*

The amount of interest expense on lease liability is disclosed in Note 1 *"Interest 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:

	2022	***2021***
Lease costs:	**(708)**	**(862)**
Short-term lease	(57)	(177)
Low-value tangible assets leases	(651)	(685)

The following table provides an analysis of the maturity of contractual undiscounted cash flows from lease liability:

	2022	***2021***
Contractual undiscounted cash flows:	**49 611**	**52 148**
Less than 1 year	10 635	11 112
1 to 5 years	27 795	26 238
More than 5 years	11 181	14 798

46. 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 related to related parties as at 31 December 2022:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board***	*Other related parties*	*Total*
Loans, advances and current accounts to banks and customers	143 052	56 958	1 369	1 946	**203 325**
Receivables from financial derivative transactions	68 848	-	-	-	**68 848**
Other assets	663	843	-	-	**1 506**
Deposits and current accounts from banks and customers	1 690	5 049	1 252	1 368	**9 359**
Liabilities from financial derivative transactions	208 586	-	-	-	**208 586**
Subordinated debts	135 852	-	-	-	**135 852**
Other liabilities	6 249	1 161	-	-	**7 410**
Guarantees issued	8 801	546	-	-	**9 347**
Loan commitments	37 000	5 541	118	1 421	**44 080**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Assets, liabilities, commitments, issued and received guarantees related to 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*

Revenue and expenses of related parties as at 31 December 2022:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board*	*Other related parties*	*Total*
Interest and dividend income	31 471	5 410	11	62	**36 954**
Fee and commission income	805	1 050	-	-	**1 855**
Unrealised gain / (loss) on financial derivative transactions	(135 822)	-	-	-	**(135 822)**
Operating revenue	925	49	-	-	**974**
Interest expenses	(33 884)	(55)	-	(7)	**(33 946)**
Fee and commission expenses	(856)	(8 217)	-	-	**(9 073)**
General administrative expenses	(9 858)	(461)	(5 183)**	-	**(15 502)**
Total	**(147 219)**	**(2 224)**	**(5 172)**	**55**	**(154 560)**

* *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 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*

In 2022 and 2021, the following remuneration was paid to the members of the Bank's Statutory body:

	2022	*2021*
Short-term employee benefits	3 258	3 258
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total	**3 258**	**3 258**

The members of Statutory body own preference shares of Tatra Banka. Conditions of the preference shares are described in Note 37 *Equity*.

47. Average number of employees

The average number of Group's employees was as follows:

	2022	*2021*
Bank employees	3 463	3 488
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 463**	**3 488**

48. 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 43 *"Risk report"*, part *"BASEL III"*.

During 2022, 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 2022, 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:

	2022	*2021*
The original own funds (TIER 1)	**1 244 259**	**1 170 750**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(136)	(21)
Share premium	298 447	298 414
(-) Share premium- treasury shares	(2 271)	(336)
Funds from profit and other capital reserves	15 366	15 366
Other specific items of original own funds	877 403	789 884
Other temporary adjustments to Tier 1 capital	(8 876)	3 117
The additional own funds (TIER 1) (AT1 equity)	**100 000**	**100 000**
(-) Items deductible from the original own funds	**(59 835)**	**(58 829)**
(-) Intangible assets	(46 960)	(45 954)
(-) Goodwill	(12 875)	(12 875)
Additional own funds (TIER 2)	**165 610**	**150 011**
Subordinated debts	135 000	135 000
Excess of provisions over expected losses eligible	30 610	15 011
(-) Items deductible from the original and additional own funds	**(9 329)**	**(9 255)**
(-) From the original own funds	(9 329)	(9 255)
Total own funds	**1 440 705**	**1 352 677**
Adequacy of own funds (%)	**18.66**	**19.04**
Own funds	**1 440 705**	**1 352 677**
Risk-weighted assets (RWA)	**7 721 787**	**7 102 836**
RWA from receivables recorded in the Banking book	6 914 975	6 291 816
RWA from positions recorded in the Trading book	9 085	42 541
RWA from operating risk – standardised approach	797 727	768 479

49. 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.

50. Approval of the Consolidated financial statements

The annual consolidated financial statements for the immediately preceding reporting period ended 31 December 2021 were signed and authorised for issue on 3 March 2022.

The financial statements were signed and authorised for issue on 17 February 2023 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 2022 and Dividend Payment

Distribution on the Profit for the Year 2022

(in EUR)

Profit after tax for the year 2022	**193 838 895**
Dividends - Ordinary shares	87 584 112
Dividends - Preferred shares	11 496 913
Distribution for Investment certificate AT1	7 467 292
Allocation to retained earnings	87 290 578

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 1 232.
Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 6 160.
Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 6,17.

The payment of proceeds from the AT1 Investment certificate will be carried out in accordance with the instrument's emission conditions.

TATRA BANKA
Member of RBI Group

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