Slovenská sporiteľňa, a.s.

Separate financial statements
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2022

(Translated version, original version in Slovak)

Content

Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors of Slovenská sporiteľňa, a.s.

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Slovenská sporiteľňa, a.s. (the "Bank") as at 31 December 2022 and the Bank's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 27 February 2023.

What we have audited

The Bank's separate financial statements comprise:

- the separate statement of income for the year ended 31 December 2022;
- the separate statement of comprehensive income for the year ended 31 December 2022;
- the separate statement of financial position as at 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the separate statement of cash flows for the year ended 31 December 2022; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act No. 423/2015 on Statutory Audit and on the amendments and supplements to the Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory Audit") that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Act on Statutory Audit.

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To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank, to its parent or to its subsidiaries within the European Union are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Bank, in the period from 1 January 2022 to 31 December 2022, are disclosed in v Note 38 to the separate financial statements.

Our audit approach

Overview

Materiality	Overall materiality: EUR 13.56 million , which represents approximately 5% of the average of the last three-year profits before income tax and levy on banking activities.
Key audit matters	The audit of the credit loss allowance estimate required our significant attention given the nature of this estimate and its significance to the separate financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality	EUR 13.56 million
How we determined it	We determined the materiality as approximately 5% of the average of the last three-year profits before income tax and levy on banking activities.
Rationale for the materiality benchmark applied	Performance of the Bank is most commonly evaluated by the financial statements' users based on the Bank's profitability. The quantitative threshold of approximately 5% was applied to average three-year profit before income tax and levy on banking activities recorded by the Bank during years 2022, 2021 and 2020. Levy on banking activities was added to profit before income tax because of the similar nature as income tax. The recent economic development resulting from COVID-19 pandemic and the current macroeconomic situation, including high inflation, led to volatility in the Bank's profit before tax. The average of the three-year profits before tax adjusted for the levy represents a stable materiality benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance estimate	
As explained in the Note 13, Note 14 and Note Leases to the separate financial statements, management estimated total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 352 million. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for measuring credit loss allowances are significant estimates.	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with the requirements of IFRS 9. A sample of loan exposures was examined in order to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance and we assessed external and internal valuations of the underlying collateral and comparing them to values used by management in the expected credit loss quantification.

Key audit matter	How our audit addressed the key audit matter
The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; application of comprehensive credit models - all involve significant management judgement. In 2022, the estimate of credit loss allowances was significantly influenced by the current macroeconomic situation influenced by the Russia/Ukraine conflict which resulted in energy crisis, high inflation and decrease in economic activity. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit loss estimate as a key audit matter.	On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Group to estimate collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models and expert judgement applied by Group in response to the current geopolitical situation (including high energy prices, decrease in economic activity) were assessed by our specialists dealing with financial risk management and modelling. They assessed the design and application of the models for compliance with the relevant reporting standards, including introduction of additional criteria used for identification of significant increase in credit risk, incl. stage overlays and shifts in risk parameters due to the current macroeconomic situation. The specialists assessed reasonableness of the forward-looking information and its impact on the risk parameters and accuracy of the collective credit loss allowances. Our specialists have assessed a validation process implemented by the Group and interpreted results of the validation report.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and separate financial statements and our auditor's reports thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we will also consider whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the "Accounting Act"), when it becomes available to us. This will include checking the consistency of the Annual Report for the financial year for which the separate financial statements are prepared with the separate financial statements, and whether the Annual Report has been prepared in accordance with the Accounting Act.

In addition, our updated report will either state that we have nothing to report in regard of the above, or will describe any material misstatements we identified in the Annual Report based on our knowledge and understanding of the Bank and its environment, which we obtained during our audit.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, 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 separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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

Appointment as an independent auditor

We were first appointed as auditors of the Bank on 27 March 2017. Our appointment has been renewed annually by the shareholder's resolution representing a total period of uninterrupted engagement appointment of six years. Our appointment for the year ended 31 December 2022 was approved by the shareholder's resolution on 22 March 2022.

The statutory auditor on the audit resulting in this independent auditor's report is Ing. Eva Hupková, FCCA.

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28 February 2023
Bratislava, Slovak Republic

Separate Statement of Income

for the year ended 31 December 2022

EUR ths.	Notes	2021	2022
Net interest income	2	428,292	443,561
Interest income		421,720	470,015
Other similar income		39,478	24,541
Interest expenses		(18,202)	(40,311)
Other similar expenses		(14,704)	(10,684)
Net fee and commission income	3	174,347	192,216
Fee and commission income		194,615	214,344
Fee and commission expenses		(20,268)	(22,128)
Dividend income	4	620	606
Net trading result	5	9,795	23,636
Gains/losses from financial instruments measured at fair value through profit or loss	6	(706)	907
Rental income from investment properties & other operating leases	7	262	316
Personnel expenses	8	(154,482)	(161,121)
Other administrative expenses	8	(104,273)	(111,113)
Depreciation and amortisation	8	(36,819)	(37,555)
Gains/losses from derecognition of financial assets measured at amortised cost		1	2
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(2,643)	(452)
Impairment result from financial instruments	9	(1,099)	(32,114)
Other operating result	10	(352)	(5,100)
Levies on banking activities		(4,665)	(5,894)
Pre-tax result from continuing operations		312,943	313,789
Taxes on income	11	(73,515)	(69,230)
Net result for the period		239,428	244,559

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 34 Total equity). As in the previous year no subscription and conversion rights were outstanding during the financial year. Diluted earnings per share were equal to the basic earnings per share.

		2021	2022
Net result attributable to owners of the parent	EUR ths.	239,428	244,559
Number of outstanding shares	pcs.	212,000	212,000
Basic and diluted earnings per share	EUR	1,129	1,154

The notes on pages 6 to 129 are an integral part of these separate financial statements.

Separate Statement of Comprehensive Income

for the year ended 31 December 2022

For a detailed split of income tax items within other comprehensive income please refer to Note 11 Taxes on income.

EUR ths.	2021	2022
Net result for the period	239,428	244,559
Other comprehensive income		
Items that may not be reclassified to profit or loss	(59)	794
Remeasurement of defined benefit plans	(74)	1,005
Deferred taxes relating to items that may not be reclassified	15	(211)
Items that may be reclassified to profit or loss	-	-
Total other comprehensive income	(59)	794
Total comprehensive income	239,369	245,353

The notes on pages 6 to 129 are an integral part of these separate financial statements.

Separate Statement of Financial Position

as at 31 December 2022

EUR ths.	Notes	31.12.2021	31.12.2022
Assets			
Cash and cash balances	12	2 907 420	1 254 543
Financial assets held for trading	16	47 874	77 139
Derivatives		47 874	77 139
Non-trading financial assets at fair value through profit or loss	17	21 064	21 843
Equity instruments		7 155	9 694
Debt securities		13 909	12 149
Financial assets at amortised cost	13	19 518 537	21 664 202
Pledged as collateral		4 323 690	3 914 418
Debt securities		3 911 658	4 154 899
Loans and advances to banks		49 983	26
Loans and advances to customers		15 556 896	17 509 277
Finance lease receivables	Leases	233 435	284 500
Hedge accounting derivatives	19	16 454	16 879
Property and equipment, right-of-use assets	28	110 972	162 420
Investment properties	28	1 518	1 453
Intangible assets	29	18 947	17 868
Investments in subsidiaries, associates and joint ventures	35,36	37 002	38 659
Deferred tax assets	11	67 843	69 979
Trade and other receivables	14	128 930	155 526
Other assets	30	35 692	24 574
Total assets		23 145 688	23 789 585
Liabilities and Equity			
Financial liabilities held for trading	16	46 131	73 533
Derivatives		46 131	73 533
Financial liabilities at amortised cost	15	20 853 049	21 196 021
Deposits from banks		2 893 347	1 173 628
Deposits from customers		15 977 315	16 920 169
Debt securities issued		1 945 861	2 988 434
Other financial liabilities		36 526	113 790
Lease liabilities		32 333	81 718
Hedge accounting derivatives	19	31 844	103 266
Provisions	32	43 214	38 972
Current tax liabilities	11	2 193	7 374
Other liabilities	31	110 892	131 521
Equity		2 026 032	2 157 180
Equity attributable to owners of the parent	34	2 026 032	2 157 180
Subscribed capital		212 000	212 000
Additional equity instruments		380 000	380 000
Retained earnings and other reserves		1 434 032	1 565 180
Total liabilities and equity		23 145 688	23 789 585

The notes on pages 6 to 129 are an integral part of these separate financial statements.

Separate Statement of Changes in Equity

for the year ended 31 December 2022

EUR ths.	Subscribed capital	Retained earnings and other funds: Legal reserve fund	Retained earnings and other funds: Other funds	Retained earnings and other funds: Retained earnings	Remeasurement of defined benefit pension liabilities	Additional equity instruments	Equity attributable to owners of the parent	Total equity
As of 01.01.2022	212,000	79,795	39,104	1,316,883	(1,750)	380,000	2,026,032	2,026,032
Dividends paid / Distribution for Investment certificate	-	-	-	(114,205)	-	-	(114,205)	(114,205)
Total comprehensive income	-	-	-	244,559	794	-	245,353	245,353
Net result for the period	-	-	-	244,559	-	-	244,559	244,559
Other comprehensive income	-	-	-	-	794	-	794	794
Change from remeasurement of defined benefit pension liabilities	-	-	-	-	794	-	794	794
As of 31.12.2022	212,000	79,795	39,104	1,447,237	(956)	380,000	2,157,180	2,157,180

As at 31 December 2022 the impact of deferred tax included in ´Fair value reserve´ amounts EUR 0.0 million (2021: EUR 0.0 million) and the impact of deferred tax included in ´Remeasurement of defined benefit pension liabilities´ amounts EUR 0.0 million (2021: EUR 0.0 million). For more details on deferred tax please refer to note 11.

EUR ths.	Subscribed capital	Retained earnings and other funds: Legal reserve fund	Retained earnings and other funds: Other funds	Retained earnings and other funds: Retained earnings	Remeasurement of defined benefit pension liabilities	Additional equity instruments	Equity attributable to owners of the parent	Total equity
As of 01.01.2021	212,000	79,795	39,104	1,130,796	(1,691)	300,000	1,760,004	1,760,004
Dividends paid / Distribution for Investment certificate	-	-	-	(53,926)	-	-	(53,926)	(53,926)
Capital increases	-	-	-	-	-	80,000	80,000	80,000
Other changes	-	-	-	584	-	-	584	584
Total comprehensive income	-	-	-	239,428	(59)	-	239,369	239,369
Net result for the period	-	-	-	239,428	-	-	239,428	239,428
Other comprehensive income	-	-	-	-	(59)	-	(59)	(59)
Change from remeasurement of defined benefit pension liabilities	-	-	-	-	(59)	-	(59)	(59)
As of 31.12.2021	212,000	79,795	39,104	1,316,882	(1,750)	380,000	2,026,031	2,026,031

For more details on the transaction of AT1 certificate issue included in the line item ´Capital increases/ decreases´ please refer to note 34.

The notes on pages 6 to 129 are an integral part of these separate financial statements.

Separate Statement of Cash Flows

for the year ended 31 December 2022

EUR ths.		2021	2022
Net result for the period	Notes	239,428	244,559
Non-cash adjustments for items in net profit/loss for the year			
Net allocation of credit loss allowances and other provisions	10	3,853	30,201
Depreciation, amortisation, impairment and reversal of impairment of assets	28,29	35,273	34,737
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	6	(113)	(1,422)
Accrued interest, amortisation of discount and premium	2	35,059	46,379
Fair value adjust - hedging	19	(17,974)	(116,201)
Other adjustments		(3,205)	(3,863)
Cash flows from operations before changes in operating assets and liabilities			
Financial assets held for trading	16	12,120	(29,265)
Non-trading financial assets at fair value through profit or loss	17		
Equity instruments		504	(1,117)
Debt securities		(5,588)	1,761
Financial assets at amortised cost	13		
Debt securities		(250,137)	(285,718)
Loans and advances to banks		(49,934)	49,957
Loans and advances to customers		(984,560)	(1,990,136)
Finance lease receivables	Leases	7,138	(50,803)
Hedge accounting derivatives	19	17,891	(425)
Trade and other receivables	14	(47,333)	(26,596)
Other assets from operating activities	30,11	(15,186)	11,328
Financial liabilities held for trading	16	-	27,402
Financial liabilities at fair value through profit or loss	16	(10,393)	-
Financial liabilities measured at amortised cost	15		
Deposits from banks		1,183,092	(1,719,719)
Deposits from customers		1,053,584	940,470
Other financial liabilities		14,021	77,264
Hedge accounting derivatives	19	(16,529)	71,422
Provisions	32	8,520	(2,571)
Other liabilities from operating activities	31,11	11,317	26,847
Cash flow from operating activities		1,220,848	(2,665,509)
Dividends received from subsidiaries, associates and other investments	4	608	606
Purchase of share in subsidiaries, associates and joint ventures	35,36	(1,000)	(1,657)
Proceeds from liquidation of subsidiaries and associates	35,36	25,925	-
Proceeds from merge of subsidiaries and associates	35,36	24,848	-
Purchase of intangible assets, property and equipment	28,29	(20,843)	(23,411)
Proceeds from sale of intangible assets, property and equipment	28,29	796	2,267
Cash flow from investing activities		30,334	(22,195)
Dividends paid	34	(53,926)	(114,205)
AT1 certificate - issue	34	80,000	-
Repayment of subordinated debt	34	(10,000)	(20,000)
Issue of the bonds	34	231,347	1,436,855
Repayment of the bonds	34	(295,591)	(253,511)
Lease liabilities	34	(13,753)	(14,446)
Cash flow from financing activities		(61,923)	1,034,693
Cash and cash equivalents at beginning of the year	12	1,717,486	2,907,420
Cash flows from operating activities		1,220,848	(2,665,509)
Cash flow from investing activities		30,334	(22,195)
Cash flow from financing activities		(61,923)	1,034,693
Effect of foreign exchange rate changes on cash and cash equivalents		674	134
Cash and cash equivalents at end of period	12	2,907,420	1,254,543
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		368,766	415,117
Payments for taxes on income	11	(83,240)	(66,373)
Interest paid	2	(25,778)	(42,497)
Interest received	2	477,177	523,380
Dividends received	4	608	606

Cash and cash equivalents are equal to the amount in the statement of financial position line item 'Cash and cash balances'. Further information related to net debt reconciliation are provided in note 15. For more details on the new structure of Separate statement of cash flows please refer to note 40.

