



TATRA BANKA

Member of Raiffeisen Bank International

Consolidated financial statements for
the year ended 31 December 2022
prepared in accordance with
International Financial Reporting
Standards as adopted by the European
Union and Independent Auditor's Report

Consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union and Independent Auditors' Report

Contents	Page
Independent Auditor's Report	1
Consolidated statement of profit and loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated cash flow statement	11
Notes to the consolidated financial statements	
I. GENERAL INFORMATION	13
II. PRINCIPAL ACCOUNTING POLICIES	19
III. SEGMENT REPORTING	42
IV. OTHER NOTES	46

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

February 17th, 2023
Pribinova 10
Bratislava, Slovak republic



Ing. Jozef LUKČA
Licence UDVA No. 1213



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)	<u>321 580</u>	<u>299 813</u>
Dividend income	(1)	<u>40</u>	<u>26</u>
Net interest income and dividend income	(1)	<u>321 620</u>	<u>299 839</u>
Fee and commission income		218 274	206 398
Fee and commission expense		(60 361)	(51 712)
Net fee and commission income	(2)	<u>157 913</u>	<u>154 686</u>
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)	<u>4 867</u>	<u>(2 790)</u>
Profit before tax		<u>231 770</u>	<u>210 302</u>
Income tax	(15)	<u>(44 995)</u>	<u>(48 248)</u>
Profit after tax		<u>186 775</u>	<u>162 054</u>
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		<u>3 131</u>	<u>430</u>
Items which can be reclassified to profit or loss		<u>(12 008)</u>	<u>(1 577)</u>
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		<u>(4)</u>	<u>(1)</u>
Items which will not be reclassified to profit or loss		<u>14</u>	<u>4</u>
Other comprehensive income after income tax		<u>(11 994)</u>	<u>(1 573)</u>
Comprehensive profit after tax		<u><u>174 781</u></u>	<u><u>160 481</u></u>
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
Equity (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	-	-	-	-	-	-	-	-	186 775	186 775
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	-	-	-	-	-	-	40 934	-	(162 054)	(121 120)
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	64 326	(136)	298 447	(2 271)	15 366	(8 877)	830 820	100 000	186 775	1 484 450

The accompanying Notes are an integral part of these financial statements.

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	Revaluation differences from cash flow hedges	Retained earnings	AT1 capital	Profit after tax
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	-	-	-	-	-	-	-	-	162 054	162 054
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		<u>(274 442)</u>	<u>(270 283)</u>
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)
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		<u>486 489</u>	<u>(2 147 442)</u>
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		<u>(502 428)</u>	<u>(229 448)</u>

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 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		<u>74 991</u>	<u>2 401 496</u>
Effects of exchange rate changes on cash and cash equivalents and other effects	(17)	<u>(239)</u>	<u>739</u>
Change in cash and cash equivalents		58 816	25 343
Cash and cash equivalents, beginning of the year	(17)	<u>167 532</u>	<u>142 189</u>
Cash and cash equivalents, end of the year	(17)	<u>226 348</u>	<u>167 532</u>
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
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>100.00%</u>	<u>100.00%</u>

Shareholders of the Parent company as a percentage of the subscribed share capital:

	2022	2021
Raiffeisen CEE Region Holding GmbH. Vienna	78.78%	78.78%
Others	21.22%	21.22%
Total	<u>100.00%</u>	<u>100.00%</u>

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	<u>64 326</u>	<u>64 326</u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 Košťalová - 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 in %	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	35 742 968	Asset management	Full consolidation	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100 %	100 %	n/a	36 291 111	Supplementary pension	Full consolidation	Bratislava
Tatra-Leasing, s.r.o.	100 %	100 %	n/a	31 326 552	Leasing	Full consolidation	Bratislava
Eurolease RE Leasing, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	45 985 812	Mediation activities	Full consolidation	Bratislava
Rent GRJ, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	36 804 738	Leasing	Full consolidation	Bratislava
Rent PO, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 823 267	Leasing	Full consolidation	Bratislava
Tatra Leasing Broker, 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

Distribution of the Parent company's profit for 2021

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

* 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	<u>13 360</u>
Total	<u><u>115 163</u></u>

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	<u><u>152 944</u></u>	<u><u>213 199</u></u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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. 1126/2008 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 for preparing 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 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

The accompanying Notes are an integral part of these financial statements.

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,

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

- 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.

