Privatbanka, a.s.

ANNUAL REPORT
2022

This is an English language translation of the original Slovak language document.

Contents

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INTRODUCTION

The Annual Report of Privatbanka, a.s. ("the "Bank") has been prepared pursuant to Article 77 of Act No. 566/2001 Coll. on Securities and Investment Services, as amended, pursuant to Article 20 of Act No. 431/2002 Coll. on Accounting, as amended, and pursuant to Article 37 of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended.

1. DETAILS OF THE REPORTING ENTITY

Business name:	Privatbanka, a.s.
Registered office:	Einsteinova 25, 851 01 Bratislava
Company ID:	31634419
Date of incorporation:	9 August 1995
Founder:	Fond národného majetku Slovenskej republiky, Drieňová 27, 821 01 Bratislava, Slovak Republic, Slovenská poisťovňa, a.s., Strakova 1, 815 74 Bratislava, Slovak Republic, Slovenská sporiteľňa, a.s., Zelená 2, 816 07 Bratislava, Slovak Republic
Share capital:	EUR 25,120,648.06
Contact person:	Ing. Eva Hirešová
Tel:	02/3226 6111
Fax:	02/3226 6900
E-mail:	privatbanka@privatbanka.sk
Website:	www.privatbanka.sk

2. SCOPE OF BUSINESS

A banking license was granted to the Bank for the following activities:

1. Receipt of deposits
2. Provision of loans
3. Investing in securities on own account
4. Trading on own account:
   a) With money market financial instruments in euros and foreign currency, including foreign exchange activities
   b) With capital market financial instruments in euros and foreign currency
   c) With coins made of precious metal, commemorative banknotes and coins, sheets of banknotes, and sets of coins for circulation
5. Administration of a clients' receivables on the clients' account, including related advisory services
6. Finance leasing
7. Provision of guarantees; opening and confirmation of letters of credit
8. Provision of business advisory services
9. Issue of securities, participation in issuing securities and provision of related services
10. Financial intermediation
11. Custody of valuables
12. Safe hire
13. Provision of banking information
14. Acting as a depository according to a special regulation
15. Processing of banknotes, coins, commemorative banknotes and coins
16. Provision of investment services, investment activities, and ancillary services in accordance with Article 79 (1) and in connection with Article 6 (1) and (2) of Act 566/2001 Coll. on Securities and Investment Services and on an Amendment to Certain Acts, as amended, in the following scope:
    I. Acceptance and forwarding of clients' instructions for one or several of the following financial instruments:

a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities
d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

II. Execution of client instructions on the client's account in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities
d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

III. Trading on own account in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities
d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

IV. Portfolio management in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities
d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

V. Investment consulting in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities
d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

VI. Underwriting and placement upon a firm commitment in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities

VII. Placement without a firm commitment in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities

VIII. Custody and management on clients' account, including custodian management and related services, in particular the management of cash and financial collaterals in relation to the following financial instruments:
a) Convertible securities
b) Money market instruments
c) Trustee shares or securities issued by foreign collective investment entities

IX. Granting of loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the transaction

X. Trading of foreign exchange values if they are associated with the provision of investment services

XI. Performance of investment surveys and financial analysis or other forms of general recommendation for trading in financial instruments

XII. Services related to the underwriting of financial instruments

17. Provision of payment services and settlement
18. Issue and administration of electronic money

3. PUBLICATION OF THE ANNUAL REPORT

The Annual Report is published on the Bank's website.

4. CONSOLIDATED FINANCIAL STATEMENTS

(Article 77 (2) (b1) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting, as amended, the Bank did not prepare consolidated financial statements for the year ended 31 December 2022, since the subsidiary Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Company ID: 36 037 869, does not have a significant impact on the Bank's consolidation group. The judgment on the financial position, expenses, revenues and results of operations of the Bank's consolidation group has not been significantly affected by preparing only the Bank's separate financial statements.

5. AUDIT OF FINANCIAL STATEMENTS

(Article 77 (2) (a) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 20 (1) of Act No. 431/2002 Coll. on Accounting, as amended)

The Bank's financial statements as at 31 December 2022, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, were audited on 22 May 2023 by Ernst & Young Slovakia, spol. s r.o., Licence SKAU No. 257, Ing. Dalimil Draganovský, statutory auditor License SKAU No. 893.

6. REPORT ON FINANCIAL POSITION

a) INFORMATION ON THE BANK'S DEVELOPMENT, CURRENT SITUATION, SIGNIFICANT RISKS AND UNCERTAINTIES IN 2022

(Article 77 (2) (b1) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 20 (1) (a) of Act No. 431/2002 Coll. on Accounting, as amended)

Privatbanka, a.s. continued a series of successful, profitable years and in 2022 achieved its highest net profit in history of EUR 12.9 mill. In a year-on-year comparison, the Bank's net profit increased by 24% over 2021, and operating profit development was similarly dynamic, with a 17% increase on the previous year, to EUR 12.7 mill. On this basis, in 2022 Privatbanka, a.s. achieved a return on capital (ROE indicator) of 12.5%.

Comparison of financial indicators

EUR '000	31.12.2022	31.12.2021	Change	Change in %
Total assets	804 259	692 824	111 435	16%
Cash and balances with central banks	165 558	247 571	(82 013)	(33%)
Loans and advances to banks	36 323	9 411	26 912	286%
Loans and advances to customers	429 440	268 380	161 060	60%
Securities	163 285	160 694	2 591	2%
Deposits from customers	679 656	567 221	112 435	20%
Debt securities issued	2 500	2 998	(498)	(17%)
Share capital	25 121	25 121	-	-
Equity	110 128	108 963	1 165	1%
Regulatory capital	96 644	98 023	(1 379)	(1%)
Adequacy of regulatory capital	19,28%	24,77%	(5,49%)	

The largest contribution to these results was from net revenues from fees and commissions, which increased by 4% year-on-year and reached a value of EUR 13.5 million at the end of the year. The second largest source of revenue was net interest income of EUR 11.7 million, which increased by 13% year-on-year.

The Bank's total assets at the end of 2022 amounted to EUR 804.3 million, which represents an increase of 16% year-on-year. The main reason for the increase in assets was the increase in liabilities to clients, which had reached EUR 679.7 million by the end of 2022, representing an increase of 20% on the previous year.

The volume of the loan portfolio at the end of 2022 reached EUR 429.4 million and year-on-year increased by a record 60%. By the end of 2022, the portfolio of securities had reached a volume of EUR 163.3 million, which represents an increase of 2% compared to the end of the previous year.

As at 31 December 2022, the adequacy of regulatory capital amounted to 19.28%, decreasing during the year by 5.49 percentage points. Despite the year-on-year decrease, the adequacy of regulatory capital is well above average values.

The Bank has no significant impact on the environment. The Bank's activities in 2022 had no significant impact on employment in individual regions of the Slovak Republic.

The year 2022 was marked by the war conflict in Ukraine, the energy crisis, increasing inflation, the subsequent increase in interest rates and the subsiding COVID-19 pandemic. Despite all these challenges, which affected Privatbanka, a.s. to a certain extent, the bank managed to achieve significantly above average, and in some areas even record economic results.

Further details of the Bank's results for 2022 are disclosed in the financial statements and notes thereto.

b) INFORMATION ON EVENTS OF PARTICULAR IMPORTANCE THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD AS AT 31 DECEMBER 2022
(Article 20 (1) (b) of Act No. 431/2002 Coll. on Accounting, as amended)

As of the reporting date, no material events occurred after the end of the financial year as at 31 December 2022 that would require a material adjustment to the data or information disclosed in the financial statements as at 31 December 2022.

c) INFORMATION ON THE BANK'S ANTICIPATED ECONOMIC AND FINANCIAL POSITION IN 2023
(Article 77 (2) (d) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 20 (1) (c) of Act No. 431/2002 Coll. on Accounting, as amended)

With the results of the past year, Privatbanka, a.s. managed to meet and even exceed its key business goals, thus confirming its stable position in the Slovak banking market.

Private banking and activities directly related to it, such as asset management, remain the core area of the Bank's activities in 2023. In parallel with private banking, the Bank continues to place great emphasis on corporate banking, especially on lending to corporate clients.

In private banking, the Bank's goal for 2023 is to continue to increase the volume of assets it manages for clients. Qualitatively, the aim of the Bank is to provide private clients with highly individual and flexible asset management and related services. Issuance of corporate promissory notes and corporate bonds arranged by the Bank primarily for shareholder group entities will continue to represent a major part of the product range. In 2023, the Bank will also focus on the sale of third-party products, which should contribute to the growth of the volume of clients' assets it manages.

Regarding corporate banking, the Bank will continue to develop its existing loan portfolio to further improve capital and funding options. In strategy, the Bank continues to apply its proven method of providing loans based on good security and the client's track record.

In 2023, the Bank's goal is to maintain or partially expand the product range for standard clients, to whom it provides services through a network of regional investment centers and branches. Funds from the general public represent a substantial share of the fund base of the Bank's balance sheet business. In 2023, the Bank plans to continue the sale of public issues of corporate bonds for retail clients but has no plans for major changes to its regional network.

In aggregate terms, the Bank plans to report a profit after tax of EUR 8.1 million and total assets of EUR 686 million at the end of 2023.

The Bank will have no impact on the environment. In 2023, its activities will not substantially impact employment in individual regions of the Slovak Republic.

The ongoing conflict in Ukraine, the somewhat persistent energy crisis and significantly elevated inflation create uncertainties that may affect the Bank's financial results in 2023, both in private banking (general client uncertainty with an impact on investment uncertainty) and corporate lending (individual client difficulties, absence of new business plans).

d) INFORMATION ON COSTS OF RESEARCH AND DEVELOPMENT
(Article 20 (1) (d) of Act No. 431/2002 Coll. on Accounting, as amended)

In 2022, the Bank recorded no costs of research and development.

e) INFORMATION ON ACQUISITION OF OWN SHARES, TEMPORARY BONDS, EQUITIES AND SHARES, PLUS TEMPORARY BONDS AND EQUITIES OF THE CONTROLLING ENTITY
(Article 20 (1) (e) of Act No. 431/2002 Coll. on Accounting, as amended)

The Bank does not carry out such transactions.

f) INFORMATION ON PROPOSED 2022 PROFIT DISTRIBUTION
(Article 20 (1) (f) of Act No. 431/2002 Coll. on Accounting, as amended)

The distribution of the Bank’s profits for 2022 will be decided by the General Meeting.

g) INFORMATION ON 2021 PROFIT DISTRIBUTION
(Article 77 (2) (c) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

EUR ‘000	2021
Dividends	8 500
Allotment to retained earnings	1 957
Profit for the current reporting period after tax	**10 457**

h) INFORMATION ON DATA REQUIRED UNDER SPECIAL REGULATIONS
(Article 20 (1) (g) of Act No. 431/2002 Coll. on Accounting, as amended)

The Annual Report has been prepared pursuant to Article 77 of Act No. 566/2001 Coll. on Securities and Investment Services, as amended, and pursuant to Article 37 of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended.

i) INFORMATION ON WHETHER THE BANK HAS AN ORGANIZATIONAL UNIT ABROAD
(Article 20 (1) (h) of Act No. 431/2002 Coll. on Accounting, as amended)

As at 31 December 2022, the Bank provided investment services, acceptance and forwarding of instructions related to one or more financial instruments in the Czech Republic through a branch of a foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018.

j) SUMMARY OF RECEIVED BANK LOANS AND OTHER LOANS
(Article 77 (2) (b2) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

As of 31 December 2022, the Bank did not register bank and other loans received.

k) SUMMARY OF ISSUED AND OUTSTANDING SECURITIES
(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

ISIN	Type	Form	Nature	Number (pcs)	Face value (EUR, CM '000)	Description of Rights
SK1110001619	Share	Registered	Book-entry security	756 874	0,03319 EUR	Section 6l)
SK4000019618	Bond	Bearer bond	Book-entry security	2 493 000	0,00100 EUR	Section 6m)

l) DESCRIPTION OF RIGHTS ATTACHED TO SHARES ISIN SK1110001619
(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

a. The Company's shareholder may be an individual or legal entity. A holder of an interim certificate is also considered a shareholder.
b. The Company shall treat all shareholders equally in equal conditions.
c. The exercise of the shareholder's rights may be restricted or suspended only based on law.
d. The basic rights of a shareholder include the right to participate in the Company's management and to share the Company's profit and the Company's liquidation balance if it is dissolved by liquidation.
e. The shareholder is authorised to participate in and vote at the General Meeting, to request at the General Meeting information and explanations related to the Company's matters and to the matters of entities controlled by the Company, which are associated with the subject of discussion at the General Meeting, and to make proposals at the General Meeting and to be elected in the Company's bodies.
The above rights may be exercised only by a person authorized to exercise these rights as at the decisive date. The decisive date is a day specified in the invitation to the General Meeting or in the General Meeting notice. This day may be the day on which the General Meeting is held, or the day before the General Meeting, but no more than five days before the General Meeting is held. If the decisive date is not specified in this way, the day on which the General Meeting is held shall be considered the decisive date.
f. The shareholder is entitled to a share in the Company's profit (dividend), which the General Meeting has decided to distribute. This share is determined by the ratio of the face value of the shareholder's shares to the face value of shares of all shareholders. The right to a dividend may be exercised towards the Company only by a person authorized to exercise these rights as at the decisive date. The decisive date to determine a person authorized to exercise the right to a dividend shall be determined by the General Meeting that decided to distribute the Company's profit, and this day may not be determined to be earlier than the fifth day after the day on which the General Meeting is held or later than the 30th day from the day on which the General Meeting is held. If the General Meeting does not specify the decisive date to determine the person authorized to exercise the right to a dividend, the 30th day from the day on which the General Meeting is held shall be considered the decisive date. The dividend is due within 60 days at the latest from the decisive date determined in line with the previous procedure. The Company shall pay the dividend to the shareholders at its own costs and risk. The shareholder is not required to return to the Company a dividend received in good faith.
g. The shareholder is entitled to a share in the liquidation balance if the Company is dissolved by liquidation.
h. The Board of Directors shall provide each shareholder upon request at the General Meeting complete and true information and explanations, which are related to the discussion at the General Meeting, or in writing within 30 days at the latest from the day on which the General Meeting is held, unless the law provides otherwise.
i. The shareholder has the right to inspect the minutes from the meetings of the Supervisory Board; he/she shall keep such obtained information confidential.
j. The shareholder has the right to inspect at the Company's registered seat the deeds filed in the collection of deeds pursuant to a special act and to request copies of these deeds or request that they be sent to a specified address, at his/her own cost and risk.
k. The General Meeting decides by a majority of votes of the shareholders present, unless generally binding legal regulations or Articles of Association require another type of majority.
l. A decision of the General Meeting requires a two-thirds majority of votes of the shareholders present if it decides on:
   I. A change in the Company's Articles of Association
   II. An increase in the Company's share capital
   III. The issue of priority bonds or convertible bonds
   IV. A conditional increase in the Company's share capital associated with an issue of priority or convertible bonds
   V. A decrease in the Company's share capital

VI. The dissolution of the Company
VII. A change of the Company's legal form if it ceases to be a bank
VIII. Termination of trading of the Company's shares on a stock exchange
IX. The mandate of the Board of Directors to increase the share capital pursuant to Article 210 of the Commercial Code
X. The restriction of the shareholder's right to priority underwriting of shares if necessitated by important interests of the Company
XI. Other matters, if explicitly provided for in a generally binding legal regulation

m) DESCRIPTION OF RIGHTS ATTACHED TO BONDS ISIN SK4000019618

(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

On 9 August 2021, the Bank issued bonds with a nominal value of EUR 1 for a total issued volume of EUR 5,000 thousand. The bond yield is paid quarterly on 9 February, 9 May, 9 August and 9 November of the current period and is determined by the floating interest rate, which is determined as the sum of the reference rate of EURIBOR 3M and the margin of 0.25% per annum on the nominal value of the bond, but at least 0.25% p.a. of the nominal value of the bonds. The basis for calculating the yield is ACT/ACT. The bonds are due on 9 August 2023. These bonds are issued based on a public offer and no application will be made for admission to the stock exchange in the Slovak Republic or abroad. No guarantees were taken over by third parties for the repayment of the nominal value and bond yields. There are no pre-emptive, exchange and other rights associated with the bonds, with the exception of those listed in the terms of issue. Rights to bonds are time-barred after a period of 10 years from their due date. Bonds are transferable to the new owner without restriction. Early repayment of the nominal value of the bonds is not possible.

n) CONVERTIBLE BONDS

(Article 77 (2) (b4) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

The Bank issued no convertible bonds.

o) SPECIFICATION OF THE NATURE OF ACTIVITIES AND GEOGRAPHICAL LOCATION

(Article 77 (2) (f) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (a) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's core activities include the provision of a wide range of banking and financial services to individuals and legal entities under a banking license, the scope of which is specified in Clause 2.

As at 31 December 2022, the Bank performed its activities in the Slovak Republic through the Center of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and 10 regional investment centers for non-cash operations in Bratislava, Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava, Prievidza and Nové Zámky. As at 31 December 2022, in the Czech Republic the Bank provided investment services, acceptance and forwarding of instructions related to one or more financial instruments through a branch of the foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018. In addition to the activities above, as at 31 December 2022, the Bank also provided other banking activities in the Czech Republic based on the right to free cross-border activity in line with Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

p) TURNOVER
(Article 77 (2) (g) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (b) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's turnover was EUR 32,196 thousand in 2022. The turnover of the Bank's branch in the Czech Republic in 2022 was EUR 1,623 thousand.

q) NUMBER OF FULL-TIME EMPLOYEES AS AT THE REPORTING DATE
(Article 77 (2) (h) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (c) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The number of full-time employees as at 31 December 2022 in Bank was 184. The number of full-time employees as at 31 December 2022 of the Bank's branch in the Czech Republic was 17.

r) PROFIT OR LOSS BEFORE TAX
(Article 77 (2) (i) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (d) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's profit before tax was EUR 15,058 thousand as at 31 December 2022. The profit before tax of the Bank's branch in the Czech Republic was EUR 271 thousand as at 31 December 2022.

s) INCOME TAX
(Article 77 (2) (j) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (e) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's income tax expenses amounted to EUR 2,128 thousand as at 31 December 2022. The income tax expenses of the Bank's branch in the Czech Republic amounted to EUR 54 thousand as at 31 December 2022.

t) RECEIVED SUBSIDIES FROM PUBLIC FUNDS
(Article 77 (2) (k) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (f) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank or its branch in the Czech Republic received no subsidies from public funds in 2022.

u) RETURN ON ASSETS DETERMINED AS THE RATIO OF NET PROFIT AND TOTAL ASSETS
(Article 77 (2) (e) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (g) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's return on assets (ROA) amounted to 1.82% in 2022. The ROA of its Czech branch was 30.38% in 2022.