The notes on pages 6 to 129 are an integral part of these separate financial statements.

Notes to the Separate Financial Statements

General information

Slovenská sporiteľňa, a.s. (hereinafter 'the Bank') has its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic. The Bank was incorporated as a joint stock company on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653. The tax identification number of the Bank is 2020411536.

The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial and private customers, principally in the Slovak Republic.

The Bank's sole shareholder is Erste Group Bank AG, which has its registered office at Am Belvedere 1, 1100 Vienna, and which is the ultimate 100% parent company of the Bank. Information on the shareholding structure of the ultimate parent company is disclosed in the 2022 financial statements of Erste Group Bank AG or up-to-date information is available on its homepage.

The Board of Directors of the Bank had five members as at 31 December 2022:
Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), RNDr. Milan Hain, PhD. (member), Mgr. Ing. Norbert Hovančák (member) and Mgr. Juraj Barta, CFA (member).

The chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. Other members of the Board of Directors are the deputies of the Chief Executive Officer.

The Supervisory Board of the Bank had six members as at 31 December 2022:
David O´Mahony (chairman), Mag. Jan Homan (vice-chairman), Paul Formanko, MBA (member), JUDr. Vazil Hudák (member), Mgr. Alena Adamcová (member) and Juraj Futák (member).

The Bank is subject to various regulatory requirements of local, Slovak regulatory bodies defined by Slovak legislation as well as European regulatory bodies defined by EU legislation.

The Bank is under direct supervision of the European Central Bank within a Single Supervision Mechanism.

These separates financial statements have been prepared and authorized for issue by the management board as at the signing date of this report. However, these separate financial statements are subject of approval on the supervisory board (27 February 2023) and the annual general meeting (29 March 2023).

Significant accounting policies

a) Basis of preparation

The separate financial statements of the Bank for the financial year ending on 31 December 2022 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002.

The principal accounting policies applied in the preparation of these separate financial statements are set out in respective parts of these statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Measurement bases or bases used in the financial statements (like amortised cost, fair value, etc.) are set out in respective parts of these statements.

These separate financial statements have been prepared on the basis that the Bank will be able to continue as a going concern for the foreseeable future.

The Bank is subject to regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all credit institutions based in the EU. The Bank does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Bank. Except as otherwise indicated, all amounts are stated in thousands of EUR ('EUR ths.'). The tables in this report may contain rounding differences.

b) Accounting and measurement methods

Foreign currency translation

The separate financial statements are presented in Euro, which is the functional currency of the bank. The functional currency is the currency of the primary business environment in which an entity operates.
For foreign currency translation, exchange rates quoted by the central banks in each country are used. For the Bank with the Euro as functional currency, these are the European Central Bank reference rates.

i. Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions, i.e. they do not give rise to exchange differences. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value is measured, thus the exchange differences are part of the fair value gains or losses.

c) Accounting judgements, assumptions and estimates

The separate financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate in particular to:

- SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- Business model assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- Fair value of financial instruments (Note 18 Fair value of financial instruments)
- Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 24 Credit risk)

In 2022 the war in Ukraine, the energy crisis, inflation and interest rates developments brought additional factors of uncertainties for Bank's financial performance and position. In 2021 such additional uncertainties resulted from the Covid-19 pandemic. The potential effects include significant impacts on expected credit losses, on operating income as well as impacts of potential non-financial assets impairment assessments. Bank follows the developments closely and recognises the effects in the financial statements as a reasonable information supporting their recognition is available.

Details about effects of these factors on the expected credit losses estimation are described in Note 24 Credit risk.

The market capitalisation of Bank at year-end 2022 was below the carrying amount of the net assets. Therefore, a thorough analysis was performed to ensure the recoverability of the non-financial assets. In the course of this analysis the bank has estimated the value in use on the level of the cash-generating units (CGUs). The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. The cash flow projection period is five years. Beyond this planning horizon the cash flows are extrapolated to perpetuity based on a terminal growth rate. For those CGUs for which the carrying amount was higher than the value in use, the fair values of the underlying non-financial assets were derived and compared with the respective book values. In addition to the amounts already recognised in the course of the financial statement preparation process (see Note 28 Property, equipment and investment properties and Note 29 Intangible assets), the analysis did not reveal any need for impairment.

d) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2022. As regards new standards and interpretations and their amendments, only those that are relevant for the business of the Bank are listed below.

Effective standards and interpretations

The following amendments of standards have become mandatory for the financial year 2022 and have been endorsed by the EU:

- Annual Improvements to IFRSs 2018-2020 Cycle (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

Application of the above-mentioned amendments in 2022 did not have a significant impact on the Bank's financial statements.

Standards and interpretations not yet effective

The standards and amendments shown below were issued by the IASB but are not yet effective. All of them are endorsed by the EU:

- IFRS 17: Insurance contracts
- Amendments to IAS 1: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Application of IFRS 17 is not expected to have a significant impact on Bank's financial statements.

Amendments to IAS 1: Disclosure of Accounting policies. The amendments to IAS 1 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that an entity is required to disclose its material accounting policy information. A guidance was added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. Application of these amendments is not expected to have a significant impact on Bank's financial statements. However, revisions in the disclosures of the accounting policies may be required.

Amendments to IAS 8: Definition of Accounting Estimates. The amendments to IAS 8 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments to IAS 12 were issued In March 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that the initial recognition exemption stipulated in IAS 12.15(b) and IAS12.24 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Performance / Return

1. Segment reporting

The segment reporting of the Bank is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within the Bank the function of the chief operating decision maker is executed by the Board of Directors. In addition, the Bank's segment reporting follows the standards of the Erste Group issued for the purpose to unify presentation, measurement and steering of the Bank.

Business segments

The segment reporting comprises four business segments reflecting management structure of the Bank and its internal management reporting in 2022.

The Bank - business segments

Retail	Corporates	Asset Liability Management (ALM), Local Corporate Center (LCC) and Free Capital (FCAP)	Group Markets

The Bank applies account manager principle for the definition of segments / business lines. It means that each client has assigned one account manager from a particular segment / business line. Subsequently, profit or loss on business transactions with the client is allocated to that account manager.

Retail segment comprises the entire business activities with private individuals, free professionals and micros, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions and 190 branches (status as at 31 December 2022).

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

Asset Liability Management (ALM), Local Corporate Center (LCC) segment and Free Capital (FCAP) Segment comprises on the one side the management of Bank's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore, it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also Free Capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided into Treasury trading and market services (GMT) and Financial institutions (GMFI):

- Treasury trading and Market services (GMT) comprises all activities related to active risk taking and managing in regulatory trading books of the Bank, additional to that the execution of trades against the market using the trading books of the Bank for market making, short-term liquidity management and warehousing purposes. Specifically, revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.
- Financial institutions (GMFI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Bank's Board of Directors for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of the Bank are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the separate financial statements of accounting.

Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of the Bank to assess the performance of the segments. The average allocated equity is determined by credit risk, market risk and operational risk. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment. Total average allocated capital for the Bank equals average total equity of the Bank. For measuring and assessing the profitability of segments within the Bank, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Business Segments	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
EUR ths.	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Net interest income	259,565	276,697	92,081	100,817	784	5,648	75,862	60,399	428,292	443,561
Net fee and commission income	141,398	156,136	24,056	26,833	14,259	15,262	(5,366)	(6,015)	174,347	192,216
Dividend income	-	-	-	-	-	-	620	606	620	606
Net trading result	4,309	5,407	3,808	8,724	2,416	5,495	(738)	4,010	9,795	23,636
Gains/losses from financial instruments at FVPL	-	-	-	-	-	-	(706)	907	(706)	907
Rental income from investment properties & other operating leases	-	-	-	-	-	-	262	316	262	316
General administrative expenses	(250,692)	(260,926)	(37,722)	(41,497)	(4,801)	(5,118)	(2,359)	(2,248)	(295,574)	(309,789)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	-	1	2	1	2
Other gains/losses from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(2,643)	(452)	(2,643)	(452)
Impairment result from financial instruments	(12,259)	(19,716)	11,515	(11,578)	17	17	(372)	(837)	(1,099)	(32,114)
Other operating result	(847)	(1,008)	(1,420)	(2,259)	(656)	(271)	2,571	(1,562)	(352)	(5,100)
Levies on banking activities	(846)	(1,008)	(1,119)	(1,087)	(656)	(272)	(2,044)	(3,527)	(4,665)	(5,894)
Pre-tax result from continuing operations	141,474	156,590	92,318	81,040	12,019	21,033	67,132	55,126	312,943	313,789
Taxes on income	(29,710)	(32,884)	(19,387)	(17,018)	(2,524)	(4,417)	(21,894)	(14,911)	(73,515)	(69,230)
Net result for the period	111,764	123,706	72,931	64,022	9,495	16,616	45,238	40,215	239,428	244,559
Net result attributable to owners of the parent	111,764	123,706	72,931	64,022	9,495	16,616	45,238	40,215	239,428	244,559
Operating income	405,271	438,239	119,945	136,374	17,460	26,405	69,934	60,224	612,610	661,242
Operating expenses	(250,692)	(260,926)	(37,722)	(41,497)	(4,801)	(5,118)	(2,359)	(2,248)	(295,574)	(309,789)
Operating result	154,579	177,313	82,223	94,877	12,659	21,287	67,575	57,976	317,036	351,453
Risk-weighted assets (credit risk, eop)*	3,693,551	3,926,089	4,134,638	4,620,677	4,740	2,553	207,117	313,821	8,040,046	8,863,140
Average allocated capital**	462,059	531,362	453,948	499,524	5,218	6,902	353,128	442,652	1,274,353	1,480,440
Cost/income ratio	61.86%	59.54%	31.45%	30.43%	27.50%	19.38%	3.37%	3.73%	48.25%	46.85%
Return on allocated capital	24.19%	23.28%	16.07%	12.82%	181.95%	240.75%	12.81%	9.09%	18.79%	16.52%
Total assets (eop)	11,447,922	12,570,896	4,577,766	5,456,918	76,465	82,591	7,043,535	5,679,180	23,145,688	23,789,585
Total liabilities excluding equity (eop)	14,021,083	13,729,221	1,683,274	2,302,624	348,205	718,039	5,067,094	4,882,521	21,119,656	21,632,405
Impairments	(12,260)	(19,717)	11,515	(11,578)	17	17	(371)	(836)	(1,099)	(32,114)
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	(12,153)	(19,577)	19,847	(15,432)	17	17	(374)	(837)	7,337	(35,829)
Net impairment loss on commitments and guarantees given	(107)	(140)	(8,332)	3,854	-	-	3	1	(8,436)	3,715

* Credit RWA (eop) after intercompany transactions according to Pillar 1, calculated by Erste Group for the purpose of segment report and management purposes (without subsidiaries Credit RWA)
** Average allocated capital is calculated based on Erste Group controlling methodology.

2. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments – Significant accounting policies'.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

'Interest expenses' relate to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter 'Financial instruments – Significant accounting policies'.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined benefit plan liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, on debt securities in all measurement categories of financial assets, on trade and other receivables and on finance lease receivables. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities and interest paid on lease liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

EUR ths.	2021	2022
Financial assets at AC	421,720	470,015
Demand deposits	4	7,539
Loans and advances	333,251	372,108
Debt securities	88,465	90,368
Interest income	421,720	470,015
Non-trading financial assets at FVPL	6	24
Financial assets HfT	14,959	14,582
Hedge accounting derivatives, interest rate risk	(8,290)	(5,982)
Other assets	4,992	5,254
Negative interest from financial liabilities	27,811	10,663
Other similar income	39,478	24,541
Interest and other similar income	461,198	494,556
Financial liabilities at AC	(18,202)	(40,311)
Deposits	(4,813)	(15,936)
Debt securities in issue	(13,389)	(24,375)
Interest expenses	(18,202)	(40,311)
Financial liabilities HfT	(12,869)	(12,634)
Hedge accounting derivatives, interest rate risk	7,163	7,505
Other liabilities	68	(952)
Negative Interest from financial assets	(9,066)	(4,603)
Other similar expenses	(14,704)	(10,684)
Interest and other similar expenses	(32,906)	(50,995)
Net interest income	428,292	443,561

An amount of EUR 6.8 million (2021: EUR 6.4 million) relating to impaired financial assets is included in interest income. The amounts disclosed in the line items ‘Negative interest from financial liabilities’ and ‘Negative interest from financial assets’ relate to the interbank business, deposits and refinancing with central banks only.

Interest income from hedging instruments relates to the hedged items presented in the line item ‘Financial assets at amortised cost’. Interest expense from hedging instruments relates to the hedged items presented in the line item ‘Financial liabilities at amortised cost’.

In 2022 the interest expense on financial liabilities at AC includes catch-up loss from Targeted Long Term Refinancing Operation (TLTRO III) in the amount of EUR 6.6 million. In 2021 the negative interest expense from financial liabilities at AC was in the amount EUR 27.8 million, including the catch up adjustment from TLTRO III - gain EUR 12.9 million. For more details refer to Note 15 Financial liabilities at amortised costs.

3. Net fee and commission income

The Bank earns fee and commission income from a diverse range of services that it provides to its customers.

Fee and commission income is measured based on the consideration specified in the contract with a customer. The Bank recognises revenue when it transfers a promised service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, premiums received for financial guarantees and other fees from lending business, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage and building society brokerage. Services provided over a period of time also include certain payment services like periodic card fees.

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. Transaction based services also include certain payment services like withdrawal fees.

A contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. For example, loan servicing fees agreed in a loan contract that are not integral to the effective interest rate of a financial instrument are included in the net fee and commission income.