11. 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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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. Rebuttal 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 unlikelihood 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

The accompanying Notes are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 continue 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 its 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 BusinessÚverTB Expres, BusinessÚverTB Hypo and BusinessÚverTB Variant, company credit cards (VISA Standard/Gold) and other products.

Retail customers – households are mainly provided with mortgage loans, equity home loans, hypotékaTB, 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 accompanying Notes are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2022:

	Corporate customers	Financial institutions 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	119 480	(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 fund 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 accompanying Notes are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

	Corporate customers	Financial institutions 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	(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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>321 580</u>	<u>299 813</u>
Dividend income:	40	26
from financial assets at fair value through other comprehensive income	40	26
Net interest and dividend income	<u>321 620</u>	<u>299 839</u>

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	<u>157 913</u>	<u>154 686</u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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:		
Profit / (loss) from debt securities sold	-	(2)
Net profit / (loss) from derecognition of financial assets at fair value through other comprehensive income:		
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	(127)	1 047
Profit/(loss) from securities sold	1 731	1 763
Interest rate transactions- loans and advances to clients:	(354)	354
Revaluation to fair value	(354)	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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>5 739</u>	<u>4 193</u>

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

7. General administrative expenses

	2022	2021
Personnel costs:	<u>(140 718)</u>	<u>(129 309)</u>
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:	<u>(68 229)</u>	<u>(67 946)</u>
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:	<u>(35 120)</u>	<u>(32 907)</u>
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	<u>(244 067)</u>	<u>(230 162)</u>

* "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	<u>(11 228)</u>	<u>(10 349)</u>

* 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

9. Net modification of profit/(loss)

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

10. (Creation)/release of provisions

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

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

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):		
(Creation)/release	<u>(17 010)</u>	<u>(6 521)</u>
	(17 010)	(6 521)
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2):		
(Creation)/release	<u>(16 971)</u>	<u>3 883</u>
	(16 971)	3 883
Impairment allowances for credit impaired financial assets (Stage 3):		
(Creation)/release	<u>(7 465)</u>	<u>(20 228)</u>
	(7 465)	(20 228)
Impairment allowances for financial assets (POCI):		
(Creation)/release	<u>(364)</u>	<u>(1 426)</u>
	(364)	(1 426)
Total	<u><u>(41 810)</u></u>	<u><u>(24 292)</u></u>

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“.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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%

Notes to the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

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	2022	2021
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					<u>66 730</u>	<u>60 345</u>
Deferred tax liabilities						
Financial assets at fair value through other comprehensive income	186 047	197 497	-	11 450	2 405	(722)
Total					<u>2 405</u>	<u>(722)</u>
Net deferred tax asset/(liability)					69 135	59 623
Uncertain realisation adjustment of deferred tax asset					<u>(22 425)</u>	<u>(22 187)</u>
Net deferred tax asset/(liability)					<u>46 710</u>	<u>37 436</u>

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	Ordinary shares	Preference shares
	Face value EUR 800	Face value EUR 4 000	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	<u>60 616</u>	<u>2 095</u>	<u>1 829 528</u>
Basic and diluted earnings per share	<u>2 178</u>	<u>10 890</u>	<u>10.9</u>
2021			
	Ordinary shares	Ordinary shares	Preference shares
	Face value EUR 800	Face value EUR 4 000	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	<u>60 616</u>	<u>2 095</u>	<u>1 824 855</u>
Basic and diluted earnings per share	<u>2 001</u>	<u>10 005</u>	<u>10.0</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>4 661 633</u>	<u>4 235 318</u>

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	<u>42 892</u>	<u>30 302</u>
Interest rate contracts	36 910	14 556
Currency contracts	5 982	15 746
Debt securities	<u>4 354</u>	<u>47 569</u>
Government bonds	4 354	47 569
Loans and advances to customers	<u>-</u>	<u>12 408</u>
Loans and advances to the corporate sector	-	12 408
Total	<u>47 246</u>	<u>90 279</u>

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

	2022	2021
Equity securities, debt securities and other securities with variable yield	<u>13 919</u>	<u>10 402</u>
Equity securities	5 033	-
Debt securities	4 897	8 541
Mutual funds units*	3 989	1 861
Loans and advances to customers	<u>19 217</u>	<u>6 703</u>
Loans and advances to corporate sector	19 217	6 703
Total	<u>33 136</u>	<u>17 105</u>

* 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).