7. INFORMATION ON THE BANK'S RISK MANAGEMENT OBJECTIVES AND METHODS, INCLUDING THE POLICY FOR HEDGING THE MAIN TYPES OF PLANNED TRANSACTIONS USING HEDGING DERIVATIVES

(Article 20 (5) (a) of Act No. 431/2002 Coll. on Accounting, as amended)

In line with legislative requirements, the Bank's objective regarding risk management is to ensure the adequacy of individual risk exposures in relation to the amount of the Bank's regulatory capital, diversification of risk for all risk factors identified and the maintenance of an acceptable liquidity position. In addition to meeting market regulatory requirements, the Bank has developed an internal system of procedures, limits and reports which eliminates potential risks to which the Bank is exposed in its business activities. In terms of risk exposures, the Bank is conservative and does not engage in speculative transactions.

The Bank has strict rules limiting exposure to the risk of exchange rate fluctuations. The Bank does not open significant capital exposures and does not trade with commodities or their derivatives. The only risk factor that the Bank may hedge using derivatives is the Banking Book's interest rate risk. The interest rate risk exposure of this portfolio, as well as of the Trading Book, is monitored daily using interest rate sensitivity and is reported regularly to the relevant authorities. The Bank used exclusively interest rate swaps in the past to hedge this risk exposure resulting from the different duration of assets and liabilities. Currently, the Bank has no hedging derivatives.

8. INFORMATION ON PRICE RISKS, CREDIT RISKS, LIQUIDITY RISKS AND CASH FLOW RISKS TO WHICH THE BANK IS EXPOSED

(Article 20 (5) (b) of Act No. 431/2002 Coll. on Accounting, as amended)

Price change risks in the Bank are monitored and reported for all instruments that can be measured at market values regardless of whether the price change has an impact on the Bank's capital or its profit. Price changes are monitored and reported daily to the Bank's middle and top management. The Bank has stop/loss limits in place.

Credit risks are limited, apart from legislative requirements, by a system of credit limits for individual counterparties or groups of connected entities, limits for segment concentration and country exposure limits. The use of credit limits or credit exposure in the Bank is monitored daily, including reporting to the Bank's middle and top management.

The Bank has defined qualitative and quantitative liquidity limits combined with the liquidity position development scenario and their use is regularly monitored and reported to middle and top management.

APPENDIX

Privatbanka, a.s.

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

Year ended 31 December 2022
and Independent Auditor's Report

This is an English language translation of the original Slovak language document.

Contents

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Building a better working world

Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee of Privatbanka, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Privatbanka, a.s. ("the Bank"), which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). 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 Bank in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. 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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Provisions for loans and advances to customers

Loans and advances to customers valued at amortized cost less impairment as at 31 December 2022 amount to EUR 429,440 thousand and represent a significant portion of the Bank's total assets. As disclosed in Note 6 (Loans and advances to customers) and in Note 7 (Provision for impairment losses) to the financial statements, it includes the gross book value of loans and advances to customers valued at amortized cost of EUR 443,954 thousand and provisions for loans and advances to customers of EUR 14,514 thousand.

Determining the amount and the moment of recognizing provisions for loans and advances to customers requires significant judgments and complex estimates of the management disclosed in Note 2.4 (Significant accounting judgments and estimates) and Note 41 (Financial instruments – credit risk) to the financial statements. The expected credit loss models incorporate assumptions such as the assessment of a significant increase in credit risk, the definition of default, the determination of the amount of expected loss on a defaulted loan and the probability of default, the determination of probabilities and scenarios of expected cash flows on defaulted loans, i.e. estimates of cash flows from the client's economic activity and cash flows from the collaterals securing the loan discounted at the effective interest rate.

The Covid-19 global pandemic, the war in Ukraine, the energy crisis, rising inflation and interest rates introduced additional estimation uncertainties as well as their increased complexity.

Due to the significance of loans and advances to customers in relation to the total assets and significance of the management's judgments and estimates and their complexity regarding the expected credit losses described above, we evaluated provisions for loans and advances to customers as a key audit matter.

As part of our audit procedures, we documented our understanding of the Bank's credit risk management policies. We obtained an understanding, evaluated the design and tested the operating effectiveness of the internal controls over the approval, recording and monitoring of the loans, identification of loss events and impairment triggers and the process of calculating provisions for loans and advances to customers. We involved specialists in the field of IT to assist us with the testing of effectiveness of the internal control mechanisms of IT systems, in which the Bank calculates the credit risk parameters and the provisions for loans and advances to customers.

We also involved credit risk specialists to assist us in assessing the provisioning methodology and related models, their parameters, assumptions and implementation into the system in accordance with the IFRS 9 requirements. We assessed whether the Bank had adequately considered the impact of the Covid-19 pandemic, the war in Ukraine, the energy crisis, rising inflation and interest rates in its valuation assumptions for provisions for impairment losses.

We reconciled a register of loans and advances to customers with accounting records to assess completeness of the recognition of due from customers, which create the basis for the calculation of the provisions.

On a selected sample, we analyzed loan exposures assessed individually by the Bank. For selected performing exposures, we analyzed the economic and financial situation of borrowers and fulfillment of the terms of loan agreements to evaluate appropriateness of the classification into risk categories, so-called 'staging'. In case of non-performing exposures, we assessed the reasonableness of the expected cash flows based on available financial and market data and recalculated the provisions.

We performed analytical procedures on the quarterly development of the provisions per portfolios and stages related to the development of the structure and characteristics of the credit portfolio, reflecting the quality of the loan portfolio in the light of the provisions for loans and advances to customers aimed at identifying portfolios of loans and advances to customers with understated provisions for impairment losses.

We also assessed the disclosures in Note 2.4 (Significant accounting judgments and estimates), Note 6 (Loans and advances to customers), Note 7 (Provision for impairment losses) and Note 41 (Financial instruments – credit risk) to the financial statements regarding provisions for loans and advances to customers in terms of their completeness and compliance with IFRS EU requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 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 Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Bank's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2022 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Bank and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment of Auditor

We were appointed as the statutory auditor by the General Meeting of Shareholder of the Bank held on 24 June 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 2 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on 16 May 2023.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services were provided by us to the Bank.

23 May 2023
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

Privatbanka

Statement of Financial Position as at 31 December 2022
prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

	Note	2022 EUR '000	2021 EUR '000
Assets			
Cash and balances with central banks	4.	165 558	247 571
Loans and advances to banks	5.	36 323	9 411
Loans and advances to customers	6.	429 440	268 380
Securities at fair value through other comprehensive income	8.	62 630	97 583
Securities at amortized cost	9.	100 655	63 111
Investments in subsidiaries	10.	7	7
Tangible and intangible assets	11.	1 236	1 191
Right-of-use assets	12.	2 853	2 090
Deferred tax asset	13.	1 448	19
Other assets	14.	4 109	3 461
Total assets		**804 259**	**692 824**
Liabilities and equity			
Deposits from customers	15.	679 656	567 221
Debt securities issued	16.	2 500	2 998
Current tax liability	17.	125	117
Provisions for liabilities		273	195
Lease liabilities	18.	2 853	2 090
Other liabilities	19.	8 724	11 240
Total liabilities		**694 131**	**583 861**
Equity			
Share capital	20.	25 121	25 121
Capital reserves and funds from profit	20.	5 024	5 024
Accumulated other comprehensive income from securities, including deferred tax	20.	(3 305)	(31)
Retained earnings		83 288	78 849
Total equity		**110 128**	**108 963**
Total liabilities and equity		**804 259**	**692 824**

The notes on pages 13 to 80 form an integral part of these financial statements.

Privatbanka

Income Statement for the year ended 31 December 2022
prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

	Note	2022 EUR '000	2021 EUR '000
Interest income and similar income	26.	16 685	15 042
Interest expense and similar expense	27.	(5 014)	(4 674)
Net interest income		**11 671**	**10 368**
Fee and commission income	28.	14 315	13 858
Fee and commission expense	29.	(854)	(919)
Net fee and commission income		**13 461**	**12 939**
Trading profit	30.	1 168	284
Other income		8	1
Operating income		**26 308**	**23 592**
General operating expenses	31.	(12 670)	(11 609)
Depreciation and amortisation of TA and IA	11.	(399)	(420)
Depreciation of leased assets	12.	(561)	(726)
Operating expense		**(13 630)**	**(12 755)**
Operating profit		**12 678**	**10 837**
(Creation)/release of impairment losses, write-off and assignment of receivables	32.	2 072	2 375
Profit/(loss) from modifications		202	(73)
(Creation)/release of provisions for securities		181	13
Net profit/(loss) from the sale of tangible assets		3	1
(Creation)/release of provisions for liabilities		(78)	(171)
Profit before taxes		**15 058**	**12 982**
Current tax	22.	(2 687)	(2 529)
Deferred tax	22.	559	4
Profit after tax		**12 930**	**10 457**

The notes on pages 13 to 80 form an integral part of these financial statements.

	Note	2022 EUR '000	2021 EUR '000
Profit after tax from the Income Statement		**12 930**	**10 457**
Items that may be reclassified to profit or loss:			
Remeasurement of securities at fair value through other comprehensive income		(4 144)	(1 452)
Deferred tax on securities at fair value through other comprehensive income		870	305
Comprehensive income		**9 656**	**9 310**

The notes on pages 13 to 80 form an integral part of these financial statements.

	Share capital	Retained earnings	Capital reserves and funds from profit	Revaluation reserves on securities at fair value through other comprehensive income (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 31 December 2021	**25 121**	**78 849**	**5 024**	**(31)**	**108 963**
Dividends	-	(8 500)	-	-	**(8 500)**
FX difference	-	9	-	-	**9**
2022 comprehensive income	-	12 930	-	(3 274)	**9 656**
As at 31 December 2022	**25 121**	**83 288**	**5 024**	**(3 305)**	**110 128**

	Share capital	Retained earnings	Capital reserves and funds from profit	Revaluation reserves on securities at fair value through other comprehensive income (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 31 December 2020	**25 121**	**68 382**	**5 024**	**1 116**	**99 643**
FX difference	-	10	-	-	**10**
2021 comprehensive income	-	10 457	-	(1 147)	**9 310**
As at 31 December 2021	**25 121**	**78 849**	**5 024**	**(31)**	**108 963**

The notes on pages 13 to 80 form an integral part of these financial statements.

	Note	2022 EUR '000	2021 EUR '000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	33.	11 896	9 886
(Increase)/decrease in minimum reserve deposits with the NBS		241 665	(116 138)
(Increase)/decrease in loans and advances to customers		(158 178)	54 331
(Increase) in securities at fair value through profit or loss upon purchase of securities		(59)	-
Decrease in securities at fair value through profit or loss upon sale and maturity of securities		57	-
(Increase) in securities at fair value through other comprehensive income upon purchase of securities		-	(36 459)
Decrease in securities at fair value through other comprehensive income upon sale and maturity of securities		30 788	69 273
(Increase)/decrease in other assets		(511)	96
Increase/(decrease) in amounts due to banks		-	(26 417)
Increase/(decrease) in deposits from customers		112 977	(10 592)
Income tax paid		(2 680)	(1 194)
Dividends		(8 500)	-
Increase/(decrease) in other liabilities		(1 943)	6 039
Net cash flows from operating activities		**225 512**	**(51 175)**
Cash flows from investment activities			
(Increase)/decrease in securities at amortized cost upon purchase of securities		(37 477)	-
Decrease in securities at amortized cost upon maturity of securities		-	18 547
Purchase of tangible and intangible assets		(444)	(226)
Sale of tangible and intangible assets		3	1
Net cash flows used in investment activities		**(37 918)**	**18 322**
Cash flow from financing activities			
Increase upon issue of long-term debt securities - bonds		-	5 000
Decrease upon maturity, repurchase and resale of long-term debt securities – bonds		(504)	(2 003)
Net increase/(decrease) in lease liabilities		(561)	(726)
Net cash flows used in financing activities		**(1 065)**	**2 271**
Net increase in cash and cash equivalents		**186 529**	**(30 582)**
Cash and cash equivalents at the beginning of the year	34.	**11 289**	**41 871**
Cash and cash equivalents at the end of the year	34.	**197 818**	**11 289**

The statement of cash flows has been prepared using an indirect method.

The notes on pages 13 to 80 form an integral part of these financial statements.

1. GENERAL INFORMATION

Incorporation
Privatbanka, a.s. ("the Bank") was established on 2 August 1995 and incorporated on 9 August 1995. The Bank commenced its activities on 22 May 1996. The Bank's registered office is Einsteinova 25, 851 01 Bratislava, its identification number is 31 634 419 and its tax identification number is 2020461905.

Principal activities
The principal activities of the Bank, as a holder of a banking license, include the provision of a wide range of banking and financial services to corporate and private customers.

The banking license was granted to the Bank for the following activities:

1. Receipt of deposits
2. Provision of loans
3. Investment in securities on own account
4. Trading on its own account with:
   a) Money market financial instruments in euros and foreign currency including foreign exchange activities
   b) Capital market financial instruments in euros and foreign currency
   c) Coins made of precious metal, commemorative banknotes and coins, sheets of banknotes, and sets of coins for circulation
5. Administration of customer receivables on its account including advisory services
6. Finance leases
7. Provision of guarantees; opening and confirmation of letters of credit
8. Provision of business advisory services
9. Issue of securities, participation in issuing securities and provision of related services
10. Financial intermediation
11. Custody of valuables
12. Safe hire
13. Provision of banking information
14. Acting as a depository according to a special regulation
15. Processing of banknotes, coins, commemorative banknotes and coins
16. Provision of investment services, investment activities, and ancillary services in accordance with Article 79 (1) and in connection with Article 6 (1) and (2) of Act 566/2001 Coll. on Securities and Investment Services and on an amendment to certain acts, as amended, in the following scope:

    I. Acceptance and forwarding of client instructions for one or several of the following financial instruments:
       a) Convertible securities
       b) Money market instruments
       c) Trustee shares or securities issued by foreign collective investment entities
       d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

    II. Execution of clients' instructions on their account in relation to the following financial instruments:
       a) Convertible securities
       b) Money market instruments
       c) Trustee shares or securities issued by foreign collective investment entities
       d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

III. Trading on its own account in the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

IV. Portfolio management of the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

V. Investment consulting concerning the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

VI. Underwriting and placement upon a firm commitment in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities

VII. Placement without a firm commitment in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities

VIII. Custody and management on clients' accounts, including custodian management and related services, in particular management of cash and financial collaterals, of the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities

IX. Granting of loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the business

X. Trading of foreign exchange values if they are associated with the provision of investment services

XI. Performance of investment surveys and financial analysis or other forms of general recommendations for trading the financial instruments

XII. Services related to the underwriting of these financial instruments

17. Provision of payment and clearing services
18. Issue and administration of electronic money

Shareholders' structure
The shareholders' structure is as follows:

%	2022	2021
Penta Financial Services Ltd., Limassol	100,00	100,00
Total	**100,00**	**100,00**

The immediate consolidating entity is Penta Investments Limited, with its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd Floor, 3082 Limassol, Cyprus.

The ultimate parent company is Penta Investments Group Limited, with its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd Floor, 3082 Limassol, Cyprus.

The consolidated financial statements are available at Penta Investments Limited.

Investments in subsidiaries
As at 31 December 2022, the Bank had the following subsidiary:

Name	Activity	Share (%)
Privatfin, s.r.o.	Factoring, forfaiting, business advisory services, leasing services	100

Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Identification number: 36 037 869, is listed in the Business Register of District Court Bratislava I, Section: Sro, File No. 40865/B. The subsidiary does not perform activities in significant volumes. As at 31 December 2022, the subsidiary reported a loss of EUR 0.3 thousand (2021: a loss of EUR 0.3 thousand).

Geographical network
As at 31 December 2022, the Bank performed its activities in the Slovak Republic through the Center of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and 10 regional investment center for non-cash operations in Bratislava, Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava, Prievidza and Nové Zámky. As at 31 December 2022, in the Czech Republic the Bank provided investment services, and acceptance and forwarding of instructions related to one or more financial instruments through a branch of the foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018. Additionally, as at 31 December 2022, the Bank provided other banking activities in the Czech Republic based on the right to free cross-border activity in line with Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Members of the Board of Directors
The members of the Bank's Board of Directors as at 31 December 2022 were as follows:

1. Mgr. Ing. Ľuboš Ševčík, CSc.	Chairman	Appointed on 4 September 2007
2. Ing. Marek Benčat	Member	Appointed on 1 January 2022
3. Ing. Vladimír Hrdina	Member	Appointed on 6 August 2003

Supervisory Board

The members of the Bank's Supervisory Board since 27 September 2022 are as follows:

Elected by the General Meeting:

1. Ing. Marián Slivovič	Chairman	Appointed on 12 May 2021
2. Mgr. Martin Molnár	Member	Appointed on 24 June 2022

Elected by the employees:

3. Ing. Mgr. Milan Čerešňa	Member	Appointed on 24 August 2012
4. Ing. Milan Ondrej	Member	Appointed on 11 May 2021

The members of the Bank's Supervisory Board from 24 June 2022 until 27 September 2022 were as follows:

Elected by the General Meeting:

1. Ing. Marián Slivovič	Chairman	Appointed on 12 May 2021
2. Ing. Marek Hvožďara	Vice-Chairman	Appointed on 27 September 2012
3. Mgr. Martin Molnár	Member	Appointed on 24 June 2022

Elected by the employees:

4. Ing. Mgr. Milan Čerešňa	Member	Appointed on 24 August 2012
5. Ing. Milan Ondrej	Member	Appointed on 11 May 2021

The members of the Bank's Supervisory Board until 24 June 2022 were as follows:

Elected by the General Meeting:

1. Ing. Marián Slivovič	Chairman	Appointed on 12 May 2021
2. Ing. Marek Hvožďara	Vice-Chairman	Appointed on 27 September 2012

Elected by the employees:

3. Ing. Mgr. Milan Čerešňa	Member	Appointed on 24 August 2012
4. Ing. Milan Ondrej	Member	Appointed on 11 May 2021

2. ACCOUNTING POLICIES

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

(2.1) Basis of presentation

The annual separate financial statements of the Bank ("the financial statements") for 2022 and comparative data for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The Bank does not prepare consolidated financial statements, in which Privatfin, s.r.o. (a subsidiary) would be included, because of its immaterial impact on the Bank's financial statements.

Standards and interpretations relating to the Bank's operations that are effective for the current period

The application of the following standards, which have become effective in the current period, do not have a material effect on a bank's financial statements:

• IFRS 3 Business combinations (Appendices) — reference to the conceptual framework

• IAS 16 Property, plant and equipment (Appendices) — components of cost

• IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Appendices) — Onerous Contracts

• Annual improvements 2018-2020 - IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples for IFRS 16 Leases

• IFRS 16 Leases (amendments) — lease concessions related to COVID-19 after 30 June 2021

Standards and interpretations relating to the Bank's operations not in force for the current period:

The Bank did not apply the new and amended standards prematurely in preparing these financial statements and intends to adopt them when they enter into force:

IFRS 17: Insurance contracts
With effect for accounting periods beginning on or after 1 January 2023, with the option of earlier application.

The Bank does not issue contracts to which IFRS 17 applies, therefore its application does not affect the financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practical Guideline 2: Disclosure of Accounting Policies (Appendices)
With effect for accounting periods beginning on or after 1 January 2023, with the option of earlier application.