EUR ths.	2021		2022	
	Income	Expenses	Income	Expenses
Securities	4,147	(828)	6,597	(1,818)
Issues	127	-	88	-
Transfer orders	991	(509)	1,574	(1,636)
Other	3,029	(319)	4,935	(182)
Custody	3,202	(1,840)	3,968	(2,075)
Collective investment	810	-	82	-
Other	2,392	(1,840)	3,886	(2,075)
Payment services	107,429	(10,356)	114,973	(9,692)
Card business	43,343	(6,858)	54,500	(6,409)
Other	64,086	(3,498)	60,473	(3,283)
Customer resources distributed but not managed	59,034	(91)	64,490	(251)
Collective investment	20,367	-	21,798	-
Insurance products (as agent)	38,643	(91)	42,667	(251)
Other	24	-	25	-
Lending Business	20,221	(5,078)	23,280	(5,253)
Guarantees given, guarantees received	4,619	(12)	5,456	(10)
Loan commitments given, loan commitments received	4,101	-	3,747	-
Other lending business	11,501	(5,066)	14,077	(5,243)
Other	582	(2,075)	1,036	(3,039)
Total fee and commission income and expenses	194,615	(20,268)	214,344	(22,128)
Net fee and commission income	174,347		192,216	

Collective investment in the line ´Customer resources distributed but not managed´ and custody fees relate to fees earned by the Bank on trust and other investment activities in which the Bank holds or invests assets on behalf of its customers and amount to EUR 13,179.7 million (2021: EUR 13,762.4 million).

4. Dividend income

EUR ths.	2021	2022
Non-trading financial assets at fair value through profit or loss	587	588
Financial assets at fair value through other comprehensive income	15	-
Financial assets at amortised cost	18	18
Dividend income	620	606

Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at fair value through profit or loss and at fair value through other comprehensive income.

5. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. Further, the net trading result includes any ineffective portions recorded in fair value hedge transactions. Also, foreign exchange gains and losses on all monetary assets and liabilities and from spot currency conversions are included here.
The accounting policy for recognition of foreign exchange gains and losses is described in the chapter Significant accounting policies, Accounting and measurement methods, Foreign currency translations, i. Transactions and

balances in foreign currency. Detailed information relating to hedge accounting can be found in Note 19 Hedge accounting.

The Bank has adopted a business model of centralised financial markets trading in cooperation with its parent company. Within this model Erste Group Bank AG conducts all trading operations on a central trading book in order to manage effectively market risks from the Bank trading activities (i.e. transactions with retail, corporate and other institutional clients), with the exception of equity risk trading and transactions for the Bank's liquidity management purposes.

Trading gains from the market positions of Erste Group Bank AG are distributed according to the approved rules to local banks within the Bank based on their financial results and are reported in the income statement line item 'Net trading result'. The basic principle underlying these rules is that Erste Group Bank AG absorbs potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. This business model of financial markets trading also includes reallocation of trading costs to the participating subsidiaries of Erste Group Bank AG based on their cost/income ratio.

EUR ths.	2021	2022
Securities trading	1,662	4,570
Derivatives trading	8,191	18,136
Result from hedge accounting	(58)	930
Net trading result	9,795	23,636

The line item 'Securities trading' includes net gains from the Erste Group Bank AG's market positions attributable to the Bank.

6. Gains/losses from financial instruments measured at fair value through profit or loss

Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss, including gains and losses on their derecognition, are presented under this line item. This concerns non-trading financial assets mandatorily measured at fair value through profit or loss.

EUR ths.	2021	2022
Result from measurement/sale of financial assets designated at FVPL	61	-
Result from financial assets and liabilities designated at FVPL	61	-
Result from measurement/sale of financial assets mandatorily at FVPL	(767)	907
Gains/losses from financial instruments measured at fair value through profit or loss	(706)	907

7. Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term. Operating expenses for investment properties are reported in line item 'Other operating result'. For further details we refer to Note 10 Other operating result.

Rental income is generated from rented premises classified as investment properties.

EUR ths.	2021	2022
Investment properties	262	316
Rental income from investment properties & other operating leases	262	316

8. General administrative expenses

Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service costs for severance payments, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provision expenses may be part of personnel expenses.

Information about remuneration of management including performance-linked remuneration can be found in Note 37 Related-party transactions and principal shareholders.

As at 31 December 2022 the Bank had 3,573 employees, thereof five members of the Board of Directors. As at 31 December 2021 the Bank had 3,632 employees, thereof four members of the Board of Directors.

WeShare program

The WeShare-Participation program and the WeShare-Investment Plus program are equity-settled share-based payment transactions. Both programs are offered to employees of the Bank.

Under the WeShare-Investment Plus program all employees, who had been employed by the Bank, from May 2022 until September 2022 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare-Investment Plus program was settled in September 2022. The number of free shares, which were granted under this program for the period, is 41,754. Personnel expenses in the amount of EUR 1.1 million were recorded.

Under the WeShare-Participation program all employees, who have been employed by the Bank for at least six months in year 2021 and have active employment status in September 2022 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is 43,465 (2021: 31,302). Based on the number of entitled employees, personnel expenses in the amount of EUR 0.5 million (2021: 2.3 million) were recorded and a corresponding reserve in retained earnings was created.

Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating and administrative expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions. Restructuring provision expenses may also be presented in other administrative expenses.

Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed in the category ‘Other administrative expenses’ under the line item ‘Expenses for office premises’ in total amount of EUR 0.7 million (2021: EUR 0.7 million).

The Bank is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Bank’s customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in June 2022.

Depreciation and amortization

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets. In the line item ‘Depreciation and amortisation’, also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

EUR ths.	2021	2022
Personnel expenses	(154,482)	(161,121)
Wages and salaries	(108,288)	(114,408)
Compulsory social security	(38,096)	(40,443)
Long-term employee provisions	(346)	518
Other personnel expenses	(7,752)	(6,788)
Other administrative expenses	(104,273)	(111,113)
Deposit insurance contribution	(9,426)	(9,856)
IT expenses	(48,069)	(50,410)
Expenses for office premises	(11,409)	(14,542)
Office operating and administrative expenses	(11,513)	(12,509)
Advertising/marketing	(14,541)	(14,719)
Legal and consulting costs	(3,087)	(4,803)
Sundry administrative expenses	(6,228)	(4,274)
Depreciation and amortisation	(36,819)	(37,555)
Software and other intangible assets	(7,448)	(7,697)
Owner occupied real estate	(20,560)	(20,672)
Investment properties	(206)	(214)
Office furniture and equipment and sundry property and equipment	(8,605)	(8,972)
General administrative expenses	(295,574)	(309,789)

9. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets could be included in this line item. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are presented as part of the impairment result.

Impairment result from financial instruments relates those instruments that are accounted under IFRS 9. Additional impairment results from financial instruments that are not accounted under IFRS 9 is disclosed in note 8.

EUR ths.	2021	2022
Financial assets at AC	6,876	(36,849)
Net allocation to credit loss allowances	10,314	(35,544)
Direct write-offs	(3,969)	(1,809)
Recoveries recorded directly to the income statement	531	504
Finance lease receivables	461	1,020
Net allocation to credit loss allowances	459	971
Direct write-offs	(10)	(4)
Recoveries recorded directly to the income statement	12	53
Credit loss allowances for loan commitments and financial guarantees given	(8,436)	3,715
Impairment result from financial instruments	(1,099)	(32,114)

The following table reconciles the movements of credit risk allowances disclosed in notes 13, 14, 33 and chapter Leases, part Finance lease receivables to Impairment result from financial instruments disclosed in Income statement. The reconciliation specifies items that represents movements in credit risk allowances that are not recognized through income statement.

EUR ths.	2021	2022
Net movements from notes 13, 14, 33 and chapter Leases, part Finance lease receivables	39,789	(6,953)
Financial assets at amortised cost	49,605	(12,521)
Finance lease receivables	472	1,695
Trade and other receivables	(1,852)	158
Commitments and financial guarantees given	(8,436)	3,715
Items not recognized through income statement - use	48,493	33,871
Financial assets at amortised cost	48,038	33,076
Finance lease receivables	-	795
Trade and other receivables	455	-
Commitments and financial guarantees given	-	-
Items recognized through income statement – net allocations and releases	(8,704)	(40,824)
Financial assets at amortised cost	1,567	(45,597)
Finance lease receivables	472	900
Trade and other receivables	(2,307)	158
Commitments and financial guarantees given	(8,436)	3,715
Impairment result from financial instruments	(1,099)	(32,114)
Items reconciled to movements in notes 13, 14, 33 and chapter Leases, part Finance lease receivables	(8,704)	(40,824)
Net allocation of loss allowances	(268)	(44,539)
Net allocation of loss allowances for commitments and guarantees given	(8,436)	3,715
Items not recognized as movement in notes 13, 14, 33 and chapter Leases, part Finance lease receivables	7,605	8,710
Unwinding correction	11,041	9,966
Direct write-offs	(3,979)	(1,813)
Recoveries recorded directly to the income statement	543	557

10. Other operating result

The other operating result reflects all other income and expenses not directly attributable to the Bank's ordinary activities.

It includes expenses for allocations to and income from release of provisions in scope of IAS 37. Further, impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets are presented as other operating result. Any impairment losses on goodwill are also included in this line item.

In addition, the other operating result encompasses the following: resolution fund contributions, expenses for other taxes as well as selling gains and losses on equity investments accounted for using the equity method and gains or losses from derecognition of subsidiaries.

Furthermore, levies on banking activities are considered as part of the other operating result. The Bank recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs. In the statement of income levies are reported in under 'Other operating result'.

EUR ths.	2021	2022
Other operating expenses	(32,835)	(33,011)
Allocation to other provisions	(21,735)	(20,834)
Levies on banking activities	(4,665)	(5,894)
Recovery and resolution fund contributions	(4,665)	(5,894)
Other taxes	(148)	(146)
Other	(6,287)	(6,137)
Other operating income	32,483	27,911
Release of other provisions	17,343	19,057
Result from properties/movables/other intangible assets other than goodwill	1,800	3,205
Result from other operating expenses/income	13,340	5,649
Other operating result	(352)	(5,100)

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 0.0 million (2021: EUR 0.0 million).

Liquidation residue from liquidation of the subsidiary Služby SLSP, s. r. o. in 2021 is presented in line item 'Result from other operating expenses/income' in the amount of EUR 11.0 million.

Levies on banking activities

In the line 'Recovery and resolution fund contributions' contributions to the national resolution funds in amount of EUR 5.9 million (2021: EUR 4.7 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible until the target level is reached.

11. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted as at balance sheet date and are expected to apply when the temporary differences are reversed.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

The Bank has not recorded a deferred tax liability in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures as the Bank is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Accounting judgements, assumptions and estimates

The determination of tax bases is underlying a general level of uncertainty by nature, as interpretation of tax legislation might require judgement. Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose, a planning period of 5 years is used.

Taxes on income are made up of current taxes on income calculated in the Bank based on the results reported for tax purposes, corrections to taxes on income for previous years and the change in deferred taxes.

EUR ths.	2021	2022
Current tax expense / income	(65,251)	(71,577)
current period	(65,251)	(71,577)
Deferred tax expense / income	(8,264)	2,347
current period	(8,264)	2,347
Total	(73,515)	(69,230)

The following table reconciles the income taxes reported in the income statement to the pre-tax result from continuing operations multiplied by the nominal Slovak tax rate.

EUR ths.	2021	2022
Pre-tax result from continuing operations	312,943	313,789
Statutory tax rate	21%	21%
Income tax expense for the financial year at the Slovak statutory tax rate (21%)	65,719	65,897
Impact of tax-exempt earnings of investments and other tax-exempt income	(3,316)	(774)
thereof - Permanently tax-exempt (income) from dividends	(116)	(114)
thereof - Permanently tax-exempt (income) from revaluation of asset	(621)	(636)
thereof - Transaction from participation	(2,315)	-
thereof - Other	(264)	(24)
Tax increases due to non-deductible expenses, additional business tax and similar elements	11,144	4,430
thereof - Permanently non-deductible expenses with fines, penalties, litigations and similar topics	12	6
thereof - Permanent differences coming from financial assets	8,057	1,773
thereof - Permanent differences coming from other asset	1,124	658
thereof - Transaction from participation	33	-
thereof - Other	1,918	1,993
Tax expenses / earnings not attributable to the reporting period	(32)	(322)
Total	73,515	69,231

The following table shows the income tax effects relating to each component of other comprehensive income:

	2021				2022		
EUR ths.	Pre-tax amount	Income tax	Net-of-tax amount		Pre-tax amount	Income tax	Net-of-tax amount
Remeasurement of defined benefit plans	(74)	15	(58)	-	1,005	(211)	794
Other comprehensive income	(74)	15	(58)	-	1,005	(211)	794

Taxes on income within other comprehensive income are influenced by the consideration of the result of recoverability assessments allocated against OCI-related deferred tax assets. The allocation of the result of recoverability assessments is based on the Bank's methodology of allocating non-recoverable deferred tax assets per P&L and OCI. This approach proportionately reflects how the underlying temporary differences arose from IFRS-based adjustments of the accounting values of the related items.

Major components of deferred tax assets and deferred tax liabilities

	Tax assets		Tax liabilities		Through PL	Through OCI	Other	Total
EUR ths.	31.12.2021	31.12.2022	31.12.2021	31.12.2022	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	88	88	-	-	-	-	-	-
Financial assets at AC	52,129	55,526	-	-	(3,397)	-	-	(3,397)
Property, equipment and investment properties	-	-	(576)	(220)	(356)	-	-	(356)
RoU Assets	17	99	-	-	(83)	-	-	(83)
Liabilities								-
Long-term employee provisions (tax valuation different)	1,591	1,175	-	-	205	211	-	416
Other provisions (tax valuation different)	5,560	5,045	-	-	515	-	-	515
Other liabilities	8,823	8,265	-	-	559	-	-	559
Total deferred tax	68,208	70,198	(576)	(220)	(2,557)	211	-	(2,346)
Tax loss carried forward	631	-	-	-	211	-	-	631
Total deferred taxes	67,843	69,979	-	-	(2,347)	211	-	(2,136)
Current taxes	-	-	(2,193)	(7,374)	71,577	-	-	71,577
Total taxes	67,843	69,979	(2,193)	(7,374)	69,230	211	-	69,441

	Tax assets		Tax liabilities		Through PL	Through OCI	Other	Total
EUR ths.	31.12.2020	31.12.2021	31.12.2020	31.12.2021	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	88	88	-	-	-	-	-	-
Financial assets at AC	63,059	52,129	-	-	10,929	-	-	10,929
Property, equipment and investment properties	-	-	(830)	(576)	(254)	-	-	(254)
RoU Assets	27	17	-	-	11	-	-	11
Other assets	1	-	-	-	1	-	-	1
Liabilities	-	-	-	-	-	-	-	-
Long-term employee provisions (tax valuation different)	1,600	1,591	-	-	24	(15)	-	9
Other provisions (tax valuation different)	3,743	5,560	-	-	(1,817)	-	-	(1,817)
Other liabilities	7,978	8,823	-	-	(840)	-	(6)	(846)
Total deferred tax	76,496	68,208	(830)	(576)	8,054	(15)	(6)	8,033
Tax loss carried forward	-	631	-	-	(420)	-	(631)	(631)
Total deferred taxes	75,666	67,843	-	-	8,264	(15)	(426)	7,823
Current taxes	-	-	(21,908)	(2,193)	65,251	-	-	65,251
Total taxes	75,666	67,843	(21,908)	(2,193)	73,515	(15)	(426)	73,074

The Bank's separate deferred tax asset position in amount of EUR 70.0 million as of 31 December 2022 (2021: EUR 67.8 million) is expected to be recoverable in the foreseeable future. These expectations result from year-end recoverability assessments undertaken by the Bank. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly decreased.