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

20. Financial assets at fair value through other comprehensive income

	2022	2021
Debt securities	<u>185 938</u>	<u>341 112</u>
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	<u>109</u>	<u>91</u>
Equity instruments	109	91
Total	<u><u>186 047</u></u>	<u><u>341 203</u></u>

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	<u>186 108</u>	<u>(170)</u>	<u>185 938</u>
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	<u><u>186 108</u></u>	<u><u>(170)</u></u>	<u><u>185 938</u></u>

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	<u>341 512</u>	<u>(400)</u>	<u>341 112</u>
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	<u><u>341 512</u></u>	<u><u>(400)</u></u>	<u><u>341 112</u></u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

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 receivables*	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

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".

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	371 841	(30)	371 811
Public sector	2 405 005	(798)	2 404 207
Corporate clients	5 804 599	(93 749)	5 710 850
Retail clients	8 191 945	(151 366)	8 040 579
Total	16 773 390	(245 943)	16 527 447

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	-	36 503	-	-	-	-	-
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)

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 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
Loans 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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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
Loans 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	<u>383 117</u>	<u>386 593</u>
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	<u>26 938</u>	<u>23 236</u>
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	<u>356 179</u>	<u>363 357</u>
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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>356 179</u>	<u>363 357</u>

22. Receivables from hedging transactions

	2022	2021
Positive fair value of financial derivatives for fair value hedging	<u>26 363</u>	<u>4 322</u>
Interest-rate contracts	26 363	4 322
Change in fair value of hedged items in hedging of interest rate risk	<u>(7 874)</u>	<u>3 727</u>
Loans and advances to clients	(7 874)	3 727
Total	<u>18 489</u>	<u>8 049</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>1 409</u>	<u>80 882</u>	<u>31 331</u>	<u>51 139</u>	<u>17 582</u>	<u>4 475</u>	<u>5 400</u>	<u>192 218</u>
Accumulated depreciation and provisions								
1 January 2021	(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	<u>(227)</u>	<u>(35 749)</u>	<u>(16 645)</u>	<u>(36 310)</u>	<u>(8 422)</u>	<u>(2 050)</u>	<u>-</u>	<u>(99 403)</u>
Carrying amount as at								
1 January 2022	1 410	48 223	14 106	15 778	10 317	2 339	4 079	96 252
31 December 2022	<u>1 182</u>	<u>45 133</u>	<u>14 686</u>	<u>14 829</u>	<u>9 160</u>	<u>2 425</u>	<u>5 400</u>	<u>92 815</u>

*See Note 27 Non-current assets held for sale

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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
Amortisation					
1 January 2022	(136 943)	-	(554)	-	(137 497)
Depreciation	(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
Amortisation					
1 January 2021	(128 133)	-	(3 062)	-	(131 195)
Depreciation	(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 at 1. 1. 2021	39 739	12 220	310	4 996	57 265
Carrying amount at 31. 12. 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 IMPULS-LEASING Slovakia s.r.o., from this acquisition arose a goodwill in the amount of EUR 655 thousand.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

The Group assessed the recoverable amount of goodwill at the balance sheet date and did not identify any impairment.

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	<u>434</u>	<u>309</u>
Total	<u>434</u>	<u>309</u>

25. Deferred tax asset

	2022	2021
Tax asset – deferred	<u>46 702</u>	<u>38 159</u>
Total	<u>46 702</u>	<u>38 159</u>

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	<u>1 203</u>	<u>1 245</u>
Total	<u>45 588</u>	<u>68 929</u>

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	<u>531</u>	<u>15 257</u>
Total	<u>531</u>	<u>15 257</u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

28. Financial liabilities held for trading

	2022	2021
Negative fair value of financial derivatives held for trading	<u>48 989</u>	<u>22 380</u>
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	<u><u>53 705</u></u>	<u><u>46 713</u></u>

29. Financial liabilities at amortised costs

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

	2022	2021
Deposits from banks	<u>3 324 862</u>	<u>3 481 524</u>
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	<u>15 447 584</u>	<u>13 473 856</u>
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	<u>1 161 538</u>	<u>871 379</u>
Issued debt securities – mortgage bonds	432 074	451 188
Issued debt securities – other bonds	729 464	420 191
Other financial liabilities	<u>57 106</u>	<u>66 796</u>
Out of which: Lease liabilities	46 955	49 888
Total	<u><u>19 991 090</u></u>	<u><u>17 893 555</u></u>

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	<u>9 547 529</u>	<u>9 134 684</u>
Total	<u><u>18 772 446</u></u>	<u><u>16 955 380</u></u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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:							
- commercial banks	EUR	Long-term	3M EURIBOR + 2,4 %	November 2019	November 2029	135 852	135 371
Total						3 309 809	3 466 028