The appendices provide guidance on the application of materiality assessments in the disclosure of accounting policies. In particular, they replace the disclosure requirement for “significant” accounting policies with the disclosure requirement for “material” accounting policies. The practical statement also adds guidance and illustrative examples to assist in the application of materiality in assessing accounting policy disclosures.

The Bank expects that the Standard on initial application will not have a material impact on its financial statements.

IAS 12 Income Taxes (Appendices): Recognition of Deferred Tax Liabilities and Tax Assets from Transactions Such as Leases and Decommissioning Liabilities
With effect for accounting periods beginning on or after 1 January 2023, with the option of earlier application.

The Bank expects that the Standard on initial application will not have a material impact on its financial statements.

IFRS 16 Leasing: Lease Liabilities on Sale and Leaseback (Appendices)
With effect for accounting periods beginning on or after 1 January 2024, with the possibility of earlier application.

The Bank expects that the Standard on initial application will not have a material impact on its financial statements.

The Bank does not expect the following new and amended standards to have a material impact on its financial statements:

- IAS 8 Accounting policies, changes in accounting estimates and errors (appendices) - definition of accounting estimates
- IAS 1 Presentation of financial statements (appendices) - classification of liabilities as short-term or long-term
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Appendices) - the sale or transfer of assets between an investor and its associate or joint venture

(2.2) Statement of compliance

The purpose of preparing these financial statements in the Slovak Republic is to comply with Act No. 431/2002 Coll. on Accounting, as amended. The Bank prepares its financial statements and Annual Report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting, as amended, the Bank did not prepare consolidated financial statements for the year ended 31 December 2022, since the subsidiary Privatfin, s.r.o. does not have a significant impact on Privatbanka's consolidated group. The judgment on the financial position, expenses, revenues and results of the operations of Privatbanka's consolidated group has not been significantly affected by preparation of only the Bank's separate financial statements.

On 24 June 2022, the Bank's General Meeting approved the financial statements prepared in accordance with IFRS as at 31 December 2021.

The financial statements are intended for general use and information and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

(2.3) Basis of preparation

All data are stated in euros (EUR, €). The unit of measure is thousands of euros, unless specified otherwise. The data in parentheses represent negative values.

A branch operating in the Czech Republic is included in the financial statements. Assets and liabilities of the branch are translated to EUR using the exchange rate valid as at the reporting date. Income and costs of the branch abroad are translated to EUR using the exchange rate valid as at the transaction date. Exchange rate gains/losses arising from these transactions are recognized directly in equity.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial investments, assets, liabilities and derivatives at fair value.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value. Other financial and non-financial assets and liabilities are measured at amortized cost or historical cost less provisions.

These financial statements were prepared under the assumption that the Bank will continue operating as a going concern for the foreseeable future.

The Bank has a controlling interest in the subsidiary as stated in Note 10. In these financial statements, the subsidiary is recognized at cost, taking into account losses from impairment.

(2.4) Significant accounting judgments and estimates

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

Significant areas that require judgment and estimates:

- Provisions for liabilities are based on management judgments and represent the best estimate of expenditures required to settle a liability with uncertain timing or an amount resulting from an obligation.
- For leases designated in IFRS 16, the Bank assesses the term of such contracts, including contracts with an indefinite term and contracts with an option to extend the term of a contract, the

determination of interest rates to be applied for the discounting of future cash flows and the determination of depreciation/amortization rates.

- When determining fair values of financial instruments for which a market price is not available, the Bank follows the procedure described in Note 2.6.7.
- The Bank continuously monitors the loan portfolio and performs an assessment of receivables from loan transactions on a specific or portfolio basis to identify client defaults and the related settlement of the client's liabilities to the Bank. Subsequently, the Bank quantifies (on a quarterly basis) the impact of default on recognized financial assets.
  The identification of expected losses requires the use of models and assumptions on future economic conditions and the credit behavior of clients. Significant judgments are:
  - Determination of criteria for a significant increase of credit risk
  - Selection of appropriate models and assumptions to measure expected credit losses using probability of default (PD) and loss given default (LGD)
  - Determination of probabilities and scenarios of expected cash flows from defaulted financial assets
  - Establishing groups of similar financial assets for the purposes of portfolio measurement of expected credit losses

For more details on the algorithm used to calculate provisions, refer to Note 41. Financial Instruments – Credit Risk. Given the current economic conditions, the final estimates may differ from the provisions recognized as at 31 December 2022.
The Bank does not expect to realize benefits from tax non-deductible provisions in the future. Therefore, it does not recognize a deferred income tax asset arising from tax non-deductible provisions.

(2.5) Summary of significant accounting policies

(1) IFRS 9 "Financial Instruments"

The International Financial Reporting Standard "Financial Instruments" ("IFRS 9") was applied by Privatbanka, a.s. for the first time as of 1 January 2018. The standard covers three main areas: classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

All financial assets, except for equity securities and derivatives, are classified based on the Bank's business model, and based on contractual cash flow characteristics of individual assets in compliance with the requirements of IFRS 9. Classification is according to the following categories, based on measurement of financial assets at:

- Fair value through profit or loss
- Fair value through other comprehensive income
- Amortized cost

Impairment

Under IFRS 9, the incurred loss principle was replaced by the expected loss principle in the impairment calculation model. The new model is applied to all loan receivables and financial assets which are not measured at fair value through profit or loss, including off-balance sheet liabilities.

Impairment recognized through a provision for impairment losses is based on expected losses arising from the probability of default of a financial asset in the following 12 months. If there has been a significant increase in the credit risk of the financial asset since its initial recognition, the provision is based on the expected losses over the entire maturity period of the financial asset. The Bank assesses whether there was a significant increase in credit risk based on the criteria defined in internal guidelines.

Loans

Loans are assessed, measured and recognized by the Bank on an individual and portfolio basis. Loans are assessed on an individual basis, unless they are included in a group of loans as a portfolio. The Bank has created five portfolios, which group loans according to similar credit risk characteristics.

The Bank classifies loans in accordance with IFRS 9 in three stages as follows:

Stage 1 – standard loans: upon initial recognition of a loan and the Bank calculates provisions based on expected losses based on the probability of default in the following 12 months.

Stage 2 – risk-bearing loans: in the event of a significant increase in credit risk, the Bank calculates provisions based on expected losses over the full lifecycle of a loan.

Stage 3 – defaulted loans: the Bank calculates provisions based on expected losses over the full lifecycle of a loan.

For assets classified as standard or risk-bearing loans (Stage 1 and Stage 2), interest income is recognized based on the gross carrying amount of assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

Loans are only classified in Stage 3 if there is objective evidence that the client will default on its liability to the Bank.

For portfolio-assessed loans, the Bank calculates provisions based on the principle of expected loan losses for the lifecycle of the loan.

Securities

When calculating provisions for securities, the Bank applies the same approach as when calculating provisions for loans assessed individually, as described above.

Modified Financial Assets

Under IFRS 9, modification occurs when the contractual cash flows of a financial asset are renegotiated or otherwise modified (in particular, by adjusting the repayment schedule, extending the maturity of the loan or by changing the interest rate/margin) and such a renegotiation or modification does not result in the derecognition of the financial asset. A modification may occur at any time over the full lifecycle/holding of a financial asset, i.e., from initial recognition until the repayment or sale of the financial asset. As regards Privatbanka, a.s., the receivables (financial assets) are usually modified upon their maturity.

The Bank differentiates between two types of modification:

- Unforced modification
- Forced modification (restructuring)

Through unforced modification of a financial asset, the client has no financial difficulties and the Bank does not grant any concession to the client without which it would be unable to meet its obligation. The Bank applies unforced modification mainly for commercial reasons.

A forced modification is applied where the client has financial difficulties, due to which the Bank grants a concession. This is a modification to the repayment schedule, or an extension of the loan's maturity, or a decrease in the interest rate. In its internal guidelines, the Bank has defined characteristics that may indicate that the client has financial difficulties.

The Bank calculates the impact of the modification of the contractual cash flows as the difference between the gross value of the financial asset prior to the modification and the present value of the modified cash flows discounted using the original effective interest rate or market interest rate.

If the calculated impact of the modification of the contractual cash flows does not exceed the materiality level set by the Bank, the Bank does not record and recognize the impact of the modification.

(2) Foreign currency translation
Transactions denominated in foreign currencies are translated to euros using the rates of exchange of the ECB or other commercial banks available on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing on the reporting date. Exchange rate gains/losses are included in the Income Statement in "Trading profit".

(3) Cash and cash equivalents
The Bank considers cash, current accounts with the National Bank of Slovakia (NBS) or other financial institutions, term deposits with other financial institutions with residual maturity up to three months, and treasury bills with a residual maturity of up to three months, to be cash equivalents. For the purposes of determining cash flows, the minimum reserve deposit with the NBS is not included as cash equivalent due to restrictions on its availability.

(4) Financial instruments – recognition and measurement

(i) Date of initial recognition
Purchases or sales of financial assets that require the delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognized as at the date of settlement. Derivatives are recognized as at the trade date.

(ii) Initial measurement of financial instruments
The classification of individual financial instruments depends on the Bank's business model and the cash flow characteristics of a particular financial instrument. Each debt financial instrument must undergo an SPPI testing based on the known parameters of such an instrument at initial classification in the Bank's assets. At initial recognition, the financial instruments are measured at fair value, including the transaction costs.

(iii) Financial investments at amortized cost
Financial investments at amortized cost are financial investments held as part of the Bank's business model to collect contractual cash flows; the contractual terms of financial investments define the exact values and amounts of instalments that are solely payments of principal and interest on the principal amounts. After initial recognition, the financial investments are then measured at amortized cost using the effective interest rate method, net of the provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortization is included in "Interest income and similar income" in the Income Statement. Impairment losses on such investments are recognized under "(Creation)/release of provisions for securities" in the Income Statement.

(iv) Loans and advances to banks and loans and advances to customers
After initial recognition, the loans and advances to banks and the loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortization is included in "Interest income and similar income" in the Income Statement. Impairment losses on such investments are recognized under "(Creation)/release of provisions for impairment losses, write-off and assignment of receivables" in the Income Statement.

(v) Financial assets at fair value through profit or loss
Financial instruments at fair value through profit or loss comprise financial derivative instruments and securities at fair value through profit or loss. Securities at fair value through profit or loss comprise financial assets held for trading and assets that did not meet the SPPI test.

Financial instruments at fair value through profit or loss are recognized at fair value. Gains and losses from revaluation are presented in the Income Statement as "Trading profit". Interest earned while holding securities held for trading is reported using the effective interest rate as interest income in the Income

Statement as "Interest income and similar income". Dividends earned while holding financial investments are recognized in the Income Statement as "Trading profit" when the right to payment has been established.

Financial derivatives include currency and interest rate swaps and forwards, FRA and currency options (call and put options) and other financial derivatives for the purposes of trading and interest rate risk and exchange rate risk management. Financial derivatives are measured at fair value. Unrealized gains and losses on financial derivatives are recognized as "Other assets" or "Other liabilities". Realized and unrealized gains and losses on derivatives entered into for trading purposes are included in the Income Statement in "Trading profit".

Derivatives held as hedging instruments for risk management purposes are remeasured to fair value at the end of each reporting period. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge
When a derivative is designated as a hedge of the change in fair value of a recognized asset or liability or a firm off-balance sheet irrevocable commitment, changes in the fair value of the derivative are recognized immediately in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same income statement line as the hedged item).

Hedge accounting is discontinued if the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked. Any adjustment to a hedged item for which the effective interest method is used is amortized to income as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge
When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognized directly in equity. The amount recognized in equity is removed and included in the Income Statement in the same period as the hedged cash flows affect the Income Statement under the same income statement line as the hedged item.

Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If a derivative expires or is sold, terminated or exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognized in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognized immediately in the income statement.

The relationship between the hedging instrument and the hedged item, risk management objectives, and the implementation strategy of various hedging transactions are documented at the beginning of the hedge relationship. From the origin of the hedging, the Bank continuously documents whether the hedging instrument is highly effective in offsetting changes in the fair values or cash flows of the hedged item.

Hedging derivatives are defined as derivatives following the Bank's risk management strategy, the hedge relationship is officially documented and the hedging is effective [run-on].

Embedded derivatives
Derivatives may be embedded in another contractual arrangement ("the host contract"). The Bank accounts for embedded derivatives separately from the host contract when that is not itself carried at fair value through income and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated, embedded derivatives are recognized depending on their classification and are presented in the balance sheet together with the host contract.

(vi) Securities at fair value through other comprehensive income
Debt securities at fair value through other comprehensive income are financial investments that are held as part of the Bank's business model to collect contractual cash flows as well as their sale. The contractual terms of financial investments determine the exact values and amounts of instalments that are solely payments of principal and interest on the principal amounts. This category also includes equity instruments not held for trading.

After initial recognition, the securities at fair value through other comprehensive income are measured at fair value. Unrealized gains and losses are recognized directly in equity under "Revaluation reserves on securities at fair value through other comprehensive income including deferred tax". When the financial asset is sold, the cumulative gain or loss previously recognized in equity is recognized in the Income Statement in "Trading profit". Where the Bank holds more than one investment in the same financial asset, they are deemed to be disposed of on an average price basis. Interest income on holding financial investments at fair value through other comprehensive income is recognized using the effective interest rate as interest income in the Income Statement under "Interest income and similar income". Dividends earned while holding financial investments are recognized in the Income Statement as "Trading profit" when the right of the payment has been established. Impairment losses on such investments are recognized in the Income Statement under "(Creation)/release of provisions for securities" and are derecognized from equity ("Revaluation reserves on securities at fair value through other comprehensive income including deferred tax").

(vii) Deposits from customers, due to banks and debt securities issued
Deposits from customers, due to banks, and debt securities issued are financial instruments, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder or other banks.

After initial recognition, deposits from customers, due to banks, and debt securities issued are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the face value and initial costs that are an integral part of the effective interest rate. The corresponding interest expense is recognized in the Income Statement in the line "Interest expense and similar expense".

(5) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset or where applicable, a part of a financial asset or group of similar financial assets, is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement
- The Bank has transferred substantially all the risks and rewards of the asset
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of it

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Bank's continuing exposure. Continuing exposure that takes the form of a guarantee over the transferred asset is measured at the lower of a) the original carrying amount of the asset, and b) the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and recognition of a new liability, and the difference in the relevant carrying amounts is recognized in the Income Statement.

(6) Repurchase and reverse repurchase agreements
Transactions in which securities are sold under a commitment to repurchase (repos) at a predetermined price or purchased under a commitment to resell (reverse repos) are treated as received loans in “Due to banks” or “Deposits from customers” with the security transfer of securities or as loans granted in “Loans and advances to banks” or “Loans and advances to customers”. The Bank recognizes interest income on securities transferred under a repurchase commitment while interest income on securities received under a resale commitment is not accrued.

Income and expenses arising from repurchase and reverse repurchase commitments, being the difference between the selling and purchase prices of the securities, are accrued over the period of the transaction and recorded in the Income Statement as “Interest income and similar income” or “Interest expense and similar expense”.

(7) Determination of fair value
Based on the used input data for the fair value estimates, the calculation of the fair values of the Group’s financial assets and liabilities can be classified into one of three levels:

Level 1: Quoted prices from active markets for identical assets or liabilities

Level 2: Inputs other than “Level 1” quoted prices, which can be obtained for assets or liabilities either directly (e.g., prices) or indirectly (derived from interest rates etc.)

Level 3: Input data for assets or liabilities, which cannot be derived from market data

Determination of the fair value of financial instruments:

- Corresponds to their quoted price in an active market as at the reporting date, without any deduction for transaction costs
- Using valuation techniques such as theoretical price derived from the proceeds, as read from the yield curve of government bonds and the credit margin of issuers’ debt securities with comparable credit risk under generally accepted revaluation rules, if the quoted market price is not available or there is no active market for the applicable financial instrument
- Using valuation techniques, involves financial instruments being measured and periodically reviewed by qualified personnel independent of the field of their creation and if practically feasible, models use only observable data but areas such as credit risk, volatility and liquidity require expert estimates, with changes in the assumptions related to these factors affecting the reported fair value of financial instruments
- Such as shares and other corporate equity securities whose price is not listed on an active market is stated at cost less impairment, which is considered a reasonable fair value estimate
- Such as government and NBS treasury bills is determined by discounting the face value to present value by the required proceeds by maturity derived from the applicable rates effective on the interbank market
- Such as OTC derivatives discounts future cash flows to their present value using verifiable market data

With respect to the definition of the fair value of financial instruments that are not revalued to fair value, the Bank applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market values. More detailed information on the methods of calculation of fair values of financial instruments not revalued to fair value is provided in Note 44.

To determine the fair values of its financial assets and liabilities, the Bank uses information from the Bloomberg system, where the value is determined by the values of various contributors (financial market entities contributing their prices into the information system) and other important market information.

(8) Impairment of financial assets
The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The value of a financial asset or a group of financial assets is

reduced if, and only if, the Bank identifies a client default due to one or more events that occurred after the initial recognition of the financial asset and that event (or events) has an impact on the estimated future cash flows of the financial asset, or the group of financial assets that can be reliably estimated. Criteria identifying client default towards the Bank may apply to situations where the borrower (or a group of borrowers) is in financial difficulty, is in default or delinquency as regards interest or principal payments, which are overdue by more than 90 days, if they enter bankruptcy, or other cases where observable data indicate that the client will probably fail to meet its obligations in the full amount towards the Bank.

(i) Loans and advances to banks and loans and advances to customers
For loans and advances to banks and loans and advances to customers, the Bank first assesses individually whether objective evidence of impairment exists for individually assessed items of financial assets.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred as at the reporting date). The carrying amount of the asset is reduced through use of an account of impairment losses and the amount of the loss is recognized in the Income Statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases owing to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the account of impairment losses. The unrecovered portion of the loans is written off by the Bank as a loss after all means for recovery of the receivable have been applied including the realization of the receivable's collateral. The Bank does not recognize written-off loans in the off-balance sheet.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that will be generated from the realization of the collateral less costs of sale.

If the Bank concludes that no objective evidence of impairment exists for an individually assessed financial asset and such an asset shows common indications characteristic for individual portfolios created by the Bank, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment are not included in a collective assessment of impairment.

For the collective recognition of impairment, financial assets are grouped using the Bank's internal credit classification system that considers similar credit risk characteristics, in particular type of financial asset, type of debtor, security method, and other relevant factors.

The selected types of loans to customers where no default was identified on an individual basis are classified as portfolios with similar risk characteristics. Provisions created for financial asset portfolios are used to cover losses that have not been identified on an individual basis but are based on objective historical experience and they are embedded in individual portfolios. Portfolio provisions are intended to reflect the risk of loss that has not yet been individually identified but based on historical experience and the impact of current economic market conditions, included in individual portfolios.

The Bank has five portfolios created for the collective (portfolio) measurement of receivables with common characteristics. The Bank's loan portfolios comprise the portfolio of loans and current account overdrafts provided to the Bank's employees, the portfolio of current account overdrafts provided to private banking customers, the portfolio of loans provided to individuals as housing loans, the portfolio of loans provided to private banking customers as loans secured by the portfolio of the customers' securities managed by the Bank and the portfolio of loans provided to the Bank's customers included in the Bank's watch list (closer monitoring).