Financial instruments – Significant accounting policies

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the statement of financial position and measured in accordance with their assigned categories.

Accounting and measurement methods for financial instruments

Measurement of financial assets and financial liabilities is subject to two primary measurement methods: at amortised cost and fair value.

a) Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortized cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ('POCI', see part 'Impairment of financial instruments'), credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see part 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Interest expense is calculated by applying the EIR to the amortised cost of a financial liability.

b) Fair value

Fair value is the price that would be received if an asset were sold or paid if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 18 Fair value of financial instruments.

Initial recognition and measurement

a) Initial recognition

Financial instruments are initially recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

b) Initial measurement

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

(i) The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
(ii) The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the respective note:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Further details on financial liabilities at amortised cost are in the respective Note 15 Financial liabilities at amortised costs.

Impairment of financial instruments

The Bank recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at fair value through profit or loss, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments.

The impairment is based on expected credit losses whose measurement reflects:

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

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, the Bank distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset (as for Stage 1).

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, the Bank generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset.
More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 24 Credit risk.

For financial assets that are credit-impaired at initial recognition (POCI financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted EIR. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

Measurement of expected credit losses reflects cash flows expected from collateral and those financial guarantees held by Bank which are considered as integral to the contractual terms of financial assets whose risk is guaranteed. Bank considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the Bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Financial guarantees which are not considered integral are recognised as reimbursement assets under 'Other assets' in the statement of financial position. In the statement of income, they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the Bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

For financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the statement of financial position is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at fair value through other comprehensive income, the loss allowance is recognised in the accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and under 'Retained earnings and other reserves' in the statement of financial position. Loss allowances for loan commitments and financial guarantees are presented under the statement of financial position line item 'Provisions'.

In the statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Write-offs

The Bank writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.
The Bank has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

Derecognition of financial instruments including treatment of contractual modifications

a) Derecognition of financial assets

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

- the contractual rights to receive cash flows from the asset have expired; or
- 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 and either:
    - it has transferred substantially all risks and rewards connected with ownership of the asset; or
    - has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at fair value through other comprehensive income, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at fair value through profit or loss the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

b) Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, the Bank may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, the Bank has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Commercial renegotiations fulfilling specific conditions do not trigger the modification significance assessment. Instead, they result in a recalculation of the EIR of related loans. Such a renegotiation must relate to a performing non-forborne lending agreement. It is initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as sufficiently low for not deterring it. As a result, the bank renegotiates the terms and conditions because of a threat that the customer could otherwise refinance the loan with another bank. Such conditions introduce an implicit floating rate element to the contract. This kind of renegotiation rarely applies to loan assets in Stage 2.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors. On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures or they are applied to customers in default or they trigger default (i.e. the derecognition occurs if the modification does not relate to financial difficulties):

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and at least two years compared to the original asset; or
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months);

If contractual modifications that qualify as forbearance measures or they are applied to customers in default or they trigger default (i.e. they relate to customers in financial difficulties) are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortised balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line item 'Interest income' under 'Net interest income' at the derecognition date. The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/losses from derecognition of financial assets measured at amortised cost'.

For financial assets measured at fair value through profit or loss, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'.

For debt instrument assets not measured at fair value through profit or loss that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased. Derecognition would also result from a substantial modification of the terms of an existing financial liability or from exchanging debt instruments with substantially different terms between the Bank and the lender. In this respect the substantially modified / substantially different threshold is met when the present value of the cash flows under the new terms discounted using the original EIR is at least 10% different to the carrying amount of the liability before the modification / exchange.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss', 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

Accounting judgements, assumptions and estimates

a) SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements which rely on the guidance in IFRS 9. These judgements are crucial in the IFRS 9 classification and measurement process, as they determine whether the asset must be measured at fair value through profit or loss or, depending on the business model assessment, at amortised cost or at fair value through other comprehensive income. When taking into consideration specific features of loans in the business of the Bank, significant areas of judgement are prepayment fees, project financing loans and the benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination. For these purposes, the Bank uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a potential decrease in the interest rates upon early termination or prepayment. The adequacy of the fees can also be defended on a qualitative basis, such as common market practice regarding the level of prepayment fees and their acceptance by authorities.

For project financing loans the Bank assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect, credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

Interest mismatches features relate to floating rate financial assets where: - the reference rate's (such as Euribor) tenor is different to the rate reset frequency, - time lags arise from interest rates fixed prior to the start of the interest period, or combinations of these features. For this purpose, the Bank has developed a so called 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from a benchmark deal which does not have the interest mismatch feature.

Performing the quantitative benchmark test was particularly important upon transition to IFRS 9 as at 1 January 2018 for the portfolio existing at that time. Subsequently, the issuance of new loans with interest mismatch features was largely restricted so that a quantitative benchmark test applies only in exceptional cases.

b) Business model assessment

For each SPPI-compliant financial asset at initial recognition, the Bank must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realized differently than originally expected, and a different measurement method may seem to be appropriate. In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At the Bank, certain sales or other derecognition events are considered as not contradicting the held to collect contractual cash flows business model. Examples are sales due to increases in credit risk, sales close to financial assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) or derecognitions resulting from replacements of bonds based on an issuer's offer. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, the Bank performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

c) Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, bank has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities.

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 24 Credit risk. The development of loan loss provisions is described in Note 13 Financial assets at amortised cost, Note 14 Trade and other receivables and in chapter Leases, part Finance lease receivables, Note 24 Credit risk, Note 33 Contingent liabilities.

d) Financial liabilities stemming from the TLTRO programme of the ECB

For details related to assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and changes in estimated cash flows based on expected fulfilment of eligibility conditions see Note 15 Financial liabilities at amortised cost.

Financial instruments held at amortised cost

Financial assets are classified as measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

In the statement of financial position, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'.

Interest income on these assets is calculated by effective interest method and is included under the line 'Interest income' under 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Gains/losses from derecognition of financial assets measured at amortised cost'.

At the Bank, financial assets at amortised cost constitute the largest measurement category, which includes loan business to customers, interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, amounts in the course of settlement, trade and other receivables and cash and cash equivalents.

For description of financial liabilities measured at amortised cost refer to Note 15.

12. Cash and cash balances

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours.

A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 179.5 million (2021: EUR 2,484.0 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined statement of financial position items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

EUR ths.	31.12.2021	31.12.2022
Cash on hand	413,763	339,594
Cash balances at central banks	2,483,999	899,437
Other demand deposits at credit institutions	9,658	15,512
Cash and cash balances	2,907,420	1,254,543

13. Financial assets at amortised cost

Debt securities

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield generating activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph 'Business model assessment' in chapter 'Financial instruments - Significant accounting policies'.

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
General governments	3,734,543	-	-	-	3,734,543	(539)	-	-	-	(539)	3,734,004
Credit institutions	296,446	-	-	-	296,446	(247)	-	-	-	(247)	296,199
Other financial corporations	514	25,316	-	-	25,830	(2)	(581)	-	-	(583)	25,247
Non-financial corporations	76,544	23,439	-	-	99,983	(62)	(472)	-	-	(534)	99,449
Total	4,108,047	48,755	-	-	4,156,802	(850)	(1,053)	-	-	(1,903)	4,154,899

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2021											
General governments	3,604,711	-	-	-	3,604,711	(485)	-	-	-	(485)	3,604,226
Credit institutions	180,114	-	-	-	180,114	(155)	-	-	-	(155)	179,959
Other financial corporations	25,309	-	-	-	25,309	(36)	-	-	-	(36)	25,273
Non-financial corporations	93,394	9,366	-	-	102,760	(86)	(474)	-	-	(560)	102,200
Total	3,903,528	9,366	-	-	3,912,894	(762)	(474)	-	-	(1,236)	3,911,658

Movement in credit loss allowances

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(762)	(109)	10	-	11	-	(850)
Stage 2	(474)	-	-	(524)	(55)	-	(1,053)
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	(1,236)	(109)	10	(524)	(44)	-	(1,903)

EUR ths.	01.01.2021	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2021
Stage 1	(545)	(31)	29	408	(623)	-	(762)
Stage 2	-	-	-	(373)	(101)	-	(474)
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	(545)	(31)	29	35	(724)	-	(1,236)

In column ‘Additions’ increases of credit loan allowances due to the initial recognition of debt securities at amortised cost during the current reporting period are disclosed. Releases of credit loan allowances following the derecognition of the related debt securities at amortised cost are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ credit loan allowance net changes due to changes in credit risk that triggered re-assignments of the related amortised cost debt securities from Stage 1 (at 1 January 2022 or initial recognition date) to Stages 2 or 3 at 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related credit loss allowances are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related credit loss allowances are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related credit loss allowance amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

The year-end total gross carrying amounts of amortised cost debt securities that were initially recognized (purchased) during the year 2022 and not fully derecognized by 31 December 2022 amounts to EUR 377.5 million

(2021: EUR 410.2 million). The gross carrying amounts of amortised cost debt securities that were held at 1 January 2022 and derecognized during the year 2022 amounts to EUR 76.1 million (2021: EUR 160.9 million).

Loans and advances to banks

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
Credit institutions	24	2	-	-	26	-	-	-	-	-	26
Total	24	2	-	-	26	-	-	-	-	-	26

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2022.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2021											
Credit institutions	50,023	2	-	-	50,025	(42)	-	-	-	(42)	49,983
Total	50,023	2	-	-	50,025	(42)	-	-	-	(42)	49,983

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2021.

Movement in credit loss allowances

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(42)	-	-	-	42	-	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	(42)	-	-	-	42	-	-

EUR ths.	01.01.2021	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2021
Stage 1	-	(76)	21	-	13	-	(42)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	-	(76)	21	-	13	-	(42)

In column ‘Additions’ increases of credit loss allowance due to the initial recognition of loans and advances to banks at Amortised cost during the current reporting period are disclosed. Releases of credit loss allowance following the derecognition of the related loans and advances to banks at Amortised cost are reported in column ‘Derecognitions’. Any changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

The year-end total gross carrying amounts of amortised cost loans and advances to banks that were initially recognized during the year 2022 and not fully de-recognized by 31 December 2022 amounts to EUR 0.0 million (2021: EUR 50.0 million). The gross carrying amounts of amortised cost loans and advances to banks that were held as of 1 January 2022 and fully de-recognized during the year 2022 amounts to EUR 50.0 million (2021: EUR 0.0 million).

Loans and advances to customers

Gross carrying amounts and credit loss allowances per impairment buckets

The following table represents gross carrying amounts and credit loss allowances per impairment buckets by sector of loans and advances to customers.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
General governments	336,663	601	-	-	337,264	(524)	(19)	-	-	(543)	336,721
Other financial corporations	135,211	86,621	127	21	221,980	(240)	(842)	(91)	(1)	(1,174)	220,806
Non-financial corporations	3,017,191	1,672,489	67,864	94,960	4,852,504	(14,110)	(71,822)	(42,428)	(29,358)	(157,718)	4,694,786
Households	11,762,304	470,091	202,752	4,428	12,439,575	(27,756)	(36,573)	(116,175)	(2,107)	(182,611)	12,256,964
Total	15,251,369	2,229,802	270,743	99,409	17,851,323	(42,630)	(109,256)	(158,694)	(31,466)	(342,046)	17,509,277

The amounts represent the maximum exposure to credit risk. As at 31 December 2022 the Bank had no reverse repo agreements.

As at 31 December 2022, 15 largest customers accounted for 5.5% of the gross loan portfolio amounting to EUR 970.0 million.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2021											
General governments	284,882	529	-	-	285,411	(411)	(16)	-	-	(427)	284,984
Other financial corporations	82,297	40,670	49	20	123,036	(317)	(2,610)	(36)	(1)	(2,964)	120,072
Non-financial corporations	2,606,543	1,366,633	68,644	67,929	4,109,749	(13,822)	(70,896)	(36,292)	(20,169)	(141,179)	3,968,570
Households	10,637,287	517,873	209,916	3,774	11,368,850	(25,309)	(37,192)	(121,330)	(1,749)	(185,580)	11,183,270
Total	13,611,009	1,925,705	278,609	71,723	15,887,046	(39,859)	(110,714)	(157,658)	(21,919)	(330,150)	15,556,896

As at 31 December 2021, 15 largest customers accounted for 5.3% of the gross loan portfolio amounting to EUR 819.0 million.

The following table represents gross carrying amounts and credit loss allowances per impairment buckets by asset classes of loans and advances to customers.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
Loans and advances to customers	15,251,369	2,229,802	270,743	99,409	17,851,323	(42,630)	(109,256)	(158,694)	(31,466)	(342,046)	17,509,277
Lending for house purchase	9,917,059	284,914	137,315	2,815	10,342,103	(18,578)	(19,242)	(66,070)	(1,114)	(105,004)	10,237,099
Credit for consumption	1,259,115	151,630	57,039	219	1,468,003	(8,039)	(14,493)	(42,704)	(84)	(65,320)	1,402,683
Corporate loans and others	4,075,195	1,793,258	76,389	96,375	6,041,217	(16,013)	(75,521)	(49,920)	(30,268)	(171,722)	5,869,495
Total	15,251,369	2,229,802	270,743	99,409	17,851,323	(42,630)	(109,256)	(158,694)	(31,466)	(342,046)	17,509,277

EUR ths.	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
As of 31.12.2021											
Loans and advances to customers	13,611,009	1,925,705	278,608	71,724	15,887,046	(39,860)	(110,713)	(157,658)	(21,919)	(330,150)	15,556,896
Lending for house purchase	8,895,446	325,032	138,977	1,921	9,361,376	(18,419)	(21,341)	(65,073)	(459)	(105,292)	9,256,084
Credit for consumption	1,213,054	147,615	61,328	178	1,422,175	(5,960)	(13,380)	(48,420)	(76)	(67,836)	1,354,339
Corporate loans and others	3,502,509	1,453,058	78,303	69,625	5,103,495	(15,481)	(75,992)	(44,165)	(21,384)	(157,022)	4,946,473
Total	13,611,009	1,925,705	278,608	71,724	15,887,046	(39,860)	(110,713)	(157,658)	(21,919)	(330,150)	15,556,896

Movement in credit loss allowances

The following table represents movement in credit loss allowances by sector of loans and advances to customers.