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 44)	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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>7 516</u>	<u>13 211</u>

33. Deferred tax liability

	2022	2021
Deferred tax liability	-	723
Total	<u>-</u>	<u>723</u>

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	<u>48 843</u>	<u>37 627</u>

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	<u>1 297 675</u>	<u>1 270 752</u>

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 serie 01-05	SK1110015510	SK1110007186 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: $DPA = 1.001 \times DKA800/200 = 1.001 \times DKA4000/1000$ (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
Merchandise and warehouse trust receipts	16 273	12 345
Gold	3 529	2 654
Total	<u>19 802</u>	<u>14 999</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>-</u>	<u>155 681</u>
Reverse repo deals (creditor)		
Loans and advances to banks	45 224	68 399
Total	<u>45 224</u>	<u>68 399</u>

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	<u>3 522 221</u>	<u>3 752 047</u>

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	<u>4 801 030</u>	<u>4 730 737</u>

Other pledged assets without a liability:

	2022	2021
Debt securities at amortised cost	64 656	164 820
Total	<u>64 656</u>	<u>164 820</u>

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).

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>2 960 467</u>	<u>2 946 415</u>

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	<u>69 040</u>	<u>68 976</u>	<u>64</u>
Liabilities:			
Negative fair value of financial derivatives available-for-sale	211 950	68 976	142 974
Total liabilities	<u>211 950</u>	<u>68 976</u>	<u>142 974</u>

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	<u>29 955</u>	<u>29 193</u>	<u>762</u>
Liabilities:			
Negative fair value of financial derivatives available-for-sale	29 998	29 193	805
Total liabilities	<u>29 998</u>	<u>29 193</u>	<u>805</u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 Micro financial derivatives for fair value hedging	949 556	19 349	78 651	(56 007)
Interest risk 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 the 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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 Micro financial derivatives for fair value hedging	792 182	4 322	4 787	(9 443)
Interest risk 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 the 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
Issued debt securities	114 428	1 006 635	1 123 182	1 741	14 886

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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)
OTC products:						
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)

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

42. Fair value of financial instruments

Financial instruments at fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where market prices are available (in this case, in particular, for securities and derivatives traded on a stock exchange and in functioning markets), the fair value estimate is based on market prices. All other financial instruments were valued on the basis of internal valuation models, including present value or option price models, or an external expert opinion was used.

The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements as at 31 December 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).

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

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 unobservable inputs	Range of unobservable inputs	Positive sensitivity*	Positive 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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	-	-	-	-	-	-
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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>21 505 201</u>	<u>19 289 277</u>
	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	<u>3 972 747</u>	<u>3 684 455</u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 initial recognition.

** Stage 2 – with significant increase in credit risk since initial recognition, but not credit impaired.

*** Stage 3 – credit impaired.

**** POCI – recognised as impaired on initial recognition.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 initial recognition.

** Stage 2 – with significant increase in credit risk since initial recognition, but not credit impaired.

*** Stage 3 – credit impaired.

**** POCI – recognised as impaired on initial recognition.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 book value (Stage 3)	Impairment allowances (stage 3)	Recoverable amount 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 book value (Stage 3)	Impairment allowances (stage 3)	Recoverable amount 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
Collateralization 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	<u>8 340 020</u>	<u>7 566 964</u>

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
Collateralization of 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	<u>584 558</u>	<u>436 529</u>

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

The summary below presents 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	195 011	-	95 865	-
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	-	-	-	-
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
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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	-	-	-	-
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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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
		1A	1B	1C	
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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>13 931 820</u>	<u>12 562 559</u>

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	<u>6 988 096</u>	<u>6 238 677</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	231 280	1.65%	62.17%
Public sector	-	-	-
Corporate clients	77 963	1.35%	65.63%
Retail clients	153 317	1.87%	60.39%
Debt securities	901	0.03%	100.00%
Total	232 181	1.08%	62.32%

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>240 535</u>	<u>1.25%</u>	<u>70.90%</u>

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).