The Bank does not have a sufficiently long series for the calculation of an historical default rate for the loan portfolios. The Bank developed a model for the calculation of provisions for loan portfolios. The amount of such provisions is defined as a percentage of the total portfolio value and depends on the probability of default and loss given default. The input data for the model comprise regular monthly statements reported by the NBS on the status of loans in the banking sector for the preceding periods and a loan portfolio report of the Bank. The incurred but not identified loss at the end of 2022 amounted to loans representing:

- Current account overdrafts provided to employees – 0.68% of the portfolio
- Collateralised current account overdrafts provided to private banking customers – 3.58% of the portfolio
- Housing loans – 3.13% of the portfolio
- Collateralised loans provided to private banking customers – 3.14% of the portfolio
- Watch list loans – 5.62% of the portfolio

The Bank monitors changes in economic conditions of the relevant market and regularly reassesses the amount of portfolio provisions. The Bank also tests the model quality by comparison with the realized losses from the loan portfolio for the previous year.

Additional information on credit risk management is provided in Note 41. Financial Instruments – Credit Risk

(ii) Financial investments at amortized cost
For investments measured at amortized cost, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the Income Statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts previously disclosed in expenses are credited to the “Loss on impairment of financial investments”.

(iii) Financial investments at fair value through other comprehensive income
For financial investments at fair value through other comprehensive income, the Bank assesses as at the reporting date whether there is objective evidence of impairment of the investment or a group of investments.

For equity investments classified as measured at fair value through other comprehensive income, objective evidence would include a significant or long-term decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from equity and recognized in the Income Statement. Provisions for equity investments are not reversed through the Income Statement. Increases in their fair value after impairment are recognized directly in equity.

For debt instruments classified as measured at fair value through other comprehensive income, impairment is assessed based on the same criteria as for financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate and is recorded as part of “Interest income and similar income”. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Income Statement, the provision for the financial assets is reversed through the Income Statement.

(iv) Renegotiated loans
The Bank prefers to restructure loans rather than perfect the collateral if such procedure improves or strengthens its position as a creditor. Restructuring may include the extension of repayment dates and

the agreement of new credit terms and conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment for impairment expressed as a provision.

(9) Accrued interest income and expense
Accrued interest income and expense related to financial assets and liabilities are presented as at the reporting date together with the corresponding assets and liabilities in the statement of financial position.

(10) Tangible and intangible assets
Tangible and intangible assets are recognized at historical cost less accumulated depreciation and provisions for impairment losses. Tangible and intangible assets are depreciated/amortized as follows:

Buildings and structures	20 to 40 years, linear
Software	Up to 5 years, linear
Other assets	4 to 12 years, linear

Land and assets under construction are not depreciated.

Gains and losses on the sale of tangible and intangible assets are determined by reference to their net book value and are recognized in the Income Statement in the year of disposal. Low-value tangible and intangible assets and technical improvements costing less than EUR 1,700 in the case of tangible assets, and EUR 2,400 in the case of intangible assets, are recognized in the Income Statement when the expenditure is incurred.

Costs associated with the maintenance of existing software are expensed through “General operative expenses” as incurred, while the costs of technical improvements are capitalized and increase the cost of software.

(11) Impairment of tangible and intangible assets
At each reporting date, the Bank 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 to determine the extent of impairment loss (if any).

The recoverable amount is the higher of fair value less costs of sale and present value of future cash flows expected to be derived from the asset. If any of the above amounts 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 is reduced to equal the recoverable amount. The impairment loss is recognized directly in the Income Statement.

(12) IFRS 16 Leases
The International Financial Reporting Standard “Leases” (IFRS 16) was applied by the Bank for the first time as of 1 January 2019.

This standard removes the dual model of accounting by the lessee. Instead, it requires that companies recognize most leases in the balance sheet under a single model eliminating the distinction between an operating lease and a finance lease. In accordance with IFRS 16, a contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset over a certain period in exchange for consideration. For such contracts, the new model requires the lessee to recognize a right-of-use asset and a lease liability. The right of use is amortized over the term of the lease contract and the liability bears interest.

The new standard introduces several exemptions for a lessee, which include:

- Leases with a lease term of 12 months or less which do not include a purchase option
- Leases for which the underlying asset is of low value

The Bank applied the above exemptions.

After the application of IFRS 16, the Bank measures lease liabilities at the present value of receivables from lease payments. Lease payments are discounted using the interest rate implicit in the lease. The Bank uses a zero implicit interest rate.

Right-of-use assets are initially measured at cost, which comprises:
- Initial estimate of lease liabilities
- Any lease payments made at or before the commencement date of the lease, less any receivable from lease incentives
- Any initial costs directly incurred by the lessee through entering into a lease contract
- An estimate of costs which will be incurred by the lessee due to an obligation to dismantle and remove the underlying asset or to carry out refurbishment/restoration

(13) Guarantees issued
In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and accepted notes. Financial guarantees are initially recognized at fair value, in “Other liabilities”. Upon initial recognition, the Bank’s liability under each guarantee granted is measured at the higher of the amortized cost and the best estimate of expenditures required to settle any financial obligation arising as a result of the guarantee and is recognized in “Other liabilities”.

(14) Provisions for liabilities
A provision is a liability of uncertain timing or amount. A reserve is recognized when the Bank has an obligation (legal or constructive) as a result of past events, it is probable that the satisfaction of the obligation will require a cash outflow and, at the same time, the amount of the obligation can be reliably estimated.

The amount of provisions for liability is recognized based on the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision for liability is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision for liability are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount of the receivable can be measured reliably.

(15) Recognition of income and expenses

(i) Interest expense and interest income
Interest expense and interest income are recorded in the Income Statement on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability, or a group of financial assets or liabilities, by allocating interest income and income expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument so that they correspond to the net carrying amount of the financial asset or financial liability.

Fees earned for the provision of loans and loan commitments that compensate activities performed to maintain the instrument are recorded on an accrual basis and recognized as effective interest rate adjustments.

Interest expenses and interest income also include transaction fees at the origin of the financial instrument.

For assets classified as standard or risk-bearing (Stage 1 and Stage 2), interest income is recognized based on the gross carrying amount of assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

(ii) Fee and commission income and expenses
Fees earned for the administration of loans and other received and paid fees are recorded in the Income Statement when the service is provided or received. The Bank receives fees primarily in connection with the issue of securities for related parties.

(iii) Income tax
Income tax includes current tax and deferred tax.

Current income tax represents the expected tax liability resulting from taxable income for the year calculated at the tax rate as at the reporting date with any current income tax adjustments from previous years.

Deferred income tax is calculated using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is calculated at the tax rates that are expected to apply to the period when the time differences are reversed.

Deferred income tax assets are only recognized to the extent that it is probable that taxable profits will be available against which non-utilized tax losses and credits can be applied. Deferred income tax assets are decreased to the extent that it is not probable that the related tax benefits can be realized.

Deferred income tax is charged or credited to the Income Statement, except when such deferred income tax relates to items charged or credited directly to equity, in which case the deferred tax is also recorded in equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and when they relate to income taxes levied by the same tax authority and the Bank intends to settle its current income tax assets and liabilities on a net basis.

(16) Subsidiaries and other equity investments

The financial statements present the accounts and results of the Bank only.

Subsidiaries
An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of such subsidiary's share capital or in which the Bank can exercise more than 50% of the voting rights, or where the Bank can appoint or dismiss the majority of the Board of Directors or Supervisory Board members or have other means of governing the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are valued at cost less provisions for impairment.

Other equity participations
Other equity participations represent investments with less than a 20% share of the share capital and voting rights. Such investments are measured using the fair value model applicable on the available-for-sale securities. Investments for which no quoted market prices on an active market are available or investments the fair value of which cannot be determined reliably are recognized at cost.

(17) Transactions with securities for customers
Securities received by the Bank into custody and for deposit are recognized at face value in the off-balance sheet. The securities taken over by the Bank for management are recognized at fair value in the off-balance sheet. The Bank's amounts due to customers are recognized as "Deposits from customers" in the balance sheet owing to cash received for purchase of securities and cash to be returned to clients.

(18) Regulatory requirements
The Bank is subject to the regulatory requirements of the central bank. These regulations include those pertaining to capital adequacy, classification of loans and off-balance sheet commitments, asset concentration, credit risks associated with the Bank's clients, liquidity, interest rates, and foreign currency position.

3. RECOGNITION OF SELECTED ASSETS BY GEOGRAPHICAL AREA

Classification by geographical area as at 31 December 2022:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities at fair value through other comprehensive income	Securities measured at amortised cost	Investments in subsidiaries
Cyprus	-	-	21 053	-	-	-
Czech Republic	60	17 728	53 018	13 797	-	-
France	-	-	-	9 934	-	-
Ireland	-	-	-	2 205	-	-
Latvia	-	-	-	-	10 046	-
Liechtenstein	-	-	99 187	-	-	-
Hungary	-	-	-	-	10 172	-
Poland	-	-	38 498	-	-	-
Austria	-	2 321	183	4 357	-	-
Romania	-	11	8 194	-	-	-
Slovak Republic	165 291	16 263	223 821	10 633	77 851	7
Slovenia	-	-	-	2 632	2 696	-
United States of America	116	-	-	19 164	-	-
Switzerland	21	-	-	-	-	-
United Kingdom	70	-	-	-	-	-
Total, gross	165 558	36 323	443 954	62 722	100 765	7
Provisions (Note 7)	-	-	(14 514)	(92)	(110)	-
Total, net	165 558	36 323	429 440	62 630	100 655	7

Classification by geographical area as at 31 December 2021:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities at fair value through other comprehensive income	Securities measured at amortised cost	Investments in subsidiaries
Cyprus	-	-	6 714	-	-	-
Czech Republic	180	1 736	49 426	15 991	-	-
France	-	-	-	10 369	-	-
Netherlands	-	-	-	-	-	-
Ireland	-	-	-	2 525	-	-
Latvia	-	-	-	-	10 091	-
Hungary	-	-	10	-	10 153	-
Germany	-	62	-	-	-	-
Poland	-	2 473	43 874	-	-	-
Austria	-	1 864	7 167	4 957	-	-
Romania	-	11	9 391	-	-	-
Slovak Republic	247 175	3 265	168 631	21 753	40 103	7
Slovenia	-	-	-	8 006	2 791	-
United States of America	102	-	-	28 817	-	-
Switzerland	33	-	-	-	-	-
Sweden	-	-	-	5 499	-	-
Italy	-	-	-	-	-	-
United Kingdom	81	-	-	-	-	-
Total, gross	247 571	9 411	285 213	97 917	63 138	7
Provisions (Note 7)	-	-	(16 833)	(334)	(27)	-
Total, net	247 571	9 411	268 380	97 583	63 111	7

4. CASH AND BALANCES WITH CENTRAL BANKS

EUR '000	2022	2021
Cash on hand	2 015	1 878
Term deposits in NBS	159 480	-
Minimum reserve deposits at NBS	4 063	245 693
Total cash and balances with central banks	**165 558**	**247 571**

Receivables from central banks are not secured by any collateral.

The minimum reserve deposits are recognized as a deposit under the regulations of the National Bank of Slovakia. The amount of the reserves depends on the level of deposits accepted by the Bank. The Bank's ability to withdraw the reserve is restricted by statutory legislation; therefore, it is not included in "Cash and balances with central banks" for the purposes of cash flow statement preparation (see Note 34).

5. LOANS AND ADVANCES TO BANKS

EUR '000	2022	2021
Current bank accounts	6 713	4 697
Term deposits with banks	28 016	2 999
Other amounts due from banks	1 594	1 715
Total loans and advances to banks	**36 323**	**9 411**

Loans and advances to banks have not been secured by any collateral.

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Breakdown of loans and advances to customers by type

EUR '000	2022	2021
Loans and borrowings to		
corporate entities	**429 189**	**273 892**
Stage 1	304 306	191 145
Stage 2	92 664	49 981
Stage 3	32 219	32 766
individuals	**14 765**	**11 321**
Stage 1	312	127
Stage 2	13 023	9 805
Stage 3	1 430	1 389
Total loans and advances to customers, gross	**443 954**	**285 213**
Provisions for loans and advances to customers (Note 7)	(14 514)	(16 833)
Total loans and advances to customers, net	**429 440**	**268 380**

The decrease in provisions for loans and advances to customers was primarily due to:

- Repayment of part of non-performing loans (stage 3) and dissolution of relevant provisions
- Write-off of part of non-performing loans in parallel with the dissolution of the same quantity of provisions
- Review of cash flow scenarios when calculating provisions for non-performing loans

As at 31 December 2022, the 15 largest customers accounted for 62.25% of the gross loan portfolio, which amounted to EUR 276,355 thousand (2021: 53.22%, EUR 151,785 thousand).

Further details on credit risk are described in Note 41.

(b) Breakdown of loans and advances to customers by sector

The table below details the breakdown of loans and advances to customers by sector as at 31 December 2022.

EUR '000	Stage 1	Stage 2	Stage 3	**Total**
Residents				
Financial institutions	-	8 121	435	**8 556**
Non-financial institutions	116 485	61 945	22 655	**201 085**
Public administration	-	123	-	**123**
Non-profit organisations	-	300	-	**300**
Self-employed	122	17	-	**139**
Individuals	190	11 998	1 430	**13 618**
Non-residents				
Financial institutions	18 972	-	-	**18 972**
Non-financial institutions	168 849	22 175	9 129	**200 153**
Individuals	-	1 008	-	**1 008**
Total loans and advances to customers, gross	**304 618**	**105 687**	**33 649**	**443 954**
Provisions for loans and advances to customers (Note 7)	(1 638)	(3 731)	(9 145)	**(14 514)**
Total loans and advances to customers, net	**302 980**	**101 956**	**24 504**	**429 440**

The table below details the breakdown of loans and advances to customers by sector as at 31 December 2021.

EUR '000	Stage 1	Stage 2	Stage 3	**Total**
Residents				
Financial institutions	8 213	-	324	**8 537**
Non-financial institutions	106 410	18 033	24 170	**148 613**
Public administration	-	427	-	**427**
Non-profit organisations	196	10	-	**206**
Self-employed	127	23	-	**150**
Individuals	-	9 319	1 379	**10 698**
Non-residents				
Financial institutions	18 972	-	-	**18 972**
Non-financial institutions	57 354	31 511	8 272	**97 137**
Individuals	-	463	10	**473**
Total loans and advances to customers, gross	**191 272**	**59 786**	**34 155**	**285 213**
Provisions for loans and advances to customers (Note 7)	(712)	(3 723)	(12 398)	**(16 833)**
Total loans and advances to customers, net	**190 560**	**56 063**	**21 757**	**268 380**

(c) Breakdown of loans and advances to customers per purpose

The table below details the breakdown of loans and advances to customers by purpose as at 31 December 2022.

EUR '000	Stage 1	Stage 2	Stage 3	**Total**	Share (%)
Short-term loans	**108 015**	**24 350**	**2 926**	**135 291**	
Operating	1 808	21 600	2 926	**26 334**	5,93
Investment	99 711	2 750	-	**102 461**	23,08
Project	6 496	-	-	**6 496**	1,46
Long-term loans	**196 603**	**81 337**	**30 723**	**308 663**	
Operating	22 291	14 020	4 680	**40 991**	9,23
Investment	120 691	51 713	7 564	**179 968**	40,54
Project	53 621	15 604	18 479	**87 704**	19,76
Total loans and advances to customers, gross	**304 618**	**105 687**	**33 649**	**443 954**	**100,00**
Provisions for loans and advances to customers (Note 7)	(1 638)	(3 731)	(9 145)	**(14 514)**	
Total loans and advances to customers, net	**302 980**	**101 956**	**24 504**	**429 440**	

The table below details the breakdown of loans and advances to customers by purpose as at 31 December 2021.

EUR '000	Stage 1	Stage 2	Stage 3	**Total**	Share (%)
Short-term loans	**20 243**	**3 863**	**3 324**	**27 430**	
Operating	13 242	861	3 324	**17 427**	6,11
Investment	7 001	3 002	-	**10 003**	3,51
Project	-	-	-	**-**	0,00
Long-term loans	**171 029**	**55 923**	**30 831**	**257 783**	
Operating	21 318	5 421	5 491	**32 230**	11,30
Investment	106 003	47 338	8 171	**161 512**	56,63
Project	43 708	3 164	17 169	**64 041**	22,45
Total loans and advances to customers, gross	**191 272**	**59 786**	**34 155**	**285 213**	**100,00**
Provisions for loans and advances to customers (Note 7)	(712)	(3 723)	(12 398)	**(16 833)**	
Total loans and advances to customers, net	**190 560**	**56 063**	**21 757**	**268 380**	

(d) Risk categorization of loans to customers

The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2022. The estimate of collateral value is a recoverable portion.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	**66 328**	**3 303**	**4,98%**	**32 986**	**54,71%**
Individuals	13 023	381	2,93%	3 262	27,97%
of which: Stage 1	-	-	-	-	-
Stage 2	13 023	381	2,93%	3 262	27,97%
Stage 3	-	-	-	-	-
Corporate entities	53 305	2 922	5,48%	29 724	61,24%
of which: Stage 1	-	-	-	-	-
Stage 2	53 305	2 922	5,48%	29 724	61,24%
Stage 3	-	-	-	-	-
Specific provisions	**377 626**	**11 211**	**2,97%**	**257 480**	**71,15%**
Individuals	1 742	569	32,66%	1 289	106,66%
of which: Stage 1	312	-	-	313	100,32%
Stage 2	-	-	-	-	-
Stage 3	1 430	569	39,79%	976	108,04%
Corporate entities	375 884	10 642	2,83%	256 191	70,99%
of which: Stage 1	304 306	1 638	0,54%	212 863	70,49%
Stage 2	39 359	428	1,09%	17 952	46,70%
Stage 3	32 219	8 576	26,62%	25 376	105,38%
Total	**443 954**	**14 514**	**3,27%**	**290 466**	**68,70%**

In 2022, interest income on impaired loans to customers (Stage 3) amounted to EUR 911 thousand (2021: EUR 1,882 thousand).

The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2021. The estimate of collateral value is a recoverable portion.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	**59 474**	**3 721**	**6,26%**	**29 347**	**55,60%**
Individuals	9 805	340	3,47%	2 214	26,05%
of which: Stage 1	-	-	-	-	-
Stage 2	9 805	340	3,47%	2 214	26,05%
Stage 3	-	-	-	-	-
Corporate entities	49 669	3 381	6,81%	27 133	61,43%
of which: Stage 1	-	-	-	-	-
Stage 2	49 669	3 381	6,81%	27 133	61,43%
Stage 3	-	-	-	-	-
Specific provisions	**225 739**	**13 112**	**5,81%**	**129 777**	**63,30%**
Individuals	1 516	625	41,23%	1 025	108,84%
of which: Stage 1	127	-	-	127	100,00%
Stage 2	-	-	-	-	-
Stage 3	1 389	625	45,00%	898	109,65%
Corporate entities	224 223	12 487	5,57%	128 752	62,99%
of which: Stage 1	191 145	712	0,37%	105 181	55,40%
Stage 2	312	2	0,64%	218	70,51%
Stage 3	32 766	11 773	35,93%	23 353	107,20%
Total	**285 213**	**16 833**	**5,90%**	**159 124**	**61,69%**

(e) Breakdown of loans and advances to customers by movement in gross carrying amounts

The table below details the breakdown of loans and advances to customers by movement in gross carrying amounts related to movements in provisions during 2022.