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(39,859)	(37,325)	1,013	22,362	11,006	173	(42,630)
General governments	(411)	(399)	-	41	245	-	(524)
Other financial corporations	(317)	(2,354)	-	851	1,580	-	(240)
Non-financial corporations	(13,821)	(25,550)	200	10,446	14,609	6	(14,110)
Households	(25,310)	(9,022)	813	11,024	(5,428)	167	(27,756)
Stage 2	(110,714)	(1,473)	418	(42,066)	44,138	441	(109,256)
General governments	(17)	-	-	(53)	51	-	(19)
Other financial corporations	(2,610)	-	-	(411)	2,179	-	(842)
Non-financial corporations	(70,896)	(1,132)	301	(27,161)	27,041	25	(71,822)
Households	(37,191)	(341)	117	(14,441)	14,867	416	(36,573)
Stage 3	(157,658)	(608)	16,572	(6,018)	(21,483)	10,501	(158,694)
Other financial corporations	(36)	-	8	(1)	(62)	-	(91)
Non-financial corporations	(36,292)	(566)	4,443	(980)	(10,033)	1,000	(42,428)
Households	(121,330)	(42)	12,121	(5,037)	(11,388)	9,501	(116,175)
POCI	(21,919)	-	215	-	(10,336)	574	(31,466)
Other financial corporations	(1)	-	-	-	-	-	(1)
Non-financial corporations	(20,168)	-	49	-	(9,314)	75	(29,358)
Households	(1,750)	-	166	-	(1,022)	499	(2,107)
Total	(330,150)	(39,406)	18,218	(25,722)	23,325	11,689	(342,046)

EUR ths.	01.01.2021	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2021
Stage 1	(29,858)	(29,766)	1,563	18,855	(876)	223	(39,859)
General governments	(368)	(191)	13	40	95	-	(411)
Other financial corporations	(380)	(249)	4	23	285	-	(317)
Non-financial corporations	(10,595)	(24,081)	687	978	19,189	1	(13,821)
Households	(18,515)	(5,245)	859	17,814	(20,445)	222	(25,310)
Stage 2	(126,974)	(4,709)	1,403	(22,595)	41,966	195	(110,714)
General governments	(40)	(4)	-	(9)	36	-	(17)
Other financial corporations	(787)	-	-	(928)	(895)	-	(2,610)
Non-financial corporations	(74,321)	(4,066)	768	(9,031)	15,750	4	(70,896)
Households	(51,826)	(639)	635	(12,627)	27,075	191	(37,191)
Stage 3	(166,302)	(1,069)	48,720	(4,025)	(43,580)	8,598	(157,658)
Other financial corporations	(60)	-	31	-	(7)	-	(36)
Non-financial corporations	(33,579)	(713)	12,734	(494)	(16,428)	2,188	(36,292)
Households	(132,663)	(356)	35,955	(3,531)	(27,145)	6,410	(121,330)
POCI	(57,353)	-	271	-	34,286	877	(21,919)
Other financial corporations	-	-	-	-	(1)	-	(1)
Non-financial corporations	(55,646)	-	79	-	34,911	488	(20,168)
Households	(1,707)	-	192	-	(624)	389	(1,750)
Total	(380,487)	(35,544)	51,957	(7,765)	31,796	9,893	(330,150)

The following table represents movement in credit loss allowances by asset classes of loans and advances to customers.

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(39,859)	(37,325)	1,013	22,362	11,006	173	(42,630)
Lending for house purchase	(18,418)	(354)	472	8,661	(8,964)	25	(18,578)
Credit for consumption	(5,960)	(8,924)	154	1,764	4,804	123	(8,039)
Corporate loans and others	(15,481)	(28,047)	387	11,937	15,166	25	(16,013)
Stage 2	(110,714)	(1,473)	418	(42,066)	44,138	441	(109,256)
Lending for house purchase	(21,341)	(25)	53	(6,699)	8,769	1	(19,242)
Credit for consumption	(13,380)	(2)	48	(6,320)	4,945	216	(14,493)
Corporate loans and others	(75,993)	(1,446)	317	(29,047)	30,424	224	(75,521)
Stage 3	(157,658)	(608)	16,572	(6,018)	(21,483)	10,501	(158,694)
Lending for house purchase	(65,073)	-	3,426	(2,987)	(2,508)	1,072	(66,070)
Credit for consumption	(48,420)	(37)	10,463	(1,789)	(10,513)	7,592	(42,704)
Corporate loans and others	(44,165)	(571)	2,683	(1,242)	(8,462)	1,837	(49,920)
POCI	(21,919)	-	215	-	(10,336)	574	(31,466)
Lending for house purchase	(459)	-	12	-	(667)	-	(1,114)
Credit for consumption	(76)	-	-	-	(17)	9	(84)
Corporate loans and others	(21,384)	-	203	-	(9,652)	565	(30,268)
Total	(330,150)	(39,406)	18,218	(25,722)	23,325	11,689	(342,046)

EUR ths.	01.01.2021	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2021
Stage 1	(29,860)	(29,766)	1,563	18,855	(875)	223	(39,860)
Lending for house purchase	(14,480)	(260)	113	13,439	(17,256)	25	(18,419)
Credit for consumption	(3,020)	(2,821)	35	3,874	(4,217)	189	(5,960)
Corporate loans and others	(12,359)	(26,685)	1,415	1,542	20,597	9	(15,481)
Stage 2	(126,972)	(4,709)	1,403	(22,595)	41,965	195	(110,713)
Lending for house purchase	(29,515)	(39)	144	(8,135)	16,204	-	(21,341)
Credit for consumption	(18,440)	(4)	61	(3,676)	8,538	141	(13,380)
Corporate loans and others	(79,016)	(4,666)	1,198	(10,784)	17,222	54	(75,992)
Stage 3	(166,302)	(1,069)	48,720	(4,026)	(43,579)	8,598	(157,658)
Lending for house purchase	(61,976)	(20)	5,908	(2,414)	(8,739)	2,168	(65,073)
Credit for consumption	(62,702)	(19)	36,062	(910)	(24,693)	3,842	(48,420)
Corporate loans and others	(41,624)	(1,030)	6,750	(702)	(10,147)	2,588	(44,165)
POCI	(57,353)	-	270	-	34,287	877	(21,919)
Lending for house purchase	(141)	(10)	-	-	(308)	-	(459)
Credit for consumption	(85)	(1)	2	-	(18)	26	(76)
Corporate loans and others	(57,127)	11	268	-	34,613	851	(21,384)
Total	(380,487)	(35,544)	51,956	(7,766)	31,798	9,893	(330,150)

In column 'Additions' increases of credit loss allowance due to the initial recognition of loans and advances to customers at amortised cost during the current reporting period are disclosed. Credit loss allowances recognized against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period's movement in credit loss allowance. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. Releases of credit loss allowance following the derecognition of the related loans and advances to customers at amortised cost are reported in column 'Derecognitions'.

In column 'Transfers between stages' credit loss allowance net changes due to changes in credit risk that triggered re-assignments of the related loans and advances to customers at amortised cost from Stage 1 at 1 January 2022 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related credit loss allowances are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related credit loss allowances are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related credit loss allowance amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers.

The use of credit loss allowance triggered by full or partial write-offs of amortised cost loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the credit loss allowance movements for the year has been the transfer of the related instruments across different impairment stages. The year-end gross carrying amount of amortised cost loans and advances to customers that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
EUR ths.	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
As of 31.12.2022						
General governments	421	278	-	-	-	-
Other financial corporations	103,020	6,580	94	-	2	-
Non-financial corporations	923,843	497,209	22,654	1,022	9,857	879
Households	207,288	127,987	44,721	10,672	27,860	11,628
Total	1,234,572	632,054	67,469	11,694	37,719	12,507
As of 31.12.2021						
General governments	529	857	-	-	-	-
Other financial corporations	22,796	1,871	-	-	-	-
Non-financial corporations	475,208	307,237	31,969	699	4,376	740
Households	230,135	365,945	58,543	10,323	18,972	11,184
Total	728,668	675,910	90,512	11,022	23,348	11,924

Detailed information on stage transfers due to COVID-19 measures are described in Note 24 Credit risk.

The year-end total gross carrying amount of the amortised cost loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2022 amounts to EUR 6,279.1 million (2021: EUR 4,233.2 million). The gross carrying amount of the amortised cost loans and advances to customers that were held at 1 January 2022 and fully de-recognized during the reporting period amounts to EUR 2,544.6 million (2021: EUR 1,711.7 million).

Mandate loans

During the year 2022 the Bank cooperated with 6 external companies (2021: 5 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company temporary. In case of mandate loans, the Bank maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2022 the total amount of gross loans outsourced was EUR 76.6 million (2021: EUR 87.4 million). These loans were categorised in stage 3.

Write off and sale of receivables

During the year 2022 the Bank sold loan receivables in the amount of EUR 41.3 million (2021: EUR 56.3 million) for a consideration of EUR 18.0 million (2021: EUR 15.0 million) and used the corresponding allowances amounting EUR 20.7 million (2021: EUR 38.1 million). Once loan receivables are sold, the Bank transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2022 the Bank has written off loans and finance lease receivables in the amount of EUR 12.3 million (2021: EUR 11.1 million) and used the respective allowances amounting EUR 11.3 million (2021: EUR 10.3 million).

14. Trade and other receivables

The trade and other receivables comprise receivables from factoring transactions and other trade receivables.

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
General governments	1,823	-	-	-	1,823	-	-	-	-	-	1,823
Credit institutions	4,582	-	-	-	4,582	-	-	-	-	-	4,582
Other financial corporations	2,222	-	-	-	2,222	(23)	-	-	-	(23)	2,199
Non-financial corporations	143,710	3,858	4,938	752	153,258	(604)	(956)	(4,379)	(468)	(6,407)	146,851
Households	71	-	-	-	71	-	-	-	-	-	71
Total	152,408	3,858	4,938	752	161,956	(627)	(956)	(4,379)	(468)	(6,430)	155,526

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2021											
General governments	521	-	-	-	521	(1)	-	-	-	(1)	520
Credit institutions	1,857	-	-	-	1,857	-	-	-	-	-	1,857
Other financial corporations	2,457	-	-	-	2,457	(48)	-	-	-	(48)	2,409
Non-financial corporations	124,665	1,158	4,860	-	130,683	(1,789)	(4)	(4,747)	-	(6,540)	124,143
Households	1	-	-	-	1	-	-	-	-	-	1
Total	129,501	1,158	4,860	-	135,519	(1,838)	(4)	(4,747)	-	(6,589)	128,930

Movement in credit loss allowances

EUR ths.	01.01.2022	Additions	Derecognitions	Other changes in credit risk (net)	Transfers between stages	31.12.2022
Stage 1	(1,838)	(686)	102	1,795	-	(627)
General governments	(1)	-	-	1	-	-
Other financial corporations	(48)	(23)	-	48	-	(23)
Non-financial corporations	(1,789)	(663)	102	1,746	-	(604)
Stage 2	(4)	-	-	(16)	(936)	(956)
Non-financial corporations	(4)	-	-	(16)	(936)	(956)
Stage 3	(4,747)	-	-	515	(147)	(4,379)
Non-financial corporations	(4,747)	-	-	515	(147)	(4,379)
POCI	-	-	-	(468)	-	(468)
Non-financial corporations	-	-	-	(468)	-	(468)
Total	(6,589)	(686)	102	1,826	(1,083)	(6,430)

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9.

Detail description of columns from the above table are disclosed in the note 13 Financial assets at amortised cost.

EUR ths.	01.01.2021	Additions	Other changes in credit risk (net)	Transfers between stages	Write offs	31.12.2021
Stage 1	(435)	(1,666)	263	-	-	(1,838)
General governments	-	(1)	-	-	-	(1)
Other financial corporations	(12)	(42)	6	-	-	(48)
Non-financial corporations	(423)	(1,623)	257	-	-	(1,789)
Stage 2	(9)	-	5	-	-	(4)
Other financial corporations	(1)	-	1	-	-	-
Non-financial corporations	(8)	-	4	-	-	(4)
Stage 3	(4,292)	-	(553)	(357)	455	(4,747)
Non-financial corporations	(3,861)	-	(553)	(357)	24	(4,747)
Households	(431)	-	-	-	431	-
POCI	-	-	-	-	-	-
Total	(4,736)	(1,666)	(285)	(357)	455	(6,589)

Transfers of gross carrying amount between impairment stages

EUR ths.	2021	2022
Transfers between Stage 1 and Stage 2	1,158	3,141
To Stage 2 from Stage 1	1,158	3,141
To Stage 1 from Stage 2	-	-
Transfers between Stage 2 and Stage 3	121	220
To Stage 3 from Stage 2	121	220
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	749	623
To Stage 3 from Stage 1	749	623
To Stage 1 from Stage 3	-	-

15. Financial liabilities at amortised costs

The line item 'Financial liabilities at amortised cost' is further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are calculated using effective interest method are reported in the line item 'Interest expenses' under 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Deposits from banks

EUR ths.	31.12.2021	31.12.2022
Overnight deposits	3,827	4,411
Term deposits	2,889,520	1,169,217
Deposits from banks	2,893,347	1,173,628

Financial liabilities stemming from the TLTRO programme of the ECB are presented under 'Term deposits´. The Bank assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

In general, the TLTRO interest rate is reduced if banks reach certain lending thresholds. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. The scenario which is considered more likely is used for the original effective interest rate calculation.