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

	Gross book value	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 book value	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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	<u>(395 832)</u>	<u>(94 016)</u>
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	<u>396 203</u>	<u>98 192</u>
Total net FX position	<u><u>371</u></u>	<u><u>4 176</u></u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 Other 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 at 31 December 2022	<u>9 255 894</u>	<u>1 960 414</u>	<u>6 842 192</u>	<u>2 989 609</u>	<u>471 477</u>	<u>21 519 586</u>
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 at 31 December 2022	<u>6 561 278</u>	<u>3 118 922</u>	<u>7 094 696</u>	<u>3 074 876</u>	<u>383 077</u>	<u>20 232 849</u>
Net interest rate position as at 31 December 2022	<u>2 694 616</u>	<u>(1 158 508)</u>	<u>(252 504)</u>	<u>(85 267)</u>	<u>88 400</u>	<u>1 286 737</u>

*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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 Other 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 at 31 December 2021	<u>7 973 116</u>	<u>2 208 222</u>	<u>6 987 221</u>	<u>1 743 810</u>	<u>366 302</u>	<u>19 278 671</u>
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 at 31 December 2021	<u>5 836 401</u>	<u>1 395 221</u>	<u>8 018 512</u>	<u>2 525 601</u>	<u>289 049</u>	<u>18 064 784</u>
Net interest rate position at 31 December 2021	<u><u>2 136 715</u></u>	<u><u>813 001</u></u>	<u><u>(1 031 291)</u></u>	<u><u>(781 791)</u></u>	<u><u>77 253</u></u>	<u><u>1 213 887</u></u>

*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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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 in 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			<u>(40)</u>	<u>(534)</u>

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 in 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			<u>3 775</u>	<u>(209)</u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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		<u>(43 834)</u>

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		<u>(7 411)</u>

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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	4 351	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
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 position²⁾	(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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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
Receivables from hedging transactions ³	-	-	8 049	8 049
Non-current tangible assets	-	-	96 252	96 252
Investment property	-	-	65 771	65 771
Non-current intangible assets	-	-	309	309
Current tax asset	-	-	38 159	38 159
Deferred tax asset	-	-	68 929	68 929
Other assets	-	-	15 257	15 257
Total assets	7 113 407	11 768 409	629 708	19 511 524
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
Liabilities from hedging transactions ³⁾	-	-	8 503	8 503
Provisions	-	-	78 386	78 386
Current tax liability	-	-	13 211	13 211
Deferred tax liabilities	-	-	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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial assets:						
Cash in hand	213 268	213 268	213 268	-	-	-
Balances at central banks	4 435 285	4 435 285	4 435 285	-	-	-
Other deposits payable on demand	13 080	13 080	13 080	-	-	-
Loans and advances	13 951 037	14 811 899	5 136 965	2 719 153	5 403 597	1 552 184
Debt securities	2 799 838	3 058 649	154 012	409 365	1 064 093	1 431 179
Derivative financial assets:						
Positive fair value of financial derivatives held for trading	42 892	609 343	278 479	290 833	34 334	5 697
Positive fair value of financial derivatives for fair value hedges	26 363	126 119	4 812	18 695	66 870	35 742

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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial assets:						
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 assets:						
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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
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	-	-	-

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
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):

	Carrying amount	Contractual cash flows	Up to 3 months incl.	Remaining maturity		
				From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
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	1 178 378	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 β 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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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:	<u>605 215</u>	<u>479 417</u>
from guarantees	601 852	479 001
from letters of credit	3 363	416
Commitments:	<u>3 367 532</u>	<u>3 205 038</u>
from irrevocable loan commitments:		
up to 1 year	1 224 549	1 178 378
more than 1 year	263 915	869 577
from revocable loan commitments:		
up to 1 year	960 634	308 801
more than 1 year	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	<u><u>3 972 747</u></u>	<u><u>3 684 455</u></u>

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:	<u>(708)</u>	<u>(862)</u>
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:	<u>49 611</u>	<u>52 148</u>
Less than 1 year	10 635	11 112
1 to 5 years	27 795	26 238
More than 5 years	11 181	14 798

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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	3 276
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total	3 258	3 276

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
Employees of the Group	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.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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)	<u>1 244 259</u>	<u>1 170 750</u>
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	<u>(59 835)</u>	<u>(58 829)</u>
(-) Intangible assets	(46 960)	(45 954)
(-) Goodwill	(12 875)	(12 875)
Additional own funds (TIER 2)	<u>165 610</u>	<u>150 011</u>
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	<u>(9 329)</u>	<u>(9 255)</u>
(-) From the original own funds	(9 329)	(9 255)
Total own funds	<u><u>1 440 705</u></u>	<u><u>1 352 677</u></u>
Adequacy of own funds (%)	<u>18.66</u>	<u>19.04</u>
Own funds	1 440 705	1 352 677
Risk-weighted assets (RWA)	<u>7 721 787</u>	<u>7 102 836</u>
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

* The figures relating to the calculation of capital adequacy are provisional and will be audited after the date of the financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

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