EUR '000	Stage 1	Stage 2	Stage 3	**Total**
Gross amount of loans and advances as at 1 Jan 2022	**191 272**	**59 786**	**34 155**	**285 213**
Operating loans	**(10 461)**	**29 338**	**(1 209)**	**17 668**
New loans and advances	23 720	-	-	**23 720**
Transfer to Stage 1	1	(1)	-	**-**
Transfer to Stage 2	(32 123)	32 123	-	**-**
Transfer to Stage 3	(249)	-	249	**-**
Repaid loans and advances	(2 332)	(630)	(1)	**(2 963)**
Write-offs	-	-	(502)	**(502)**
Assignment of receivables	-	-	(10)	**(10)**
Other changes	522	(2 154)	(945)	**(2 577)**
Investment loans	**107 398**	**4 123**	**(607)**	**110 914**
New loans and advances	162 222	-	-	**162 222**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	(19 436)	19 436	-	**-**
Transfer to Stage 3	-	(49)	49	**-**
Repaid loans and advances	(38 517)	(6 611)	(179)	**(45 307)**
Write-offs	-	-	(37)	**(37)**
Assignment of receivables	-	-	(10)	**(10)**
Other changes	3 129	(8 653)	(430)	**(5 954)**
Project loans	**16 409**	**12 440**	**1 310**	**30 159**
New loans and advances	33 085	-	-	**33 085**
Transfer to Stage 1	217	(217)	-	**-**
Transfer to Stage 2	(5 764)	5 764	-	**-**
Transfer to Stage 3	(9 091)	-	9 091	**-**
Repaid loans and advances	(3 389)	(196)	(8 234)	**(11 819)**
Write-offs	-	-	(14)	**(14)**
Assignment of receivables	-	-	-	**-**
Other changes	1 351	7 089	467	**8 907**
Gross amount of loans and advances as at 31 Dec 2022	**304 618**	**105 687**	**33 649**	**443 954**
Provisions for loans and advances to customers as at 1 Jan 2022 (Note 7)	**(712)**	**(3 723)**	**(12 398)**	**(16 833)**
New loans and advances	(1 918)	-	-	**(1 918)**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	725	(725)	-	**-**
Transfer to Stage 3	5	1	(6)	**-**
Repaid loans and advances	158	348	1 560	**2 066**
Write-offs	-	-	553	**553**
Assignment of receivables	-	-	20	**20**
Other changes	104	368	1 126	**1 598**
Provisions for loans and advances to customers as at 31 Dec 2022 (Note 7)	**(1 638)**	**(3 731)**	**(9 145)**	**(14 514)**
Net amount of loans and advances as at 31 Dec 2022	**302 980**	**101 956**	**24 504**	**429 440**

Other changes mainly comprise the drawing of loans provided before 2022 and the repayment of loans in 2022 that were not repaid in full in 2022.

The table below details the breakdown of loans and advances to customers by movement in gross carrying amounts related to movements in provisions during 2021.

EUR '000	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances as at 1 Jan 2021	**201 782**	**92 944**	**41 803**	**336 529**
Operating loans	**14 382**	**(5 186)**	**(1 879)**	**7 317**
New loans and advances	16 058	-	-	**16 058**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	(925)	925	-	**-**
Transfer to Stage 3	-	(200)	200	**-**
Repaid loans and advances	(500)	(2 919)	-	**(3 419)**
Write-offs	-	-	-	**-**
Other changes	(251)	(2 992)	(2 079)	**(5 322)**
Investment loans	**(43 838)**	**(10 714)**	**(2 932)**	**(57 484)**
New loans and advances	36 237	-	-	**36 237**
Transfer to Stage 1	3 373	(3 373)	-	**-**
Transfer to Stage 2	(9 806)	9 806	-	**-**
Transfer to Stage 3	(418)	(384)	802	**-**
Repaid loans and advances	(69 842)	(6 216)	(1 146)	**(77 204)**
Write-offs	-	-	-	**-**
Other changes	(3 382)	(10 547)	(2 588)	**(16 517)**
Project loans	**18 946**	**(17 258)**	**(2 837)**	**(1 149)**
New loans and advances	33 425	-	-	**33 425**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	(217)	217	-	**-**
Transfer to Stage 3	-	(1 026)	1 026	**-**
Repaid loans and advances	(17 045)	(15 791)	(2 076)	**(34 912)**
Write-offs	-	-	-	**-**
Other changes	2 783	(658)	(1 787)	**338**
Gross amount of loans and advances as at 31 Dec 2021	**191 272**	**59 786**	**34 155**	**285 213**
Provisions for loans and advances to customers as at 1 Jan 2021 (Note 7)	**(712)**	**(4 574)**	**(13 154)**	**(18 440)**
New loans and advances	(653)	-	-	**(653)**
Transfer to Stage 1	(155)	155	-	**-**
Transfer to Stage 2	255	(255)	-	**-**
Transfer to Stage 3	-	76	(76)	**-**
Repaid loans and advances	385	1 239	2 646	**4 270**
Write-offs	-	-	-	**-**
Other changes	168	(364)	(1 814)	**(2 010)**
Provisions for loans and advances to customers as at 31 Dec 2021 (Note 7)	**(712)**	**(3 723)**	**(12 398)**	**(16 833)**
Net amount of loans and advances as at 31 Dec 2021	**190 560**	**56 063**	**21 757**	**268 380**

Other changes mainly comprise the drawing of loans provided before 2021 and the repayment of loans in 2021 that were not repaid in full in 2021.

7. PROVISIONS FOR IMPAIRMENT LOSSES

EUR '000	01.01.2022	(Creation)	Release	Use for assigned/ written-off receivables	Foreign exchange gain/loss	31.12.2022
Loans and advances to customers (Note 6)	(16 833)	(9 162)	10 909	573	(1)	(14 514)
Securities at fair value through other comprehensive income (Note 8)	(334)	(32)	296	-	(22)	(92)
Securities measured at amortised cost (Note 9)	(27)	(84)	1	-	-	(110)
Other assets (Note 14)	(177)	(45)	66	116	-	(40)
Total provisions	**(17 371)**	**(9 323)**	**11 272**	**689**	**(23)**	**(14 756)**

EUR '000	01.01.2021	(Creation)	Release	Use for assigned/ written-off receivables	Foreign exchange gain/loss	31.12.2021
Loans and advances to customers (Note 6)	(18 440)	(16 996)	18 606	-	(3)	(16 833)
Securities at fair value through other comprehensive income (Note 8)	(314)	(167)	155	-	(8)	(334)
Securities measured at amortised cost (Note 9)	(52)	(1)	26	-	-	(27)
Other assets (Note 14)	(188)	(45)	32	24	-	(177)
Total provisions	**(18 994)**	**(17 209)**	**18 819**	**24**	**(11)**	**(17 371)**

8. SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Breakdown of securities at fair value through other comprehensive income by type of security and issuer's country as at 31 December 2022:

EUR '000	Government bonds	Bank bonds	Corporate bonds	Trust units	**Total**
Czech Republic	13 797	-	-	-	**13 797**
France	-	9 934	-	-	**9 934**
Ireland	-	-	-	2 205	**2 205**
Austria	-	4 357	-	-	**4 357**
Slovak Republic	5 021	5 484	128	-	**10 633**
Slovenia	2 632	-	-	-	**2 632**
United States of America	-	12 894	6 270	-	**19 164**
Total, gross	**21 450**	**32 669**	**6 398**	**2 205**	**62 722**
Provisions (Note 7)	-	(73)	(15)	(4)	**(92)**
Total, net	**21 450**	**32 596**	**6 383**	**2 201**	**62 630**

The total volume of securities measured through other comprehensive income is at Stage 1 in accordance with IFRS 9.

Breakdown of securities at fair value through other comprehensive income by type of security and issuer's country as at 31 December 2021:

EUR '000	Government bonds	Bank bonds	Corporate bonds	Trust units	**Total**
Czech Republic	13 296	-	2 695	-	**15 991**
France	-	10 369	-	-	**10 369**
Ireland	-	-	-	2 525	**2 525**
Austria	-	4 957	-	-	**4 957**
Slovak Republic	5 634	10 779	5 340	-	**21 753**
Slovenia	8 006	-	-	-	**8 006**
United States of America	-	21 944	6 873	-	**28 817**
Sweden	-	-	5 499	-	**5 499**
Total, gross	**26 936**	**48 049**	**20 407**	**2 525**	**97 917**
Provisions (Note 7)	-	(101)	(226)	(7)	**(334)**
Total, net	**26 936**	**47 948**	**20 181**	**2 518**	**97 583**

The total volume of securities measured through other comprehensive income was at Stage 1 in accordance with IFRS 9.

The method for determining the fair value of securities measured at fair value through other comprehensive income is described in Note 43.

The structure of securities provided as collateral for pooling to the National Bank of Slovakia is as follows:

EUR '000	2022	2021
Bank bonds domestic	5 472	5 010
Bank bonds foreign	9 913	10 349
Total	**15 385**	**15 359**

The NBS is responsible for depositing, uploading and withdrawing individual collateral from the pooling account held with the NBS.

Over the period when the debt security is deposited on the pooling account, if income on such a debt security is paid in favour of the NBS, Privatbanka is entitled to a cash amount after making all mandatory deductions in accordance with the applicable legislation.

9. SECURITIES AT AMORTIZED COST

Breakdown of securities at amortized cost by type of security and issuer's country as at 31 December 2022:

EUR '000	Government bonds	Bank bonds	Corporate bonds	**Total**
Latvia	10 046	-	-	**10 046**
Hungary	-	-	10 172	**10 172**
Slovak Republic	70 712	2 002	5 137	**77 851**
Slovenia	2 696	-	-	**2 696**
Total, gross	**83 454**	**2 002**	**15 309**	**100 765**
Provisions (Note 7)	-	(4)	(106)	**(110)**
Total, net	**83 454**	**1 998**	**15 203**	**100 655**

The total volume of securities at amortized cost is at Stage 1 in accordance with IFRS 9.

Breakdown of securities at amortized cost by type of security and issuer's country as at 31 December 2021:

EUR '000	Government bonds	Bank bonds	Corporate bonds	**Total**
Latvia	10 091	-	-	**10 091**
Hungary	-	-	10 153	**10 153**
Slovak Republic	38 101	2 002	-	**40 103**
Slovenia	2 791	-	-	**2 791**
Total, gross	**50 983**	**2 002**	**10 153**	**63 138**
Provisions (Note 7)	-	(4)	(23)	**(27)**
Total, net	**50 983**	**1 998**	**10 130**	**63 111**

The total volume of securities at amortized cost was at Stage 1 in accordance with IFRS 9.

As at 31 December 2022, the Bank's portfolio of securities at amortized cost included domestic government bonds at an amortized cost of EUR 2,050 thousand (2021: EUR 2,048 thousand) provided as collateral to a local bank.

The structure of securities provided as collateral for pooling to the NBS is as follows:

EUR '000	2022	2021
Bank bonds domestic	1 997	1 998
Total	**1 997**	**1 998**

10. INVESTMENTS IN SUBSIDIARIES

Name	Registered office	Share in the registered capital (EUR '000)	Share in the reserve fund (EUR '000)	Share in the registered capital (%)	Carrying amount (EUR '000)
At 31 Dec 2022					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7
At 31 Dec 2021					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7

11. TANGIBLE AND INTANGIBLE ASSETS

a) Changes in tangible and intangible assets as at 31 December 2022

	Tangible assets					Intangible assets				
EUR '000	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Advances made for tangible assets	Software	Patents and licences	Acquisition of intangible assets	Advances made for intangible assets	**Total**
Cost										
At 1 Jan 2022	743	3 346	213	10	-	5 474	113	-	-	**9 899**
Additions	-	134	73	199	-	230	1	246	2	**885**
Disposals	-	(655)	(21)	(209)	-	(66)	(7)	(230)	(2)	**(1 190)**
At 31 Dec 2022	743	2 825	265	-	-	5 638	107	16	-	**9 594**
Accumulated depreciation										
At 1 Jan 2022	(367)	(2 983)	(155)	-	-	(5 090)	(113)	-	-	**(8 708)**
Depreciation and amortisation charges	(37)	(179)	(44)	-	-	(138)	(1)	-	-	**(399)**
Disposals	-	655	21	-	-	66	7	-	-	**749**
At 31 Dec 2022	(404)	(2 507)	(178)	-	-	(5 162)	(107)	-	-	**(8 358)**
Net book value										
At 31 Dec 2022	**339**	**318**	**87**	**-**	**-**	**476**	**-**	**16**	**-**	**1 236**

b) Changes in tangible and intangible assets as at 31 December 2021

	Tangible assets					Intangible assets				
EUR ‘000	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Advances made for tangible assets	Software	Patents and licences	Acquisition of intangible assets	Advances made for intangible assets	**Total**
Cost										
At 1 Jan 2021	743	3 279	213	-	-	5 359	114	-	-	**9 708**
Additions	-	97	-	107	-	117	2	119	1	**443**
Disposals	-	(30)	-	(97)	-	(2)	(3)	(119)	(1)	**(252)**
At 31 Dec 2021	743	3 346	213	10	-	5 474	113	-	-	**9 899**
Accumulated depreciation										
At 1 Jan 2021	(330)	(2 853)	(120)	-	-	(4 907)	(113)	-	-	**(8 323)**
Depreciation and amortisation charges	(37)	(161)	(35)	-	-	(185)	(2)	-	-	**(420)**
Disposals	-	31	-	-	-	2	2	-	-	**35**
At 31 Dec 2021	(367)	(2 983)	(155)	-	-	(5 090)	(113)	-	-	**(8 708)**
Net book value										
At 31 Dec 2021	**376**	**363**	**58**	**10**	**-**	**384**	**-**	**-**	**-**	**1 191**

c) Insurance of assets

Tangible assets at the headquarters and the branches were insured against natural disasters for their full cost.

12. RIGHT-OF-USE ASSETS

The table below details the breakdown of changes in right-of-use assets as at 31 December 2022.

EUR '000	Real estate	**Total**
Cost		
At 1 Jan 2022	4 214	**4 214**
Additions	1 324	**1 324**
Disposals	-	**-**
At 31 Dec 2022	5 538	**5 538**
Accumulated depreciation		
At 1 Jan 2022	(2 124)	**(2 124)**
Depreciation and amortisation charges	(561)	**(561)**
Disposals	-	**-**
At 31 Dec 2022	(2 685)	**(2 685)**
Net book value		
At 31 Dec 2022	**2 853**	**2 853**

The table below details the breakdown of changes in right-of-use assets as at 31 December 2021.

EUR '000	Real estate	**Total**
Cost		
At 1 Jan 2021	3 497	**3 497**
Additions	717	**717**
Disposals	-	**-**
At 31 Dec 2021	4 214	**4 214**
Accumulated depreciation		
At 1 Jan 2021	(1 398)	**(1 398)**
Depreciation and amortisation charges	(726)	**(726)**
Disposals	-	**-**
At 31 Dec 2021	(2 124)	**(2 124)**
Net book value		
At 31 Dec 2021	**2 090**	**2 090**

13. DEFERRED TAX ASSET / DEFERRED TAX LIABILITY

Deferred tax assets and liabilities are as follows:

EUR '000	Assets 2022	Assets 2021	Liabilities 2022	Liabilities 2021	Net 2022	Net 2021
Tangible and intangible assets	15	11	-	-	15	11
Securities - revaluation in equity	878	8	-	-	878	8
Other liabilities	555	-	-	-	555	-
Total	**1 448**	**19**	**-**	**-**	**1 448**	**19**

The deferred tax assets and liabilities have been calculated using the corporate income tax rate of 21% (2021: 21%).

14. OTHER ASSETS

EUR '000	2022	2021
Other debtors	3 535	3 129
Operating advance payments made	346	282
Inventories	23	13
Deferred expenses	243	210
Other receivables from customers	-	3
Other	2	1
Total other assets, gross	**4 149**	**3 638**
Provisions for other debtors (Note 7)	(40)	(177)
Total other assets, net	**4 109**	**3 461**

The item "Other debtors" mainly includes receivables for invoices from related parties for issues of securities and invoices from clients for services provided by the Bank.

15. DEPOSITS FROM CUSTOMERS

(a) Breakdown of deposits from customers by type

EUR '000	2022	2021
Current accounts	199 143	220 289
Term deposits	480 319	346 656
Saving deposits	114	158
Other	80	118
Total deposits from customers	**679 656**	**567 221**

As at 31 December 2022, the 15 largest clients accounted for 28.70% of the total deposits from customers, which represents EUR 195,083 thousand (2021: 12.53%, EUR 71,057 thousand).

A portion of the deposits from customers comprises payables to related parties. Their share of the total deposits from customers as at 31 December 2022 represented 27%, totalling EUR 183,200 thousand (2021: 9.5%, EUR 54,100 thousand). Additional information on exposures to related parties is described in Note 36.

All deposits from customers are within maturity.

(b) Breakdown of deposits from customers by sector

EUR '000	2022	2021
Residents		
Financial institutions	95 698	23 765
Non-financial institutions	58 984	73 505
Public administration	1 134	1 126
Non-profit organisations	4 767	5 094
Self-employed	557	431
Individuals	366 081	364 174
Non-residents		
Financial institutions	13 810	9 641
Non-financial institutions	77 082	12 227
Non-profit organisations	247	1 034
Individuals	61 296	76 224
Total deposits from customers	**679 656**	**567 221**

16. DEBT SECURITIES ISSUED

(a) Breakdown of debt securities issued according to type

EUR '000	2022	2021
Coupon bonds	2 500	2 998
Total debt securities issued	**2 500**	**2 998**

All payables under the debt securities issued are within maturity.

(b) Summary of bonds issued

EUR '000	Date of issue	Maturity of issue	Effective interest rate	Face value 2022	Face value 2021
Bond PWM 01 - Float	08/2021	08/2023	1,992%	2 493	2 997
Total face value				**2 493**	**2 997**
Accrued interest				7	1
Total debt securities issued				**2 500**	**2 998**

The issued bonds are bearer bonds and bonds were issued as book-entry securities and in a public offering. Bonds were not accepted on the listed securities market or any other stock market.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receipt of the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds, as amended.

(c) Breakdown of debt securities issued by sector of creditors

EUR '000	2022	2021
Residents		
Non-financial institutions	247	570
Individuals	2 253	2 428
Total debt securities issued	**2 500**	**2 998**

17. CURRENT TAX LIABILITY

EUR '000	2022	2021
Tax Advances	(2 562)	(2 412)
Tax Payable	2 687	2 529
Total	**125**	**117**

18. LEASE LIABILITIES

The table below details the breakdown of lease liabilities by maturity.