The Bank assesses on an ongoing basis how it meets the eligibility criteria for the lower interest rate. Any subsequent changes in estimates of payments due to the revised assessment of the eligibility conditions are treated as catch-up adjustments. The amount of the catch-up adjustment is determined by discounting the revised estimated payments at the original effective interest rate and comparing it to the gross carrying amount before the adjustment. The catch-up adjustments are presented in the 'Net interest income´.

The Bank treats TLTRO as floating rate instruments in respect of changes in the ECB key rates which are the deposit facility rate (DFR) or the main refinancing operation rate. Whenever the ECB changes the key rates the effective interest rate of the TLTRO is recalculated assuming that the current ECB rate will apply until the end of the respective TLTRO tranche life. If the ECB brings any unconditional changes to the TLTRO interest rate other than changes in the key rates which would also involve changes in how the interest rate is calculated, they are treated as catch-up adjustments and presented in the 'Net interest income´.

In October 2022 the ECB announced a change in the method for applying the key ECB rates for TLTRO III tranches. For the Bank this means that the current DFR applies from 23 November 2022 (instead of the average DFR calculated over the entire 3-year life of the TLTRO III tranches). This resulted in a recognition of a catch-up loss in the amount of EUR 6.6 million in 2022. Early redemptions of the tranches in November 2022 resulted in a positive catch up effect amounting to EUR 2.6 million. In 2021 the Bank recognised a catch-up adjustment gain in the amount of EUR 12.9 million. This resulted from the assessment that it will meet the 0% lending threshold as the qualifying condition for the interest rate reduction by 50bp in the period between June 2021 and June 2022.

The carrying amount of the TLTRO III liabilities was EUR 999.7 million at the end of 2022 (2021: EUR 2,718.8 million). The main reason for the decrease in 2022 were early redemptions of TLTRO III tranches in the nominal amount of EUR 1,750 million. At 2022 year end the Bank considered that additional early redemptions are not likely and recognised no catch up adjustment gain/loss in that respect.

In 2022 the interest expense recognised for TLTRO III loss was EUR 6.6 million. The negative interest expense amounted to EUR 9.0 million (2021: negative interest expense EUR 27.8 million, including the catch up adjustment gain of EUR 12.9 million).

Deposits from customers

EUR ths.	31.12.2021	31.12.2022
Overnight deposits	11,100,006	11,209,378
Non-savings deposits	11,100,006	11,209,378
General governments	167,730	161,181
Other financial corporations	355,226	298,745
Non-financial corporations	2,094,810	2,292,106
Households	8,482,240	8,457,346
Term deposits	4,877,309	5,710,791
Deposits with agreed maturity	851,771	1,756,183
Non-savings deposits	851,771	1,756,183
General governments	417	345,457
Other financial corporations	7,261	408,914
Non-financial corporations	91,931	459,027
Households	752,162	542,785
Deposits redeemable at notice	4,025,538	3,954,608
Households	4,025,538	3,954,608
Deposits from customers	15,977,315	16,920,169
General governments	168,147	506,638
Other financial corporations	362,487	707,659
Non-financial corporations	2,186,741	2,751,133
Households	13,259,940	12,954,739

Debt securities issued

EUR ths.	31.12.2021	31.12.2022
Subordinated debt securities issues	51,241	22,134
Senior non-preferred bonds	30,687	30,687
Other debt securities issued	1,863,933	2,935,613
Bonds	487,704	878,857
Mortgage covered bonds	1,376,229	2,056,756
Debt securities issued	1,945,861	2,988,434

Net debt reconciliation

The table below presents an analysis of debt of the Bank and the movements in the debt. The debt items are those that are reported under the financing activities in the statement of cash flows of the Bank.

EUR ths.	31.12.2021	31.12.2022
Debt securities issued		
Opening balance as at 1 January	2,051,731	1,945,861
Cash-flows reported within financing activities	(73,174)	1,163,344
Non-cash adjustments	(32,696)	(120,771)
Closing balance as at 31 December	1,945,861	2,988,434
Lease liability		
Opening balance as at 1 January	39,878	32,333
Cash-flows reported within financing activities	(13,753)	(14,446)
Non-cash adjustments	6,208	63,831
Closing balance as at 31 December	32,333	81,718

Non-cash adjustments represent effects of amortization and deferrals.

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which should be separated and disclosed under the statement of financial position line item 'Financial liabilities held for trading'.

The interest rate shown below represents actual interest expense of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2021	2022
Subordinated Bonds	November 2011	November 2023	4.58%	4,250	1,000	EUR	6,083	6,353
Subordinated Bonds	June 2012	June 2022	-	11,000	1,000	EUR	16,999	-
Subordinated Bonds	November 2012	November 2022	-	9,000	1,000	EUR	12,399	1
Subordinated Bonds	September 2018	September 2028	2.88%	33	100,000	EUR	3,327	3,326
Subordinated Bonds	September 2018	September 2028	3.67%	33	100,000	EUR	3,314	3,335
Subordinated Bonds	November 2018	November 2028	2.45%	91	100,000	EUR	9,119	9,119
Total							51,241	22,134

Senior non-preferred bonds

In February 2020 the Bank issued senior non-preferred bonds in the number of 300 securities with the notional value of EUR 0.1 million, interest rate 1.88% and maturity date in February 2026 in the total amount of EUR 30.7 million as at 31 December 2022 (2021: EUR 30.7 million).

Other debt securities issued

All securities listed in the following table are issued in book-entry form as bearer or registered securities with annual or semi annual coupon payments. Their transferability is not limited. There are no pre-emptive rights, exchange rights or early redemption rights related to these securities. The bonds are traded on the Bratislava Stock Exchange.

As at 31 December 2022 other debt securities issued included embedded derivatives (equity and commodities) in the amount of EUR 0.0 million (2021: EUR 0.0 million), which were separated and disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'. More information on embedded derivatives are detailed in note 16 Derivative financial instruments.

The stated interest rate corresponds with the actual interest costs of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2021	2022
Senior Unsecured Bonds	June 2019	December 2025	0.60%	5,572	1,000	EUR	5,574	5,473
Senior Unsecured Bonds	June 2019	June 2022	-	3,653	1,000	USD	3,261	-
Covered Bonds	June 2019	June 2026	0.13%	5,000	100,000	EUR	498,034	472,138
Senior Unsecured Bonds	February 2020	February 2024	0.00%	170	100,000	EUR	17,000	17,000
Senior Unsecured Bonds	March 2020	March 2025	0.00%	53	2,000,000	CZK	4,105	4,282
Senior Unsecured Bonds	June 2020	June 2025	0.80%	4,930	1,000	EUR	4,950	4,788
Senior Unsecured Bonds	June 2020	June 2023	0.70%	4,947	1,000	EUR	4,965	4,939
Senior Unsecured Bonds	June 2020	June 2025	0.63%	45	100,000	EUR	4,504	4,507
Senior Unsecured Bonds	August 2020	August 2023	0.35%	4,907	1,000	EUR	4,913	4,875
Senior Unsecured Bonds	October 2020	October 2025	0.25%	1,000	100,000	EUR	99,583	99,708
Senior Unsecured Bonds	March 2021	March 2027	2.19%	1,000	100,000	EUR	102,348	102,513
Senior Unsecured Bonds	June 2021	June 2024	0.60%	1,299	1,000	USD	1,151	1,222
Senior Unsecured Bonds	June 2021	June 2028	0.38%	1,302	100,000	EUR	129,610	152,571
Covered Bonds	July 2007	July 2027	4.95%	250	66,388	EUR	21,482	18,144
Covered Bonds	January 2013	January 2025	3.10%	87	50,000	EUR	4,412	4,411
Covered Bonds	June 2013	June 2028	3.00%	132	50,000	EUR	6,615	6,615
Covered Bonds	February 2014	February 2029	2.80%	97	50,000	EUR	4,899	4,899
Covered Bonds	March 2014	March 2022	-	220	50,000	EUR	11,166	-
Covered Bonds	February 2015	February 2022	-	350	100,000	EUR	35,279	-
Covered Bonds	August 2015	August 2025	1.38%	100	100,000	EUR	10,027	10,035
Covered Bonds	August 2015	August 2022	-	100	100,000	EUR	10,037	-
Covered Bonds	March 2016	March 2026	1.00%	90	100,000	EUR	9,026	9,036
Senior Unsecured Bonds	March 2017	March 2022	-	4,288	1,000	EUR	4,308	-
Covered Bonds	March 2017	March 2025	0.75%	1,000	100,000	EUR	100,477	100,521
Senior Unsecured Bonds	April 2017	April 2022	-	4,336	1,000	EUR	4,354	-
Senior Unsecured Bonds	April 2017	April 2022	-	30	100,000	EUR	3,013	-
Senior Unsecured Bonds	May 2017	May 2022	-	4,272	1,000	EUR	4,287	-
Covered Bonds	June 2017	June 2022	-	50	100,000	EUR	5,009	-
Senior Unsecured Bonds	July 2017	July 2022	-	4,342	1,000	EUR	4,353	-
Senior Unsecured Bonds	August 2017	August 2022	-	4,130	1,000	EUR	4,140	-
Senior Unsecured Bonds	September 2017	September 2022	-	8,908	1,000	EUR	8,922	-
Senior Unsecured Bonds	September 2017	September 2022	-	4,410	1,000	EUR	4,418	-
Covered Bonds	October 2017	October 2022	-	1,500	100,000	EUR	150,131	-
Senior Unsecured Bonds	November 2017	November 2022	-	4,861	1,000	USD	4,303	-
Senior Unsecured Bonds	November 2017	November 2027	1.38%	44	100,000	EUR	4,403	4,404
Senior Unsecured Bonds	February 2018	February 2023	0.65%	8,878	1,000	EUR	8,930	8,648
Senior Unsecured Bonds	February 2018	February 2023	2.15%	3,583	1,000	USD	3,224	3,264
Senior Unsecured Bonds	March 2018	March 2023	0.65%	9,309	1,000	EUR	9,355	9,120
Senior Unsecured Bonds	June 2018	June 2024	0.75%	4,608	1,000	EUR	4,626	4,446
Senior Unsecured Bonds	August 2018	August 2024	0.70%	4,621	1,000	EUR	4,632	4,494
Covered Bonds	August 2018	August 2025	0.63%	2,500	100,000	EUR	256,069	233,245
Senior Unsecured Bonds	September 2018	September 2024	0.70%	4,530	1,000	EUR	4,539	4,427
Senior Unsecured Bonds	November 2018	November 2024	0.75%	4,699	1,000	EUR	4,702	4,662
Senior Unsecured Bonds	December 2018	December 2024	0.75%	4,794	1,000	EUR	4,797	4,575
Covered Bonds	December 2018	December 2024	0.50%	2,500	100,000	EUR	253,566	235,947
Senior Unsecured Bonds	February 2019	February 2025	0.70%	9,490	1,000	EUR	9,547	9,172
Senior Unsecured Bonds	March 2019	March 2025	0.00%	100	50,000	EUR	4,891	4,925

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2021	2022
Covered Bonds	April 2022	April 2027	1.13%	5,000	100,000	EUR	-	459,330
Senior Unsecured Bonds	May 2022	May 2026	2.00%	19,971	1,000	EUR	-	20,219
Senior Unsecured Bonds	June 2022	June 2025	2.70%	29,947	1,000	EUR	-	30,220
Senior Unsecured Bonds	July 2022	December 2029	5.00%	285	200,000	USD	-	50,144
Senior Unsecured Bonds	September 2022	September 2025	3.00%	39,961	1,000	EUR	-	40,263
Covered Bonds	October 2022	April 2028	3.50%	5,000	100,000	EUR	-	502,435
Senior Unsecured Bonds	October 2022	April 2026	3.30%	49,986	1,000	EUR	-	50,276
Senior Unsecured Bonds	October 2022	October 2025	4.35%	4,999	1,000	USD	-	4,723
Senior Unsecured Bonds	October 2022	October 2034	4.88%	210	100,000	EUR	-	21,612
Senior Unsecured Bonds	October 2022	October 2025	4.63%	250	100,000	EUR	-	25,145
Senior Unsecured Bonds	October 2022	October 2025	3.90%	50	100,000	EUR	-	5,036
Senior Unsecured Bonds	November 2022	November 2025	4.50%	3,759	1,000	USD	-	3,540
Senior Unsecured Bonds	November 2022	November 2024	3.50%	49,986	1,000	EUR	-	50,142
Senior Unsecured Bonds	November 2022	May 2026	3.50%	1,130	100,000	EUR	-	113,522
Total							1,863,933	2,935,613

In May 2020 the Bank issued retained covered bond in the value of 500 mil. EUR with interest rate 0.125% and maturity of 7.5 years, which was not placed in the market and according to IFRS is therefore not possible to recognize this bond in the statement of financial position. In June 2022, the Bank issued another retained covered bond in the value of 500 mil. EUR with an interest rate of 2.00% and maturity of 6 years, which was also not placed in the market and, according to IFRS, it is therefore not possible to recognize this bond in the statement of financial position. Subsequently these covered bonds were used as collateral for obtaining term deposit from TLTRO III. See also Note 21 Collaterals.

Other financial liabilities

As at 31 December 2022 other financial liabilities in amount of EUR 113.8 million (2021: EUR 36.5 million) represent unpaired payments from other banks.

Financial instruments at fair value through profit or loss

There are various reasons for assigning the fair value through profit or loss measurement category to debt instrument financial assets.

Fair value through profit or loss measurement relates to that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of the Bank, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales. Another reason for the fair value through profit or loss measurement are financial assets whose contractual cash flows are not considered as SPPI.

The Bank also makes use of the option to designate some financial assets as measured at fair value through profit or loss at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between fixed interest rate financial assets, which in the absence of such a classification would be measured at amortised cost or at fair value through other comprehensive income, and related derivatives measured at fair value through profit or loss.

On the statement of financial position, debt instrument financial assets measured at fair value through profit or loss are presented as ‘Financial assets held for trading’, sub-item ‘Other financial assets held for trading’ and ‘Non-trading financial assets at fair value through profit or loss’, sub-items ‘Debt securities’. Non-trading financial assets at fair value through profit or loss are disclosed in Note 17 which is ‘mandatorily at fair value through profit or loss’. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at fair value through profit or loss. They are included in the statement of financial position under the line ‘Financial assets held for trading’, sub-item ‘Other financial assets held for trading’. Investments in equity instruments that are not held for trading are also measured at fair value through profit or loss (unless they are designated at fair value through other comprehensive income). They are presented in the statement of financial position under ‘Non-trading financial assets at fair value through profit or loss’, sub-item ‘Equity instruments’, sub-category ‘mandatorily at fair value through profit or loss’ in Note 17.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at fair value through profit or loss. They are described more detail in the Note 16 Derivative financial instruments.