EUR '000	2022	2021
Payable within 1 year	766	513
Payable within 2 years	726	609
Payable within 3 years	656	512
Payable within 4 years	185	456
Payable within 5 years	166	-
Payable over 5 years	354	-
Total lease liabilities	**2 853**	**2 090**

All lease liabilities are within maturity.

19. OTHER LIABILITIES

EUR '000	2022	2021
Negative fair value of derivatives for trading (Note 25)	4	4
Various creditors	400	185
Settlement with employees	404	367
Social fund	21	9
Payables to the state budget	1 281	1 302
Payables to social and health insurance companies	255	232
Deferred income	90	83
Accrued expenses	3 011	3 367
Other amounts due to customers	3 258	5 691
Total other liabilities	**8 724**	**11 240**

All other liabilities are within maturity.

Accrued expenses mainly comprise liabilities to the Bank's employees and management, and suppliers.

Movements in the social fund:

EUR '000	
Balance at 31 Dec 2021	9
Creation	82
Drawing	(70)
Balance at 31 Dec 2022	21

20. SHARE CAPITAL, CAPITAL RESERVES FROM PROFIT AND REVALUATION RESERVES

Share capital

EUR '000	2022	2021
Issued and fully paid share capital		
756 874 ordinary shares (ISIN SK1110001619 with a face value of EUR 33.19 each)	**25 121**	**25 121**

The total amount of the share capital of EUR 25,121 thousand is registered with the Business Register.

The structure of the Bank's shareholders as at 31 December 2022 and as at 31 December 2021:

Shareholder	Registered office	No. of shares (face value)	Share in the share capital (%)	Share in voting rights (%)
Penta Financial Services Ltd.	Limassol	25 121	100,00	100,00
Total		**25 121**	**100,00**	**100,00**

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year that is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not available for distribution to shareholders.

Accumulated other comprehensive income from securities, including deferred tax

Accumulated other comprehensive income from securities, including deferred tax represents unrealized revaluation of securities at fair value through other comprehensive income and securities reclassified to the "Securities at amortized cost" portfolio. The revaluation reserves are recognized net of deferred tax effect. Such revaluation reserves are not available for distribution to the shareholder.

21. PROPOSAL FOR DISTRIBUTION OF 2022 PROFIT

The distribution of the Bank's profits for 2022 will be decided by the General Meeting of the Bank.

22. TAX REVENUE/(EXPENSE)

EUR '000	2022	2021
Current income tax	(2 687)	(2 529)
Deferred income tax owing to temporary differences	559	4
Total	**(2 128)**	**(2 525)**

23. RECONCILIATION OF THEORETICAL AND RECOGNIZED INCOME TAX

	Balance (EUR '000)	2022 Applicable rate	Impact on tax
Theoretical tax base	15 058	21%	3 162
Permanent non-deductible differences	117	21%	25
Permanent deductible differences	-	21%	-
Tax losses carried forward – previously unrecognised deferred tax asset	-	21%	-
Unrecognised deferred tax asset – other	2 429	21%	(510)
Unrecognised deferred tax asset owing to temporary differences, utilisation of which is uncertain in the future	2 616	21%	(549)
Impact of a change in the tax rate			-
Adjusted tax			2 128
Effective tax expense			2 128

	Balance (EUR '000)	2021 Applicable rate	Impact on tax
Theoretical tax base	12 982	21%	2 726
Permanent non-deductible differences	299	21%	63
Permanent deductible differences	-	21%	-
Tax losses carried forward – previously unrecognised deferred tax asset	-	21%	-
Unrecognised deferred tax asset – other	1 665	21%	(350)
Unrecognised deferred tax asset owing to temporary differences, utilisation of which is uncertain in the future	(411)	21%	86
Impact of a change in the tax rate			-
Adjusted tax			2 525
Effective tax expense			2 525

24. OFF-BALANCE SHEET ITEMS

EUR '000 Off-balance sheet assets	2022	2021
1. Receivables from spot transactions with currency instruments:	20	-
2. Receivables from futures ad forwards with currency instruments:	416	1 515
3. Received collaterals:	306 352	170 434
a) Real estate	159 221	80 902
b) Cash	82 739	17 501
c) Securities	27 025	21 332
d) Other	37 367	50 699

EUR '000 Off-balance sheet liabilities	2022	2021
1. Unused credit facilities	36 547	36 767
2. Issued guarantees	154	150
3. Liabilities from spot transactions with currency instruments:	20	-
4. Liabilities from futures and forwards with currency instruments	420	1 519
5. Securities provided as collateral	19 432	19 405

The whole amount of undrawn credit facilities and provided guarantees in 2022 and 2021 represent irrevocable commitments.

25. FINANCIAL DERIVATIVES

In its ordinary business activities, the Bank conducts transactions with financial derivatives to manage its liquidity, interest rate, and foreign exchange risks.

2022 EUR '000	Face value in off-balance sheet Receivable	 Payable	Fair value Positive	 Negative	Fair value Net
Currency swaps for trading	417	424	-	(4)	(4)
Total financial derivatives	**417**	**424**	**-**	**(4)**	**(4)**

2021 EUR '000	Face value in off-balance sheet Receivable	 Payable	Fair value Positive	 Negative	Fair value Net
Currency swaps for trading	1 514	1 523	-	(4)	(4)
Total financial derivatives	**1 514**	**1 523**	**-**	**(4)**	**(4)**

The negative fair value of derivatives as at 31 December 2022 of EUR 4 thousand (2021: EUR 4 thousand) is recognized in “Other liabilities” (Note 19).

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2022 is as follows:

EUR '000	Within 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	**Total**
Currency swaps for trading	200	48	169	-	-	**417**
Total receivables	**200**	**48**	**169**	**-**	**-**	**417**
Currency swaps for trading	200	49	175	-	-	**424**
Total liabilities	**200**	**49**	**175**	**-**	**-**	**424**

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2021 is as follows:

EUR '000	Within 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	**Total**
Currency swaps for trading	1 300	-	214	-	-	**1 514**
Total receivables	**1 300**	**-**	**214**	**-**	**-**	**1 514**
Currency swaps for trading	1 300	-	223	-	-	**1 523**
Total liabilities	**1 300**	**-**	**223**	**-**	**-**	**1 523**

26. INTEREST INCOME AND SIMILAR INCOME

EUR '000	2022	2021
Interest income on loans and advances to banks and central banks and amounts due to banks and central bank	2 228	221
Interest income on customers overdrafts	341	454
Interest income on other loans to customers	12 466	12 472
Interest income on securities at fair value through other comprehensive income	749	1 006
Interest income on securities at amortised cost	901	889
Total interest income and similar income	**16 685**	**15 042**

27. INTEREST EXPENSE AND SIMILAR EXPENSE

EUR '000	2022	2021
Interest expense from amounts due to banks	521	956
Interest expense from customers' current accounts	14	24
Interest expense from customers' term deposits	4 438	3 684
Interest expense from customers' saving deposits	8	7
Interest expense from loans	18	-
Interest expense from debt securities	15	3
Total interest expense and similar expense	**5 014**	**4 674**

28. FEE AND COMMISSION INCOME

EUR '000	2022	2021
For the following areas:		
Loans	138	197
Payments	106	120
Itemised fees	389	237
Securities trading	12 725	12 185
Portfolio management	891	1 082
Other areas	66	37
Total fee and commission income	**14 315**	**13 858**

The most significant item of fees from transactions with securities are fees for the issues of securities for related parties.

29. FEE AND COMMISSION EXPENSE

EUR '000	2022	2021
For the following areas:		
Payments	332	297
Interbank transactions	31	26
Securities trading	358	409
Intermediation	133	187
Total fee and commission expense	**854**	**919**

30. TRADING PROFIT

EUR '000	2022	2021
Profit/loss on shares (reported at fair values through profit or loss)	(2)	-
Realised profit/loss from transactions with debt securities (measured at fair value through other comprehensive income)	-	18
Profit/loss from shares and trust units (measured at fair value through other comprehensive income)	82	78
Profit/(loss) from derivative transactions	-	(11)
Profit/(loss) from FX transactions	1 088	199
Total trading profit	**1 168**	**284**

31. GENERAL OPERATING EXPENSES

EUR '000	2022	2021
Wages, salaries and social security payments	9 030	8 442
Other general operating expenses	3 640	3 167
Of which: Costs of auditing financial statements	201	223
Assurance audit services other than the audit of financial statements	45	75
Contributions to the Deposits Protection Fund	383	374
Contribution to the Resolution Fund	4	39
Rent	166	162
Energy	189	127
Advertising	143	113
IT systems	507	435
Training and education	23	9
Car maintenance and fuel	62	36
Membership fees	415	304
Other services	1 182	1 100
Other operating expenses	320	170
Total general operating expenses	**12 670**	**11 609**

The number of employees as at 31 December 2022 was 183 (2021: 183). The number of managers as at 31 December 2022 was 3 (2021: 3). The average number of employees for 2022 was 189 (2021: 189), of which managers for 2022: 3 (2021: 3).

The Bank's obligation to pay an annual contribution to the Deposit Protection Fund arises from the provision of Article 5 (1b) of Act of the National Council of the Slovak Republic No. 118/1996 Coll. on the Protection of Bank Deposits and on Amendment to and Supplements to Certain Acts, as amended.

With effect from 2015, selected financial institutions are obliged to pay contributions to the National Resolution Fund pursuant to Act No. 371/2014 Coll. on Resolution in the Financial Market and on Amendments to and Supplements to Certain Acts, as amended. The annual contribution for each selected institution is calculated as the ratio of the selected institution's liabilities less its own funds and covered deposits to the liabilities of all selected institutions operating in the Slovak Republic, less own funds and covered deposits of all selected institutions operating in the Slovak Republic. The annual contribution is calculated, considering the business cycle phase and the potential pro-cyclical impact on the financial position of a contributing selected institution and its risk profile.

The Bank does not have any pension arrangements other than the state compulsory pension system. Pursuant to Slovak legal regulations, employers are obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the gross salary. These expenses are recognized in the Income Statement in the period in which the employee was entitled to the salary.

32. CREATION/RELEASE OF PROVISIONS FOR IMPAIRMENT LOSSES, WRITE-OFF AND ASSIGNMENT OF RECEIVABLES

EUR '000	2022	2021
(Creation) of provisions for receivables	(8 921)	(16 298)
Release of provisions for receivables	11 665	18 663
Written-off receivables, gross	(669)	(26)
(Expense for)/Income from assigned receivables	(3)	36
Total	**2 072**	**2 375**

33. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2022	2021
Profit before income taxes	15 058	12 982
Adjustments for non-cash transactions:		
Interest income	(16 685)	(15 042)
Interest expense	5 014	4 674
Remeasurement of derivatives measured at fair value through other comprehensive income	-	11
Depreciation/amortisation of tangible and intangible assets	399	420
Provisions for receivables, write-off of and assignment of receivables	(2 072)	(2 375)
(Profit)/Loss from modifications	(202)	73
Provisions for securities	(181)	(13)
Net profit/(loss) from the sale of tangible assets	(3)	(1)
Creation/(Release) of provisions for liabilities	78	171
Total before interest received/(paid)	**1 406**	**900**
Interest received	16 040	13 304
Interest paid	(5 550)	(4 318)
Profit before changes in operating assets and liabilities	**11 896**	**9 886**

34. CASH AND CASH EQUIVALENTS

EUR '000	2022	2021
Cash on hand (Note 4)	2 015	1 878
Term deposits in NBS due within 3 months	159 480	-
Loans and advances to banks due within 3 months	36 323	9 411
Total cash and cash equivalents	**197 818**	**11 289**

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Legal disputes

The Bank reviewed legal proceedings pending against it as at 31 December 2022 and 31 December 2021. As at 31 December 2022 and 31 December 2021, the Bank did not recognize a provision for litigation.

b) Commitments arising from issue of guarantees

Commitments from guarantees include issued guarantees that represent an irrevocable commitment that the Bank will make payments if a customer cannot meet its obligations to third parties. Based on the risk assessment as at 31 December 2022, the Bank recorded a provision to cover losses inherent in balances of undrawn loan commitments and guarantees, which are recognized in the off-balance sheet in the amount of EUR 273 thousand (2021: EUR 195 thousand).

Detailed information on the creation of provisions for liabilities is provided in Note 41. Financial Instruments – Credit Risk.

c) Commitments to extend credit, undrawn loan commitments, unused overdrafts, and approved overdraft loans

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused authorizations to extend credits in the form of loans or guarantees. Commitments to extend credit issued by the Bank represent issued loan commitments or guarantees, undrawn and approved overdraft loans. Commitments to extend credit or guarantees issued by the Bank that are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities as they result from contractual terms and conditions in loan agreements.

The table below details the breakdown of credit facilities and provided guarantees by entity and risk level as at 31 December 2022.

EUR '000		Exposure	Provisions for liabilities	Provisions for liabilities, coverage	Estimated value of collateral	Provisions for liabilities and collateral coverage
Future loans provided - individuals		**1 853**	-	**-**	**860**	**46,41%**
of which:	Stage 1	-	-	-	-	-
	Stage 2	1 853	-	-	860	46,41%
	Stage 3	-	-	-	-	-
Future loans provided - corporate entities		**34 694**	**211**	**0,61%**	**15 026**	**43,92%**
of which:	Stage 1	18 842	100	0,53%	8 717	46,79%
	Stage 2	15 851	110	0,69%	6 309	40,50%
	Stage 3	1	1	100,00%	-	100,00%
Bank guarantees		**154**	**62**	**40,26%**	**-**	**40,26%**
of which:	Stage 1	92	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	62	62	100,00%	-	100,00%
Total		**36 701**	**273**	**0,74%**	**15 886**	**44,03%**

The table below details the breakdown of credit facilities and provided guarantees by entity and risk level as at 31 December 2021.

EUR '000		Exposure	Provisions for liabilities	Provisions for liabilities, coverage	Estimated value of collateral	Provisions for liabilities and collateral coverage
Future loans provided - individuals		**1 714**	-	**-**	**525**	**30,63%**
of which:	Stage 1	617	-	-	-	-
	Stage 2	1 097	-	-	525	47,86%
	Stage 3	-	-	-	-	-
Future loans provided - corporate entities		**35 053**	**135**	**0,39%**	**10 784**	**31,15%**
of which:	Stage 1	31 697	131	0,41%	8 119	26,03%
	Stage 2	3 355	3	0,09%	2 665	79,52%
	Stage 3	1	1	100,00%	-	100,00%
Bank guarantees		**150**	**60**	**40,00%**	**-**	**40,00%**
of which:	Stage 1	90	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	60	60	100,00%	-	100,00%
Total		**36 917**	**195**	**0,53%**	**11 309**	**31,16%**

36. RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 include:

a) A person or a close family member of that person is related to the Bank if that person:
- Has control or joint control over the Bank
- Has significant influence over the Bank
- Is a member of the key management personnel of the Bank or a parent company of the Bank

b) An entity is related to the Bank if any of the following conditions applies:
- The entity and the Bank are members of the same group (which means that each parent company, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the Bank (or an associate or joint venture of a member of the group of which the Bank is a member).
- The entity and the Bank are joint ventures of the same third party.
- The entity is a joint venture of a third entity and the Bank is an associate of the same third entity.
- The entity is a post-employment defined benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
- The entity is controlled or jointly controlled by a person identified in (a); and
- A person who has control or joint control over the Bank has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent company of the entity).

The Bank is controlled by Penta Financial Services Ltd., which holds 100% of the voting rights of the Bank's total votes.

Banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits and issue of securities. These transactions were carried out on an arm's length basis and at market prices.

EUR ‘000	Balance at 31 Dec 2022	Accruals and deferrals at 31 Dec 2022	Total	Provisions for assets at 31 Dec 2022	Interest expense/ interest income 2022	Fee and commission income 2022	Trading profit/loss 2022	General operating expenses 2022	(Creation)/ release of provisions for assets 2022	(Creation)/ release of provisions for liabilities 2022
Receivables from the parent company										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Other assets	50	-	50	-	-	50	-	-	-	-
Payables to the parent company										
Deposits from customers	21	-	21	-	-	1	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Receivables from related parties of the parent company										
Loans and advances to banks	697	-	697	-	-	-	-	-	-	-
Loans and advances to customers	34 401	207	34 608	(82)	1 747	2	-	-	(65)	-
Securities at fair value through other comprehensive income	126	2	128	(1)	10	-	-	-	1	-
Other assets	1 848	-	1 848	-	-	9 793	130	-	-	-
Payables to the parent company’s related parties										
Due to banks	-	-	-	-	-	-	-	-	-	-
Deposits from customers	181 557	55	181 612	-	(771)	76	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Provisions for liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	50	-	50	-	-	-	(8)	(273)	-	-
Unused credit facilities	1 100	-	1 100	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Received collateral	30 784	-	30 784	-	-	-	-	-	-	-

EUR '000	Balance at 31 Dec 2022	Accruals and deferrals at 31 Dec 2022	Total	Provisions for assets at 31 Dec 2022	Interest expense/ interest income 2022	Fee and commission income 2022	Trading profit 2022	General operating expenses 2022	(Creation)/ release of provisions for assets 2022	(Creation)/ release of provisions for liabilities 2022
Receivables from subsidiaries										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	7	-	7	-	-	-	-	-	-	-
Payables to subsidiaries										
Deposits from customers	17	-	17	-	-	-	-	-	-	-
Receivables from management members and their related parties										
Loans and advances to customers	636	1	637	(4)	5	-	-	-	(4)	-
Other assets	2	-	2	-	-	4	7	-	-	-
Payables to management members and their related parties										
Deposits from customers	1 550	-	1 550	-	(2)	3	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Other liabilities	1 434	-	1 434	-	-	-	-	(1 548)	-	-
Of which: wages and salaries plus insurance contributions	-	-	-	-	-	-	-	(1 548)	-	-
Unused credit facilities	5	-	5	-	-	-	-	-	-	-
Received collateral	636	-	636	-	-	-	-	-	-	-

EUR '000	Balance at 31 Dec 2021	Accruals and deferrals at 31 Dec 2021	Total	Provisions for assets at 31 Dec 2021	Interest expense/ interest income 2021	Fee and commission income 2021	Trading profit/loss 2021	General operating expenses 2021	(Creation)/ release of provisions for assets 2021	(Creation)/ release of provisions for liabilities 2021
Receivables from the parent company										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Other assets	50	-	50	-	-	50	-	-	-	-
Payables to the parent company										
Deposits from customers	19	-	19	-	-	1	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Receivables from related parties of the parent company										
Loans and advances to banks	266	-	266	-	-	-	-	-	-	-
Loans and advances to customers	47 589	159	47 748	(17)	1 877	14	-	-	36	-
Securities at fair value through other comprehensive income	246	2	248	(2)	16	-	-	-	5	-
Other assets	1 103	-	1 103	-	-	9 629	529	-	-	-
Payables to the parent company's related parties										
Due to banks	-	-	-	-	-	-	-	-	-	-
Deposits from customers	52 477	1	52 478	-	(93)	106	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Provisions for liabilities	-	-	-	-	-	-	-	-	-	1
Other liabilities	53	-	53	-	-	-	(461)	(813)	-	-
Unused credit facilities	1 206	-	1 206	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Received collateral	42 790	-	42 790	-	-	-	-	-	-	-

EUR '000	Balance at 31 Dec 2021	Accruals and deferrals at 31 Dec 2021	Total	Provisions for assets at 31 Dec 2021	Interest expense/ interest income 2021	Fee and commission income 2021	Trading profit 2021	General operating expenses 2021	(Creation)/ release of provisions for assets 2021	(Creation)/ release of provisions for liabilities 2021
Receivables from subsidiaries										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	7	-	7	-	-	-	-	-	-	-
Payables to subsidiaries										
Deposits from customers	17	-	17	-	-	-	-	-	-	-
Receivables from management members and their related parties										
Loans and advances to customers	1	-	1	-	-	-	-	-	-	-
Other assets	3	-	3	-	-	5	-	-	-	-
Payables to management members and their related parties										
Deposits from customers	1 592	-	1 592	-	(3)	1	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Other liabilities	1 499	-	1 499	-	-	-	-	(1 324)	-	-
Of which: wages and salaries plus insurance contributions	-	-	-	-	-	-	-	(1 324)	-	-
Unused credit facilities	16	-	16	-	-	-	-	-	-	-
Received collateral	-	-	-	-	-	-	-	-	-	-

Wages and salaries and social insurance expenses with respect to the Statutory Representatives and members of the Supervisory Board were in the amount of EUR 1,548 thousand as at 31 December 2022 (2021: EUR 1,324 thousand). Remuneration policy for Statutory Representatives complies with CRD III. As at 31 December 2022, short-term bonuses of Statutory Representatives amounted to EUR 669 thousand (2021: EUR 658 thousand) and long-term bonuses to EUR 465 thousand (2021: EUR 569 thousand). Members of the Bank's bodies did not receive any non-monetary remuneration in 2022 and 2021.