In the statement of income, the profit or loss effects of non-derivative financial assets measured at fair value through profit or loss are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line ‘Other similar income’ under ‘Net interest income’ and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line ‘Dividend income’. The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line ‘Net trading result’ for financial assets held for trading and in the line ‘Gains/losses from financial instruments measured at fair value through profit or loss’ in case of non-trading financial assets at fair value through profit or loss. For investments in funds, which are not consolidated by the Group, the interest or dividend component is not separated from the fair value gains or losses.

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. On the statement of financial position, financial liabilities at fair value through profit or loss are presented as ‘Financial liabilities held for trading’, sub-items ‘Derivatives’. Accounting policy related to financial liabilities at fair value through profit or loss can be found in Note 16 Derivative financial instruments.

16. Derivative financial instruments

Derivative financial instruments are used by the Bank to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by the Bank include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes, derivatives are split into:

- Derivatives – held for trading and
- Derivatives – hedge accounting.

Hedge accounting derivatives are discussed in Note 19 Hedge accounting.

Derivative financial instruments are carried at fair value (dirty price) on the statement of financial position. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the statement of financial position in the line item 'Derivatives' under the heading 'Financial assets/Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related to financial derivatives is presented in the statement of income in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. Interest income/expense recognition is based on EIR-like accruals in respect of the derivative notional amount and includes amortisation of the inception value of the derivative (e.g. upfront fees, if any).

Derivatives held for trading

	31.12.2021			31.12.2022		
EUR ths.	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	2,505,756	47,874	46,131	2,911,586	77,139	73,533
Interest rate	2,063,330	11,392	10,473	2,434,047	50,717	48,613
Foreign exchange	442,426	36,482	35,658	477,539	26,422	24,920
Total gross amounts	2,505,756	47,874	46,131	2,911,586	77,139	73,533

The Bank disclosed derivative instruments in the banking book that are used for economical hedging of financial instruments on asset or liability side and are not designated as hedge accounting.

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as a part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

Embedded derivatives

As a part of ordinary business activity, the Bank issues complex debt instruments, which contain embedded derivatives.

Embedded derivatives are separated from the host debt instruments if:

- the embedded derivative meets the definition of a derivative,
- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments,
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the statement of financial position under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. Derivatives that are not closely related and are separated relate to bonds and deposits.

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

	31.12.2021		31.12.2022	
EUR ths.	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	-	7,155	-	9,694
Debt securities	-	13,909	-	12,149
Other financial corporations	-	7,913	-	7,512
Non-financial corporations	-	5,996	-	4,637
Non-trading financial assets at fair value through profit or loss		21,064		21,843

´Equity Instruments´ classified under category ´Mandatorily at fair value´ represents such equity Instruments that the Bank does not hold for strategic business decisions.

´Debt securities´ classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9.

Financial instruments – other disclosure matters

18. Fair value of financial instruments

The measurement of fair value at the Bank is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently.
For all financial instruments the fair value is measured and/or disclosed on a recurring basis.

Financial instruments carried at fair value

Description of valuation models and parameters

The Bank uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Debt securities.
For plain vanilla (fixed and floating rate) debt securities the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available, the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash flow models and more sophisticated modelling techniques including methods described for OTC-derivatives.

Equity instruments.
Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple methods.

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity.
The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the levered beta and the country risk premium.

In rare cases, techniques for non-trading equity instruments may also include the comparable company multiple methods. These are valuation technique that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

OTC - derivative financial instruments.
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.
For determining the fair value of derivatives, the OIS curves are applied for discounting.
The Bank values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Bank's credit quality. The Bank has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market-based PD derived from the prices. The Bank's probability of default has been derived from the buy-back levels of the Bank's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 0.7 million at 31. December 2022 (2021: EUR 3.1 million) and the total DVA-adjustment amounted to EUR 1.1 million (2021: EUR 0.9 million).

Based on an analysis carried out by the Bank it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

Validation and control

The responsibility for valuation of financial instruments measured at fair value is risk management unit which is independent of the trading units. The risk management unit is also responsible for appropriateness of input date and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy
The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. The evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

Level 1 measurement include exchange traded derivatives (options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy
In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are

available, the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

Level 2 measurement include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases, individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. Typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans. Furthermore, fund units issued by investment funds fully separate by Erste Group as well as own issues are reported in this category.

The volume of Level 3 financial assets can be allocated to the following categories:

- Derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares, participations and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.
- Own issues, if price updates are not provided on a regular basis

The allocation of the appropriate level of positions is determined at the end of the reporting period.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

Classification of financial instruments carried at fair value by levels of the fair value hierarchy

Derivatives transacted via Clearing Houses are presented after netting in compliance with their statement of financial position treatment. The netted derivatives are allocated to Level 2.

Valuation process for financial instruments categorized as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

EUR ths.	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total
	31.12.2021				31.12.2022			
Assets								
Financial assets HfT	-	47,874	-	47,874	-	77,139	-	77,139
Derivatives	-	47,874	-	47,874	-	77,139	-	77,139
Non-trading financial assets at FVPL	-	-	21,065	21,065	960	4,637	16,246	21,843
Equity instruments	-	-	7,155	7,155	-	-	9,694	9,694
Debt securities	-	-	13,910	13,910	960	4,637	6,552	12,149
Hedge accounting derivatives	-	16,454	-	16,454	-	16,878	-	16,878
Total assets	-	64,328	21,065	85,393	960	98,654	16,246	115,860
Liabilities								
Financial liabilities HfT	-	46,131	-	46,131	-	73,533	-	73,533
Derivatives	-	46,131	-	46,131	-	73,533	-	73,533
Hedge accounting derivatives	-	31,844	-	31,844	-	103,266	-	103,266
Total liabilities	-	77,975	-	77,975	-	176,799	-	176,799

Reclassification between Level 1 and Level 2 based on balance sheet positions and instruments
Transfers into and out of Level 1 and Level 2 are mainly due to changes in the market activity and consequently in the observability of valuation parameters. Transfers in year 2022 were immaterial and in 2021 as well.

Movements in Level 3

Development of fair value of financial instruments in Level 3

EUR ths.	01.01.2022	Gain/loss in profit or loss	Purchases	Sales	Settlements	Transfer out of Level 3	Currency translation	31.12.2022
Assets								
Non-trading financial assets at FVPL	21,064	(2,859)	4,147	(500)	(9)	(5,597)	-	16,246
Equity instruments	7,155	1,645	894	-	-	-	-	9,694
Debt securities	13,909	(4,504)	3,253	(500)	(9)	(5,597)	-	6,552
Total assets	21,064	(2,859)	4,147	(500)	(9)	(5,597)	-	16,246

EUR ths.	01.01.2021	Gain/loss in profit or loss	Purchases	Sales	Settlements	Transfer out of Level 3	Currency translation	31.12.2021
Assets								
Non-trading financial assets at FVPL	15,287	(192)	8,245	(2,311)	-	-	36	21,065
Equity instruments	7,547	(428)	-	-	-	-	36	7,155
Debt securities	7,740	236	8,245	(2,311)	-	-	-	13,910
Total assets	15,287	(192)	8,245	(2,311)	-	-	36	21,065

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters.

Gains/losses in profit or loss on Level 3 instruments held at the end of the reporting period

EUR ths.	31.12.2021	31.12.2022
Assets		
Non-trading financial assets at FVPL	(317)	3,102
Equity instruments	(427)	1,645
Debt securities	110	1,457
Total assets	(317)	3,102

Unobservable inputs and sensitivity analysis for Level 3 measurements
In case the fair value measurement of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the statement of financial position the parameters were chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
31.12.2022					
Financial assets at FVPL	Non-trading equity instruments (participations)	9.69	Approved budgets	Risk spread used in discounting future cash flows	N/A
	Non-trading debt instrument	3.06	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario, assumed (by very indicative market quotes) exit value	2023-2030
				Risk spread used in discounting future cash flows	50bp
		3.49	Theoretical price with some expert opinion (market unobservable) inputs	Risk spread used in discounting future cash flows	105bp
31.12.2021					
Financial assets at FVPL	Non-trading equity instruments (participations)	7.2	Approved budgets	Risk spread used in discounting future cash flows	N/A
	Non-trading debt instrument	1.4	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario, assumed (by very indicative market quotes) exit value	2022-2033
				Risk spread used in discounting future cash flows	50bp
		12.5	Theoretical price with some expert opinion (market unobservable) inputs	Risk spread used in discounting future cash flows	50bp

Sensitivity analysis using reasonably possible alternatives per product type*

	31.12.2021		31.12.2022	
	Fair value changes		Fair value changes	
Eur mil.	Positive	Negative	Positive	Negative
Debt securities	0.272	(0.253)	-	-
Income statement	0.272	(0.253)	-	-
Total	0.272	(0.253)	-	-
Income statement	0.272	(0.253)	-	-

*Sensitivity analysis is not calculated for equity instruments.

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding fair values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis. For non-trading equity instruments increases (decreases) in any of the inputs used for the cost of equity calculation in isolation would result in a lower (higher) fair value.

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between -50 basis points and 50 basis points
- for equity related instruments the risk spreads shift by plus and minus 50 basis points

Financial instruments not carried at fair value with fair value disclosed in the notes

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3
31.12.2022					
Assets					
Cash and cash balances	1,254,543	1,254,543	339,594	914,949	-
Financial assets at AC	21,664,202	21,211,700	3,516,465	298,552	17,396,683
Loans and advances to banks	26	26	-	-	26
Loans and advances to customers	17,509,277	17,353,518	-	-	17,353,518
of which: Lending for house purchase	10,237,101	10,195,492	-	-	10,195,492
of which: Credit for consumption	1,402,684	1,391,450	-	-	1,391,450
of which: Corporate loans and others	5,869,492	5,766,576	-	-	5,766,576
Debt securities	4,154,899	3,858,156	3,516,465	298,552	43,139
Finance lease receivables	284,500	266,208	-	-	266,208
Trade and other receivables	155,526	153,924	-	-	153,924
Liabilities					
Financial liabilities at AC	21,196,021	20,853,505	502,219	1,895,563	18,455,723
Deposits from banks	1,173,628	1,170,748	-	-	1,170,748
Deposits from customers	16,920,169	16,662,708	-	-	16,662,708
Debt securities in issue	2,988,434	2,906,259	502,219	1,895,563	508,477
Other financial liabilities	113,790	113,790	-	-	113,790
31.12.2021					
Assets					
Cash and cash balances	2,907,420	2,907,420	413,763	2,493,657	-
Financial assets at AC	19,518,537	20,755,096	3,244,174	991,759	16,519,163
Loans and advances to banks	49,983	49,998	-	-	49,998
Loans and advances to customers	15,556,896	16,405,791	-	-	16,405,791
of which: Lending for house purchase	9,256,084	9,920,542	-	-	9,920,542
of which: Credit for consumption	1,354,339	1,448,282	-	-	1,448,282
of which: Corporate loans and others	4,946,473	5,036,967	-	-	5,036,967
Debt securities	3,911,658	4,299,307	3,244,174	991,759	63,374
Finance lease receivables	233,435	238,282	-	-	238,282
Trade and other receivables	128,930	128,507	-	-	128,507
Liabilities					
Financial liabilities at AC	20,853,049	20,816,752	502,298	738,005	19,576,449
Deposits from banks	2,893,347	2,891,811	-	-	2,891,811
Deposits from customers	15,977,315	15,917,551	-	-	15,917,551
Debt securities in issue	1,945,861	1,970,864	502,298	738,005	730,561
Other financial liabilities	36,526	36,526	-	-	36,526

As at 31 December 2022 fair value of financial guarantees given amounts EUR -0.5 million (2021: EUR -0.5 million) and fair value of irrevocable commitments given amounts EUR 134.8 million (2021: EUR 5.0 million). All these amounts are in level 3. Positive fair values of financial guarantees and commitments are shown with a positive sign whereas negative fair values are shown with a negative sign.

The fair value of loans and advances to customers and credit institutions, of finance lease receivables and of trade and other receivables has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted. The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of the Bank's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied:

the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

19. Hedge accounting

The Bank makes use of derivative instruments to hedge exposures to interest rate risk. In order for the derivatives and the exposures to qualify for hedge accounting, at inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk offset the fair value changes of the hedging instrument in a range of 80% to 125%. This is assessed both prospectively, i.e. whether the results are expected to be in the range, and retrospectively, i.e. whether the actual results are in the range. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by the Bank are specified internally in the hedge accounting guidance. As permitted by the transitional provisions of IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

On the statement of financial position, derivatives designated as hedging instruments are carried at fair value (dirty price). They are presented in the line item 'Hedge accounting derivatives' on the asset or liability side depending on whether their fair value is positive or negative.

Fair value hedges

For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the statement of income under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the statement of income under the line item 'Net trading result' and adjusts the carrying amount of the hedged item.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised until maturity of the financial instrument. In the statement of income the amortisation is presented under 'Net interest income' in the line item 'Interest income' if the hedged item was a financial asset or in the line item 'Interest expenses' if the hedged item was a financial liability. For portfolio fair value hedges of interest rate risk the fair value adjustment related to the terminated hedge is amortised to the statement of income on a straight-line basis in the line item 'Other similar income' under 'Net interest income'.

Notional amounts of hedged items

EUR ths.	Type of hedged items	Notional amount 31.12.2021	Notional amount 31.12.2022
Fair value hedges		1,095,521	1,969,962
Assets	Bonds at AC	331,224	331,224
Liabilities	Issued bonds	764,297	1,638,738

The hedge ratio is chosen in compliance with the rules defined in IAS 39. The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

Sources of hedge ineffectiveness can result from:

- designation of hedging instruments and hedged items during their life rather than from their inception
- different discounting curves applied for hedged item and hedging instrument
- different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
- volatility of present value of floating leg of hedging swaps in fair value hedges
- different trade dates for the hedging instrument and the hedged item
- real prepayments of a loan portfolio deviating from expected prepayments
- credit risk adjustments (CVA, DVA) on the hedging derivatives

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value as of 31 December 2022 are reported. The indicated values for fair value hedges include single hedges, which due to immateriality are not shown separately.