37. FINANCIAL INSTRUMENTS – MARKET RISK

When conducting its business activities, the Bank is exposed to market risks that depend on the level of exposure to individual market risk factors, mainly including changes in interest rates, exchange rates, and prices of capital and financial market instruments.

Subsequent to the end of the preceding reporting period, no events occurred that would have a significant impact on market risks resulting from financial instruments.

(a) Interest rate risk

Interest rate risk is the risk of a change in the value of the Bank's portfolios depending on the duration of such portfolios or a change in the net interest income as a result of changes in market interest rates. To measure the interest rate sensitivity of assets and liabilities, the Bank uses a gap analysis. The assets and liabilities of the Bank are classified into time segments depending on the time of revaluation of the instrument or its reinvestment. The size of the interest GAP represents the degree of risk of a potential loss or profit against projected revenues in the form of a change in the net interest income resulting from changes in market interest rates under exactly specified restrictive conditions of the model. The Bank has set a limit for the maximum interest rate exposure defined by the maximum theoretical change of net interest income within one year starting from the moment of the valuation of the Bank's positions.

To measure the interest rate risk of the Banking and Trading Books, the Bank uses interest rate sensitivity based on modified duration and convexity. This method is used daily to monitor the interest rate sensitivity of all the Bank's portfolios. The Bank measures its interest rate risk of the Trading Book using the VaR and interest sensitivity model for which it has set maximum risk exposures, which it monitors daily.

As the Bank has significant positions in fixed-interest bonds in its Banking Book, it may decide to partially hedge certain positions. Hedging instruments comprise, for instance, interest-rate swaps through which the Bank may maintain the total interest rate position of the Banking Book at an acceptable level and eliminates profit/(loss) volatility. The Bank currently does not use such hedging instruments.

The average effective interest rates of assets and liabilities as at 31 December 2022 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	1,93%	163 543	-	-	-	-	2 015	**165 558**
Loans and advances to banks	2,18%	36 323	-	-	-	-	-	**36 323**
Loans and advances to customers	4,91%	98 517	132 632	138 558	33 007	7 196	19 530	**429 440**
Securities at fair value through other comprehensive income	0,54%	40	64	23 928	36 398	-	2 200	**62 630**
Securities measured at amortised cost	1,13%	-	3 075	30 479	67 101	-	-	**100 655**
Investments in subsidiaries		-	-	-	-	-	7	**7**
Total assets		**298 423**	**135 771**	**192 965**	**136 506**	**7 196**	**23 752**	**794 613**
Deposits from customers	1,22%	229 947	39 442	181 064	229 187	-	16	**679 656**
Debt securities issued	1,99%	-	2 500	-	-	-	-	**2 500**
Total liabilities		**229 947**	**41 942**	**181 064**	**229 187**	**-**	**16**	**682 156**
Difference		**68 476**	**93 829**	**11 901**	**(92 681)**	**7 196**	**23 736**	**112 457**
Cumulative difference		**68 476**	**162 305**	**174 206**	**81 525**	**88 721**	**112 457**	

The average effective interest rates of assets and liabilities as at 31 December 2021 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	0,00%	245 693	-	-	-	-	1 878	**247 571**
Loans and advances to banks	-0,10%	6 412	2 999	-	-	-	-	**9 411**
Loans and advances to customers	3,56%	51 438	130 311	40 048	29 545	470	16 568	**268 380**
Securities at fair value through other comprehensive income	1,08%	40	5 245	25 955	63 824	-	2 519	**97 583**
Securities measured at amortised cost	1,23%	-	76	353	62 682	-	-	**63 111**
Investments in subsidiaries		-	-	-	-	-	7	**7**
Total assets		**303 583**	**138 631**	**66 356**	**156 051**	**470**	**20 972**	**686 063**
Deposits from customers	0,57%	159 258	39 842	125 388	242 730	-	3	**567 221**
Debt securities issued	0,25%	-	2 998	-	-	-	-	**2 998**
Total liabilities		**159 258**	**42 840**	**125 388**	**242 730**	**-**	**3**	**570 219**
Difference		**144 325**	**95 791**	**(59 032)**	**(86 679)**	**470**	**20 969**	**115 844**
Cumulative difference		**144 325**	**240 116**	**181 084**	**94 405**	**94 875**	**115 844**	

The interest rate sensitivity analysis assumes a parallel movement of the yield curve. The table below shows the change in net profit and equity of the Bank due to possible changes in interest rates.

EUR '000	Impact on net profit	Impact on equity
2022		
+ 0.5% for all currencies	-	(395)
- 0.5% for all currencies	-	400
2021		
+ 0.5% for all currencies	-	(844)
- 0.5% for all currencies	-	858

(b) Currency risk

Currency risk is the risk of a change in the value of the Bank's portfolios due to changes in the value of exchange rates and open unsecured positions. The Bank manages currency risk by determining and daily monitoring of maximum limits of open positions of the banking book for individual currencies. A potential excessive open currency position of the Banking Book is immediately repurchased through an internal operation in the Trading Book. The currency risk of the trading book is limited by maximum exposure using the VaR model. The tables below show the volumes of assets and liabilities according to the individual main currencies and the resulting unsecured open currency positions as at year-end 2022 and 2021.

As at 31 December 2022, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	**Total**
Cash and balances with central banks	165 291	60	116	91	**165 558**
Loans and advances to banks	1 771	25 610	8 054	888	**36 323**
Loans and advances to customers	413 525	15 915	-	-	**429 440**
Securities at fair value through other comprehensive income	48 833	13 797	-	-	**62 630**
Securities measured at amortised cost	100 655	-	-	-	**100 655**
Investments in subsidiaries	7	-	-	-	**7**
Total assets	**730 082**	**55 382**	**8 170**	**979**	**794 613**
Deposits from customers	615 588	55 121	7 902	1 045	**679 656**
Debt securities issued	2 500	-	-	-	**2 500**
Total liabilities	**618 088**	**55 121**	**7 902**	**1 045**	**682 156**
Net FX position	**111 994**	**261**	**268**	**(66)**	**112 457**

As at 31 December 2021, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	**Total**
Cash and balances with central banks	247 175	180	102	114	**247 571**
Loans and advances to banks	3 961	1 736	384	3 330	**9 411**
Loans and advances to customers	263 670	4 710	-	-	**268 380**
Securities at fair value through other comprehensive income	76 267	13 296	8 020	-	**97 583**
Securities measured at amortised cost	63 111	-	-	-	**63 111**
Investments in subsidiaries	7	-	-	-	**7**
Total assets	**654 191**	**19 922**	**8 506**	**3 444**	**686 063**
Deposits from customers	537 193	19 421	7 111	3 496	**567 221**
Debt securities issued	2 998	-	-	-	**2 998**
Total liabilities	**540 191**	**19 421**	**7 111**	**3 496**	**570 219**
Net FX position	**114 000**	**501**	**1 395**	**(52)**	**115 844**

The table below is a summary of the currencies in which the Bank has more significant open positions as at 31 December 2022 and 31 December 2021. The sensitivity analysis calculates the effect of possible changes in the exchange rate against the selected currencies in the Income Statement. A positive amount reflects a net potential gain and a negative amount reflects net potential loss on the Income Statement.

EUR '000	Change in exchange rate	Impact on net profit
2022		
CHF	+19,23%	(5)
GBP	+17,39%	(4)
USD	+24,09%	22
CZK	+15,38%	55
PLN	+19,01%	(5)
RON	+4,75%	1
2021		
CHF	+8,28%	(6)
GBP	+12,17%	(1)
USD	+11,96%	(6)
CZK	+9,20%	7
PLN	+12,64%	2
RON	+1,98%	-

Other than an impact on the Income Statement, changes in FX rates have no impact on equity.

38. MANAGEMENT OF CAPITAL

The Bank's regulatory capital is used to cover unexpected losses to which the Bank may be exposed in performing its activities. The amount of the regulatory capital, risk-weighted exposures and requirements for regulatory capital are monitored on a regular basis, inter alia, by reference to and in compliance with the prudence principles set at European and national levels. The Bank has complied and complies with the set requirements for regulatory capital and all other capital requirements.

In accordance with the prudence principle, regulatory capital is used to cover risks arising from the Banking Book and the Trading Book to cover other risks (e.g., FX risk, commodity risk) and to cover operational risks.

The basic requirement of the regulatory capital management process is to ensure that the Bank has fulfilled all requirements stipulated by the valid legislation while simultaneously observing the effective adequacy of regulatory capital. The Bank manages the structure of its regulatory capital and may apply changes in the structure of its regulatory capital provided if there is a change in economic terms and conditions or a change in the Bank's appetite for risk. The Bank may influence its regulatory capital based on the decision on distribution of profit in a relevant accounting period or based on other decisions to increase capital (e.g., an increase in the share capital). No significant changes occurred in the policy on regulatory capital management compared to the previous reporting period.

The Bank also applies internal capital management procedures and assesses and calculates requirements for internal capital within the ICAAP process. Internal capital must cover not only legal requirements for individual types of regulatory risk, but also requirements for risks not covered by Tier 1, which are set by the Bank based on the assessment of its risk profile and risk appetite. The Bank has complied and complies with the market regulator's requirements for regulatory capital.

The Bank's regulatory capital comprises Tier 1 and Tier 2. The Bank's Tier 1 capital includes share capital, the legal reserve fund, retained earnings from previous years, accumulated other comprehensive income and intangible assets (as a decreasing item) and other capital adjustments. The Bank has no Tier 2 capital.

As at 31 December 2022 and 31 December 2021, the structure of the Bank's the regulatory capital is as follows:

EUR '000	2022	2021
Tier 1 capital	**96 644**	**98 023**
Paid up share capital	25 121	25 121
Reserve fund and other funds created from the profit	5 024	5 024
Retained earnings from previous years	70 358	68 391
Accumulated other comprehensive income	(3 305)	(31)
(-) Intangible assets	(492)	(384)
Other capital adjustments	(62)	(98)
Tier 2 capital	**-**	**-**
Subordinated debt	-	-
Regulatory capital	**96 644**	**98 023**

The indicators of the Bank's capital adequacy as at 31 December 2022 and 31 December 2021 are provided in the table below:

EUR '000	2022	2021
Adequacy of regulatory capital (%)	**19,28%**	**24,77%**
Regulatory capital	**96 644**	**98 023**
Total amount of risk exposures	**501 293**	**395 795**
RVE – credit risk and counterparty's credit risk	447 982	349 425
RE – position risk	8 292	191
RE – foreign exchange risk	-	-
RE – adjustment of the receivable measurement	-	-
RE – operational risk	45 019	46 179

Legislation requires that the Bank maintain the proportion of the regulatory capital to total risk-weighted exposure of at least 8%. As at 31 December 2022, a cushion to maintain capital in the amount of 2.5% was in place. The Bank also applies an anti-cyclical cushion to selected exposures and other cushions stipulated by the legislation and the regulator.

During the reporting periods, the Bank's regulatory capital exceeded the minimum required level of risk-weighted exposures. Thus, the Bank complied with the capital requirement stipulated by the legislation and the regulator. As at 31 December 2022, the regulator assigned the Bank a minimum level of adequacy of its regulatory capital of 13.95% (31 December 2021: 13.20%).

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2022:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	165 558	-	-	-	-	-	**165 558**
Loans and advances to banks	22 417	13 906	-	-	-	-	**36 323**
Loans and advances to customers	-	34 081	169 808	177 020	29 000	19 531	**429 440**
Securities at fair value through other comprehensive income	-	104	23 928	36 398	-	2 200	**62 630**
Securities measured at amortised cost	-	3 075	30 479	67 101	-	-	**100 655**
Investments in subsidiaries	-	-	-	-	-	7	**7**
Tangible and intangible assets	-	-	-	-	-	1 236	**1 236**
Right-of-use assets	-	-	-	-	-	2 853	**2 853**
Deferred tax asset	-	-	-	-	-	1 448	**1 448**
Other assets	589	28	-	-	-	3 492	**4 109**
Total assets	**188 564**	**51 194**	**224 215**	**280 519**	**29 000**	**30 767**	**804 259**
Deposits from customers	291 533	69 926	177 281	140 437	463	16	**679 656**
Debt securities issued	-	7	2 493	-	-	-	**2 500**
Current tax liability	-	-	125	-	-	-	**125**
Provisions for liabilities	-	-	-	-	-	273	**273**
Lease liabilities	-	-	-	-	-	2 853	**2 853**
Other liabilities	1 500	1 197	-	-	-	6 027	**8 724**
Total liabilities	**293 033**	**71 130**	**179 899**	**140 437**	**463**	**9 169**	**694 131**
Difference	**(104 469)**	**(19 936)**	**44 316**	**140 082**	**28 537**	**21 598**	**110 128**
Cumulative difference	**(104 469)**	**(124 405)**	**(80 089)**	**59 993**	**88 530**	**110 128**	

The bulk of deposits from customers payable within seven days in the amount of EUR 291,553 thousand include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2021:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	247 571	-	-	-	-	-	**247 571**
Loans and advances to banks	6 412	2 999	-	-	-	-	**9 411**
Loans and advances to customers	-	22 102	64 553	163 743	1 414	16 568	**268 380**
Securities at fair value through other comprehensive income	-	5 286	25 856	63 923	-	2 518	**97 583**
Securities measured at amortised cost	-	76	353	62 682	-	-	**63 111**
Investments in subsidiaries	-	-	-	-	-	7	**7**
Tangible and intangible assets	-	-	-	-	-	1 191	**1 191**
Right-of-use assets	-	-	-	-	-	2 090	**2 090**
Deferred tax asset	-	-	-	-	-	19	**19**
Other assets	1 017	1 769	-	-	-	675	**3 461**
Total assets	**255 000**	**32 232**	**90 762**	**290 348**	**1 414**	**23 068**	**692 824**
Deposits from customers	230 701	61 991	122 800	151 495	232	2	**567 221**
Debt securities issued	-	1	-	2 997	-	-	**2 998**
Current tax liability	-	-	117	-	-	-	**117**
Provisions for liabilities	-	-	-	-	-	195	**195**
Lease liabilities	-	-	-	-	-	2 090	**2 090**
Other liabilities	3 900	1 223	-	-	-	6 117	**11 240**
Total liabilities	**234 601**	**63 215**	**122 917**	**154 492**	**232**	**8 404**	**583 861**
Difference	**20 399**	**(30 983)**	**(32 155)**	**135 856**	**1 182**	**14 664**	**108 963**
Cumulative difference	**20 399**	**(10 584)**	**(42 739)**	**93 117**	**94 299**	**108 963**	

The bulk of deposits from customers payable within seven days in the amount of EUR 230,701 thousand include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

40. FINANCIAL INSTRUMENTS – LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of the Bank being unable to fulfill its obligations towards its business partners due to a difference in the maturity of assets and liabilities. The Bank monitors and manages liquidity based on expected cash flows from assets and liabilities. To measure liquidity exposure, the Bank uses the liquidity gap method. The Bank defines and manages the risk of inability to fulfill its obligations by means of specified limits of discrepancy in the maturity of assets and liabilities in individual time segments.

There have been no events since the end of the preceding reporting period that would have a material impact on the liquidity risk arising from financial instruments.

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2022:

EUR '000	On demand	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Deposits from customers	199 285	162 408	181 335	142 951	-	-	**685 979**
Debt securities issued	-	12	2 533	-	-	-	**2 545**
Total liabilities	**199 285**	**162 420**	**183 868**	**142 951**	**-**	**-**	**688 524**

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2021:

EUR '000	On demand	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Deposits from customers	220 007	72 841	125 687	152 379	-	-	**570 914**
Debt securities issued	-	2	6	3 003	-	-	**3 011**
Total liabilities	**220 007**	**72 843**	**125 693**	**155 382**	**-**	**-**	**573 925**

41. FINANCIAL INSTRUMENTS – CREDIT RISK

As a result of its business activities arising from the provision of loans, bank guarantees, hedging transactions, and investment and mediation activities, the Bank is exposed to credit risk representing the risk that the debtor or the counterparty will be unable to meet its contractual liabilities.

The Bank mitigates the credit risk by setting limits for exposures with respect to an individual debtor or economically connected group of debtors or to individual sectors of the national economy to avoid inadequate credit risk concentration owing to the accumulation of receivables from a counterparty, an economically connected group, and/or an economic sector. The actual exposure is regularly compared to the set limits. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 5% of the Bank's regulatory capital as a significant exposure. The excessive concentration of credit exposure to one entity affects the ability of the debtor to pay its obligations. The Bank has created a system of internal reports on significant credit exposures to debtors which exceed the specified limit.

Credit risk is also managed by the regular monitoring of financial assets and the subsequent analysis of the debtor's ability to repay its liabilities and by obtaining quality and liquid collateral for the Bank's receivables from credit activities.

Factors leading to the creation of provisions for defaulted financial assets (Stage 3) in 2022:
1. The client was unable to realise its business plan in the agreed time.
2. The client failed to meet the agreed contracting terms and conditions despite the Bank's notices.
3. The client failed to repay the granted loan in a due and timely manner.

Provisioning
According to the classification of financial assets, the Bank creates provisions for:
- Financial assets assessed on an individual basis ("the specific provision")
- Financial assets assessed on a portfolio basis ("the portfolio provision")

The Bank creates two types of provision from a time perspective:
- Initial provisions
- Behavioral provisions

The Bank creates initial provisions for each standard individually assessed financial asset upon its initial measurement. A standard financial asset is any financial asset of the Bank for which customer (debtor) default was not identified.

The Bank creates behavioral provisions for individually assessed financial assets where the Bank identifies a significant change in the credit risk of a financial asset or customer default. The Bank creates and reassesses behavioral provisions over the lifetime of a financial asset.

The provisioning model for individually assessed financial assets has three stages, as illustrated below:

Change in credit quality since the initial recognition

Stage 1	Stage 2	Stage 3
Standard financial assets (initial recognition)	Problematic/high-risk financial assets (assets with a significant increase in the credit risk since the initial recognition)	Defaulted financial assets (assets showing signs of default)

Recognition of expected losses on financial assets

Expected losses over 12 months (initial provisions)	Expected losses over the lifetime of a financial asset (behavioral provisions)	Expected losses over the lifetime of a financial asset (behavioral provisions)

The main criteria for identifying a significant change in credit risk (Stage 2) are as follows:
- Debtor's delay in repaying the Bank's receivable by more than 30 days
- Deterioration of the debtor's internal rating by more than two degrees
- Non-compliance with contractual financial covenants
- Loan restructuring
- Other criteria based on an assessment by the credit risk division in line with internal guidelines

A client's default (Stage 3) is assessed by the Bank automatically, based on the following criteria:
- Debtor's internal rating is E or F, i.e., based on an assessment of all financial and non-financial criteria, the Bank concludes that the debtor will probably fail to pay its liabilities to the Bank in the full amount.
- The debtor is in default with the repayment of its liability to the Bank for more than 90 days.

The Bank uses the expected loss given default (LGD) and the probability of default (PD) to calculate specific provisions for customers not in default (Stage 1 and 2). This calculation uses a PD from data obtained from the Bloomberg system and an LGD from data obtained from the Bank's loan portfolio. The final amount of the portfolio provision is the product of PD and LGD.

In the event of customer default (Stage 3), the Bank determines the amount of the behavioral provision based on the comparison of the carrying amount of a financial asset and its recoverable amount, i.e., the sum of estimated cash flows from the customer's economic activities and the estimated cash flows from the financial asset's collateral discounted using the effective interest rate. The positive difference arising from the two amounts is the provision amount, i.e., the impairment of the financial asset.

For the assets classified as standard or high-risk (Stage 1 and 2), interest income is recognized based on the gross carrying amount of the assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

In line with IFRS rules, the Bank creates portfolios of financial assets that have common characteristics, and for which there is a possibility of their impairment if objective circumstances arise in the relevant market. Portfolios of the Bank's financial assets comprise the portfolio of loans and current account overdrafts provided to the Bank's employees, the portfolio of current account overdrafts provided to private banking customers, the portfolio of loans provided to individuals as housing loans, the portfolio of loans provided to private banking customers as loans secured by the portfolio of customers' securities in the Bank's management and the portfolio of loans provided to the Bank's customers included in the Bank's watch list (closer monitoring).

Provisions created for the portfolios of financial assets are used to cover losses that have not been identified at an individual level. However, based on the objective historical experience, they are embedded in individual portfolios. Portfolio-based impairment losses are intended to reflect a potential risk of loss that cannot be individually identified but based on historical experience and an impact of current economic market conditions are included in individual portfolios.

The Bank's calculation of the amount of portfolio provisions is the same as the calculation of specific provisions for customers not in default. However, this calculation uses a PD obtained from the National Bank of Slovakia's statistics and an LGD from data obtained from the Bank's loan portfolio.

The Bank monitors changes in economic conditions of the relevant market and based on this assessment it may increase PD calculated from the statistical data of the National Bank of Slovakia to reflect such information in the level of expected losses. The Bank also tests the model quality by comparison with the realised losses from the loan portfolio for the previous year.

For other assets (except loans and securities) overdue by more than 30 days, the Bank automatically creates a provision of 100% of the carrying amount of the Bank's receivable.

Creation of provisions for liabilities
The Bank creates provisions for off-balance sheet liabilities and calculates their amounts in a manner similar to provisions for assets.

Credit exposure, collaterals

EUR '000	2022	2021
Total credit exposure	**443 954**	**285 213**
Value of received collaterals accepted by the Bank	400 777	236 249
Of which: immovables	211 165	112 568
cash	82 381	17 598
securities	56 830	48 630
other	50 401	57 453
Secured portion of credit exposure	290 466	159 124
Unsecured portion of credit exposure	153 488	126 089

The value and type of collateral required to secure the credit risk of the counterparty in credit transactions depend on the extent of the credit risk in a specific credit transaction as identified by the Bank in the course of processing of the transaction. The Bank reassesses the value of individual collaterals on a regular basis.

In its internal instructions, the Bank has defined acceptance procedures as well as procedures for valuing individual collateral types depending on their liquidity.

The most frequently used collateral types:

- Project funding: real estate, current and future receivables arising from sale arrangements and other contracts on the sale, or lease of real estate, securities, personal guarantees
- Operational funding: trade receivables, inventories
- Investment funding: clients' movable and immovable assets
- Loans provided to individuals: immovable assets, securities, personal guarantees

Assumptions in estimates of collateral realizable value

The value of collateral is determined as follows:

- Immovable and movable assets: based on a comparison between the general value of assets in an expert's opinion and the fair value of assets as identified by means of an expert's estimate. If there is a difference between these two values, the lower shall be considered the value of the immovable or movable asset.
- Cash collateral: the value of the collateral equals the nominal value of a receivable from deposit; in respect of securities, market prices as at the date of valuation are used.
- Receivables, promissory notes, guarantees and accession to liability by a third party: based on their nominal value, net of ratings of a sub-debtor, debtor under a promissory note or a guarantor.

The value accepted by the Bank is that resulting from multiplying the collateral's value by the relevant coefficient representing the degree of acceptance of a specific type of collateral. This value is concurrently the value for calculating impairment losses.

The value of collateral is regularly updated according to type and any anticipated volatility in prices and is performed on at least an annual basis. In the event of collateral impairment, the Bank will require additional security for the credit transaction or will realise other measures to reduce the credit risk.

The amount the Bank can receive from the sale of collateral could differ from the value accepted by the Bank for credit risk management purposes, and such a difference could be material.

Credit quality of assets not recognized as default
Overview of the quality of financial assets resulting from credit transactions that are not recognized as default (i.e., in Stage 3):

Customers - 2022	Receivables (EUR '000)			Share (%)
	Stage 1	Stage 2	Total	
Rating A1 - A3	21 596	5 126	26 722	6,51%
Rating B1 - B3	25 885	5 716	31 601	7,70%
Rating C1 - C3	214 788	61 582	276 370	67,36%
Rating D1 - D3	42 264	31 778	74 042	18,05%
Retail	85	1 485	1 570	0,38%
Total	**304 618**	**105 687**	**410 305**	**100,00%**

Customers - 2021	Receivables (EUR '000)			Share (%)
	Stage 1	Stage 2	Total	
Rating A1 - A3	2 893	6 335	9 228	3,68%
Rating B1 - B3	72 930	4 813	77 743	30,97%
Rating C1 - C3	95 904	22 255	118 159	47,06%
Rating D1 - D3	19 478	25 205	44 683	17,80%
Retail	67	1 178	1 245	0,50%
Total	**191 272**	**59 786**	**251 058**	**100,00%**

Based on the balances as at 31 December 2022 and 31 December 2021, there are no clients with accredited external ratings in the Bank's loan portfolio.

The summary of external ratings of securities (Moody's Investors Service) that are not recognized as defaulted as at 31 December 2022:

Securities at fair value through other comprehensive income	EUR '000	Share (%)
Aa1	5 472	8,74
Aa3	21 007	33,54
A1	13 602	21,72
A2	16 968	27,09
A3	5 454	8,71
No rating	127	0,20
Total	**62 630**	**100,00**

Securities measured at amortised cost	EUR ‘000	Share (%)
Aa1	1 997	1,98
A2	70 712	70,25
A3	12 742	12,66
Baa3	10 142	10,08
No rating	5 062	5,03
Total	**100 655**	**100,00**

All securities in the Bank’s portfolios are in Stage 1 in accordance with IFRS 9.

The summary of external ratings of securities (Moody's Investors Service) that are not recognized as defaulted as at 31 December 2021:

Securities at fair value through other comprehensive income	EUR ‘000	Share (%)
Aa1	10 759	11,03
Aa3	21 119	21,64
A1	17 092	17,52
A2	24 025	24,62
A3	16 598	17,01
Baa1	2 689	2,76
No rating	5 301	5,42
Total	**97 583**	**100,00**

Securities measured at amortised cost	EUR ‘000	Share (%)
Aa1	1 998	3,17
A2	38 101	60,37
A3	12 882	20,41
Baa3	10 130	16,05
Total	**63 111**	**100,00**

The total volume of securities in the Bank’s portfolios are classified in Stage 1 as per IFRS 9.

Method of determining transaction ratings of clients

The Bank determines an internal rating of customers based on their financial or project, and non-financial and behavioral analyses.

The financial analysis of corporate customers is based on an assessment of individual items of clients' assets, liabilities, expenses and revenues, realisation of assets and equity, and the subsequent calculation of basic financial ratios (indebtedness, liquidity, profitability, activity and cash flow). For retail customers, the Bank assesses the extent of the client's ability to repay a specific loan from his income or assets and the nature of the security of the loan in question.

Project analysis of corporate customers is aimed at evaluating measurable parameters of a client's business plan (e.g., share of own funds, contractual arrangement regarding project exit, investment horizon term).

Non-financial analysis of a client is based on an individual assessment of non-financial aspects (qualitative indicators), i.e., external and internal impacts affecting the client's activities, and an assessment of the macro and micro-environments in which the client operates.

The behavioral analysis of a client includes the identification of adverse events that may result in an impairment of the client's and Bank's assets (e.g., legal dispute, receivable restructuring, client default – non-compliance with contractual obligations).

Based on the sum of points assigned from the above analyses, clients are assigned a rating. The rating system consists of 14 rating classes, where A1 is the best and F the worst rating.

Rating	Number of Points	
A1	36 – 34	Low risk
A2	33 – 32	
A3	31 – 29	
B1	28 – 27	Medium risk
B2	26 – 24	
B3	23 – 22	
C1	21 – 19	Acceptable risk
C2	18 – 17	
C3	16 – 14	
D1	13 – 12	High risk
D2	11 – 9	
D3	8 – 7	
E	6 - 4	Default
F	3 – 0	

The Bank continuously monitors the credit quality of its clients and updates the rating class of each client.

Aging structure of financial assets overdue, recognized as unimpaired

As at 31 December 2022, the Bank recognized overdue loan receivables classified as unimpaired in the total amount of EUR 3,146 thousand, of which principal amounted to EUR 159 thousand (of which EUR 61 thousand principal with a delay of more than 30 days) and accessories in the amount of EUR 2 987 thousand (of which accessories in the amount of EUR 6 thousand with a delay period of more than 30 days).

As of 31 December 2021, the Bank reported overdue loan receivables reported in the unimpaired category with a total volume of EUR 1,514 thousand, of which the principal amounted to EUR 48 thousand and accessories amounted to EUR 1,466 thousand.

Restructured assets

Under the Bank's internal guidelines, a restructured receivable and/or debt financial asset means an asset if the Bank has provided the client with a relief as the client has, or will have, difficulties in meeting its financial obligations (financial difficulties). A relief is a change in the repayment schedule (temporary decrease of one or more payments, or postponement of one or more payments or a part thereof), or an extension of the receivable's maturity.

In 2022, the Bank carried out restructuring by extending the overall maturity or adjusting the repayment schedules of receivables from loan transactions in the total amount of EUR 9,190 thousand represented by long-term loans.

In 2021, the Bank carried out restructuring by extending the overall maturity or adjusting the repayment schedules of receivables from loan transactions in the total amount of EUR 10,873 thousand represented by long-term loans.

The reasons largely included the failure to fulfill a business plan or exit from a project on the anticipated date and a shortfall in revenues during the year. In all instances the Bank treated its position so that in the future it would not be exposed to higher risks than when closing the deal.

As at 31 December 2022, the Bank recorded restructured assets in the amount of EUR 13,324 thousand (2021: EUR 14,821 thousand), for which provisions amounting to EUR 1,573 thousand have been created (2021: EUR 1,941 thousand).

Major credit risk exposures

(a) Concentrations in national economy sectors as at 31 December 2022

EUR '000	2022			
	Stage 1	Stage 2	Stage 3	Total
Non-banking financial services	9 123	-	435	9 558
Manufacturing	1 089	20 544	5 922	27 555
Construction	1 092	-	3 874	4 966
Agriculture and forestry	385	1 569	603	2 557
Commercial real estate – cash flow based	61 596	15 795	4 047	81 438
Commercial real estate – collateral based	65 676	15 534	16 920	98 130
Commerce and services	158 490	27 332	33	185 855
Other	2 605	10 120	-	12 725
Individuals	190	13 006	1 430	14 626
Healthcare services	4 372	1 487	-	5 859
Recreational, cultural and sport activities	-	300	385	685
Total	**304 618**	**105 687**	**33 649**	**443 954**

(b) Concentrations in national economy sectors as at 31 December 2021

EUR '000	2021			
	Stage 1	Stage 2	Stage 3	Total
Non-banking financial services	7 020	-	324	7 344
Manufacturing	1 523	468	6 454	8 445
Construction	-	-	4 941	4 941
Agriculture and forestry	381	1 350	408	2 139
Commercial real estate – cash flow based	55 425	5 817	4 660	65 902
Commercial real estate – collateral based	59 583	1 844	15 521	76 948
Commerce and services	53 410	37 273	40	90 723
Other	10 797	1 264	-	12 061
Individuals	-	9 782	1 389	11 171
Healthcare services	2 937	1 988	-	4 925
Recreational, cultural and sport activities	196	-	418	614
Total	**191 272**	**59 786**	**34 155**	**285 213**

(c) Concentrations in significant groups of related clients

The Bank continuously monitors exposures to groups of related clients to comply with regulatory limits. The maximum exposure to a debtor or an economically connected group of clients as defined by regulations is capped at EUR 24,161 thousand owing to the amount of the Bank's capital as at 31 December 2022 (2021: EUR 24,506 thousand).

Maximum credit exposure

EUR '000	2022	2021
Cash and balances with central banks	165 558	247 571
Loans and advances to banks	36 323	9 411
Loans and advances to customers	429 440	268 380
Securities at fair value through other comprehensive income	62 630	97 583
Securities measured at amortised cost	100 655	63 111
Investments in subsidiaries	7	7
Other assets	4 109	3 461
Total	**798 722**	**689 524**
Unused credit facilities	36 547	36 767
Issued guarantees	154	150
Total	**36 701**	**36 917**
Total credit exposure	**835 423**	**726 441**

42. OPERATIONAL, LEGAL AND OTHER RISKS

The Bank creates a database of operational losses and events that represent a potential risk of loss. Given the size of the Bank and the related frequency of events of operational risks and losses, it is very unlikely that such archived cases of operational risks will represent a sufficiently large sample with acceptable informative value for the creation of more sophisticated solutions for operational risk management. The operational losses and events database is used by senior management mainly as a general rule for the assessment and monitoring of this risk factor.

Legal and other risks are monitored in the Bank's internal control system in the event of reviews made by the Department of Internal Control and Audit and by divisions of the headquarters.

43. FAIR VALUES

The fair value is the amount at which an asset could be exchanged, or a liability settled in an arm's length transaction. The estimated fair values of the Bank's financial assets and financial liabilities at the year-end were as follows:

EUR '000	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Financial assets				
Cash and balances with central banks	165 558	165 572	247 571	247 571
Loans and advances to banks	36 323	36 321	9 411	9 411
Loans and advances to customers	429 440	429 112	268 380	270 201
Securities at fair value through other comprehensive income	62 630	62 630	97 583	97 583
Securities measured at amortised cost	100 655	97 108	63 111	65 693
Investments in subsidiaries	7	7	7	7
Financial liabilities				
Deposits from customers	679 656	666 599	567 221	566 521
Debt securities issued	2 500	2 494	2 998	2 983

The method used to determine the fair values of selected financial assets as at 31 December 2022:

EUR '000	Market price **Level 1**	Own model with reference to market prices **Level 2**	Own model without reference to market prices **Level 3**	**Total**
Loans and advances to customers	-	-	429 112	**429 112**
Securities at fair value through other comprehensive income	57 031	5 472	127	**62 630**
Securities measured at amortised cost	92 146	-	4 962	**97 108**
Investments in subsidiaries	-	-	7	**7**

There were no transfers between the measurement levels in 2022.

The method used to determine the fair values of selected financial assets as at 31 December 2021:

EUR '000	Market price **Level 1**	Own model with reference to market prices **Level 2**	Own model without reference to market prices **Level 3**	**Total**
Loans and advances to customers	-	-	270 201	**270 201**
Securities at fair value through other comprehensive income	81 523	10 759	5 301	**97 583**
Securities measured at amortised cost	65 693	-	-	**65 693**
Investments in subsidiaries	-	-	7	**7**

There were no transfers between the measurement levels in 2021.

The following methods and assumptions were used to estimate the fair values of the Bank's financial assets and financial liabilities:

Cash and balances with central banks
The carrying value of cash and balances with central banks approximate their fair value.

Loans and advances to banks
The fair value of current accounts with other banks approximates their carrying value. For amounts with a remaining maturity of less than three months, it is also reasonable to use the carrying value as an approximation of their fair value. The fair values of other loans and advances to banks are calculated by discounting the future cash flows using current interbank rates.

Loans and advances to customers
Loans and advances to customers are measured net of impairment losses for receivables. The fair values of loans and advances to customers are calculated by discounting the future cash flows using the current market rates increased by updated risk interest margin by loans. Subsequently, this amount is reduced by the provision for the relevant receivable (Level 3).

Securities at fair value through other comprehensive income
Securities at fair value through other comprehensive income are reported in quoted market prices (Level 1). If the quoted market price is not available, or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The fair value reflects provisions. The method of calculating the fair value of financial instruments is described in Note 2.5.7.

Securities at amortized cost
Securities measured at amortized cost are reported in quoted market prices (Level 1). If the quoted market price is not available, or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The fair value reflects provisions. The method of calculating the fair value of financial instruments is described in Note 2.5.7.

Investments in subsidiaries
Net value of assets approximates fair value.

Deposits from customers
The fair values of deposits from customers are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

Debt securities issued

The fair values of debt securities issued are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

44. SIGNIFICANT SUBSEQUENT EVENTS

At the date of preparation of these financial statements, no material events had occurred that would require material adjustment of the data or information disclosed in those financial statements as of 31 December 2022.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were signed and authorized by the Board of Directors on 22 May 2023.

Mgr. Ing. Ľuboš Ševčík, CSc. Chairman of the Board of Directors and General Director	Ing. Vladimír Hrdina Member of the Board of Directors and Executive Director