Hedging instruments

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the statement of financial position.

EUR ths.	Carrying amount		Change in FV for the period used for calculating hedge ineffectiveness	Notional	Timing of the nominal amounts of the instruments			
	Assets	Liabilities			≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years
31.12.2022								
Fair value hedges	16,879	103,266	(73,419)	1,969,961	40,000	-	1,455,521	474,441
Interest rate risk	16,879	103,266	(73,419)	1,969,961	40,000	-	1,455,521	474,441
Total gross amounts	16,879	103,266	(73,419)	1,969,961	40,000	-	1,455,521	474,441
Offset	-	-	-	-	-	-	-	-
Total	16,879	103,266	(73,419)	1,969,961	40,000	-	1,455,521	474,441
31.12.2021								
Fair value hedges	16,454	31,844	(3,118)	1,095,521	-	-	978,924	116,597
Interest rate risk	16,454	31,844	(3,118)	1,095,521	-	-	978,924	116,597
Total gross amounts	16,454	31,844	(3,118)	1,095,521	-	-	978,924	116,597
Offset	-	-	-	-	-	-	-	-
Total	16,454	31,844	(3,118)	1,095,521	-	-	978,924	116,597

Hedged items in fair value hedges

EUR ths.	Carrying amount	Hedge adjustments	
		included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness
31.12.2022			
Financial assets at AC	328,278	(15,845)	(41,852)
Interest rate risk	328,278	(15,845)	(41,852)
Financial liabilities at AC	(1,540,228)	101,448	116,201
Interest rate risk	(1,540,228)	101,448	116,201
31.12.2021			
Financial assets at AC	371,792	26,007	(14,912)
Interest rate risk	371,792	26,007	(14,912)
Financial liabilities at AC	(778,028)	(14,753)	17,972
Interest rate risk	(778,028)	(14,753)	17,972

The hedged items are disclosed in the following line items in the statement of financial position:

- Financial assets at amortised cost / debt securities
- Financial liabilities at amortised cost / debt securities issued

Ineffectiveness from fair value hedges is presented under 'Net trading result' in the statement of income.

Fair value hedge of assets

As at 31 December 2022 the Bank held in portfolio of financial assets at amortised cost fixed rate bonds denominated in EUR with nominal value of EUR 331.2 million (2021: EUR 331.2 million). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Bank entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2022 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net gain on the hedging instruments in the amount of EUR 41.9 million (2021: net gain EUR 15.0 million). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to EUR 41.9 million (2021: net loss EUR 14.9 million).

Fair value hedge of liabilities

The Bank uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 15 Financial liabilities at amortised cost. As at 31 December 2022 the Bank holds covered bonds in total nominal value of EUR 1,638.7 million (2021: EUR 764.3 million).

During the year 2022 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net loss on the hedging instruments in the amount of EUR 115.3 million (2021: net loss EUR 18.0 million). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to EUR 116.2 million (2021: net gain EUR 18.0 million).

20. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is carried out between asset and liability derivative positions, while the net position is further offset with variation margin amounts.

The following table shows netting effects on the statement of financial position of the Bank as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

Financial assets subject to offsetting and potential offsetting agreements

EUR ths.	Financial assets (gross)	Amounts offset (gross)	Financial assets in statement of financial position (net)	Potential effects of netting agreements not qualifying for statement of financial position offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Other financial collateral received	
31.12.2022							
Derivatives	77,138	-	77,138	21,633	-	-	55,505
Hedge accounting	16,879	-	16,879	15,354	-	-	1,525
Total	94,017	-	94,017	36,987	-	-	57,030
31.12.2021							
Derivatives	47,874	-	47,874	6,834	-	-	41,040
Hedge accounting	16,454	-	16,454	11,540	-	-	4,914
Total	64,328	-	64,328	18,374	-	-	45,954

Financial liabilities subject to offsetting and potential offsetting agreements

EUR ths.	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in statement of financial position (net)	Potential effects of netting agreements not qualifying for statement of financial position offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Other financial collateral pledged	
31.12.2022							
Derivatives	73,533	-	73,533	21,633	-	-	51,900
Hedge accounting	103,266	-	103,266	15,354	-	86,080	1,832
Total	176,799	-	176,799	36,987	-	86,080	53,732
31.12.2021							
Derivatives	46,131	-	46,131	6,834	-	30,485	8,812
Hedge accounting	31,844	-	31,844	11,540	-	20,304	-
Total	77,975	-	77,975	18,374	-	50,789	8,812

The Bank employs master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column 'Financial instruments'. If the net position is further secured by cash collateral or other financial collaterals the effects are disclosed in columns 'Cash collateral received / pledged' and 'Other financial collateral received / pledged' respectively.

21. Collaterals

Carrying amount of financial assets pledged as collaterals

EUR ths.	31.12.2021	31.12.2022
Financial assets at AC	4,323,689	3,914,419
Total	4,323,689	3,914,419

	Carrying amount of transferred assets				Carrying amount of associated liabilities	
EUR ths.	Total	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Other associated liabilities
As of 31.12.2022						
Financial assets at amortised cost						
Debt securities	520,107	86,080	50,128	383,899	470,127	470,127
Loans and advances to customers	3,394,312	-	2,283,883	1,110,429	2,711,750	2,711,750
Assets pledged as collateral	3,914,419	86,080	2,334,011	1,494,328	3,181,877	3,181,877

	Carrying amount of transferred assets				Carrying amount of associated liabilities	
EUR ths.	Total	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Other associate d liabilities
As of 31.12.2021						
Financial assets at amortised cost						
Debt securities	2,273,268	45,971	113,758	2,113,539	2,317,330	2,317,330
Loans and advances to customers	2,050,421	-	1,504,000	546,421	1,839,102	1,839,102
Assets pledged as collateral	4,323,689	45,971	1,617,758	2,659,960	4,156,432	4,156,432

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of refinancing transactions with the respective National Bank, loans backing issued mortgage bonds and other collateral arrangements.

In March 2021, the Bank entered into TLTRO III with central bank in the amount of EUR 1,000 million which was shown within other associated liabilities. At 23 November 2022 the Bank partially repaid this tranche in amount of EUR 250 million. The Bank has pledged SK government bond (EUR 11.5 million), own retained covered bond (EUR 1.000 million) where mortgage loans are shown as encumbered assets (EUR 1,110 million) as collateral to TLTRO III. The collateral is shown within other transferred assets.

In June 2021, the Bank entered into TLTRO III with central bank in the amount of EUR 250 million which is shown within other associated liabilities. The Bank has pledged SK government bonds (EUR 372.4 million) as collateral to TLTRO III. The collateral is shown within other transferred assets.

Risk and capital management

22. Risk management

Risk policy and strategy

A core function of the Bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to the Bank's fundamental financial health and operational business success.

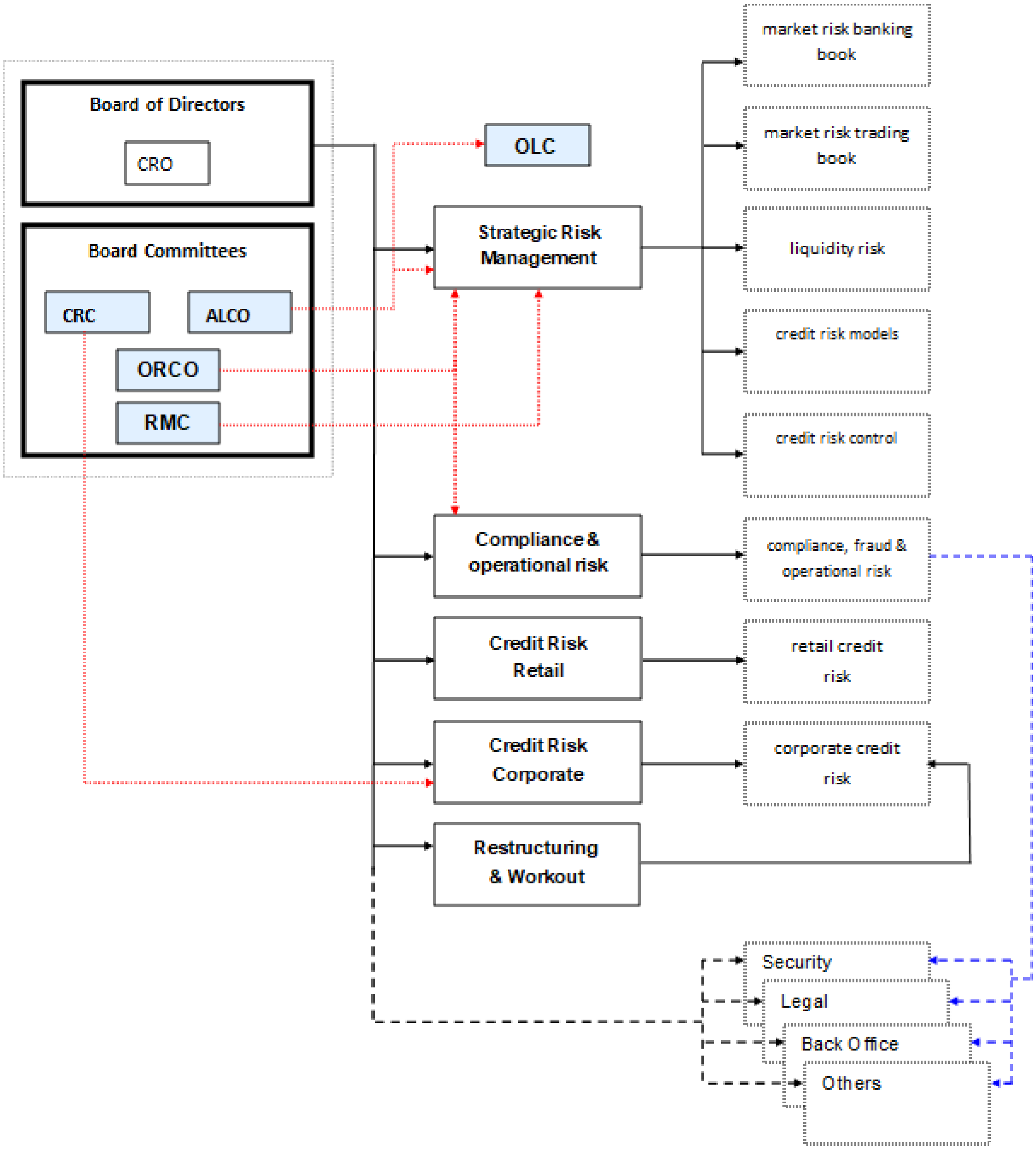
The Bank has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clearly defined governance structure. This structure also applies to monitoring of risk appetite, additional metrics, as well as to the escalation of limit breaches.

The Bank uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013. Details are available on the website of the Bank at https://www.slsp.sk/sk/informacie-o-banke/investori/financne-ukazovatele.

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organisational structure of risk in the Bank:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the Bank on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, Balance Sheet Management (BSM) and Strategic Risk Management (SRM).

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organisation consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organisation of lending process, early collection process, collateral management and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models.
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).
- Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show the areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red / dotted lines.

Risk management is not limited to risk management units only. Rather, all organisational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Bank's risk management strategy.

Corporate Credit Risk Management

Corporate Credit Risk Management Division formulates the credit policy and internal provisions on the credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). Furthermore, it monitors the development of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limits documentation for corporate clients.

Retail Credit Risk Management

Retail Credit Risk Management Division formulates the credit policy and internal actions on the credit approval process for retail clients and designs and oversees processes in retail lending activity. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). Furthermore, it monitors the development of credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limits documentation, as well as performs early and late collection and retail collateral management.

Strategic Risk Management

Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Bank's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

- credit exposures to Groups, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

Compliance & Operational Risk Management

Compliance & Operational Risk Management is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).

Restructuring & Work out

Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

Legal services

Legal services Division provides legal support and counsel for the management board, the business units and the central functions, and mitigate legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process ('ICAAP') is a process in which all significant risks that the Bank faces must be covered by internal capital (i.e. coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Bank consists of the following steps:

- Risk appetite statement (RAS), limits and risk strategy
- Risk materiality assessment (RMA)
- Risk-bearing capacity calculation (RCC)
- Stress testing
- Capital allocation and performance management

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Bank's management in pursuing its strategy.

Risk appetite

The Bank defines the maximum level of risk it is willing to accept in order to meet its business objectives within the Bank's risk appetite (RAS). The RAS acts as a binding constraint to the Bank's business activities within its overall risk appetite via triggers and limits approved by the management board. It is integrated and embedded into Bank's structural processes; including business and risk strategy, budget process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. The RAS consists of a set of core and supporting risk metrics providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the Bank's risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

- ensure that the Bank has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Bank's risk target setting;
- support the Bank's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, the Bank creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the floor and ceiling for the RAS and therefore the amount of risk the Bank is willing to accept. In order to ensure that the Bank remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

- RAS is green: The target risk profile is within the specified boundaries.
- RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.
In addition, supporting metrics and principles are defined by material risk type in the Bank Risk Strategy based on RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the Bank risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the Bank remains within its RAS.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both, quantitative and qualitative factors, which is conducted for each identified risk type the Bank faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99,9% confidence on one year horizon means an extreme loss that occurs once in thousand years. At this level the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Bank's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

Risk-bearing capacity calculation

The risk-bearing capacity calculation ('RCC') is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Bank´s own funds. The integral forecast, risk appetite limit, as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors, Risk management committees and Supervisory board is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limits' utilization, potential losses in stress scenarios and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market in trading book, FX in banking book and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.92 % confidence level. During the year 2022 the utilization of the economic capital was in the range 52 - 56%.

Other risks, namely credit concentration risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and / or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year, considering subordinated liabilities and regulatory deductibles, as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Bank's operations.

Capital management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Bank's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

Risk planning and forecasting

The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both, forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

23. Own funds and capital requirements

Regulatory requirements

Since 1 January 2014 the Group has been calculating the regulatory capital and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU). CRD was enacted in national legislation in Act on Banks 483/2001.

All requirements as defined in the CRR and technical standards issued by the European Banking Authority (EBA) are fully applied by the Bank for regulatory purposes and for the disclosure of regulatory information.

The Bank fulfilled all regulatory capital requirements during the year 2022 and throughout the year 2021 consisting of Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

Accounting principles

The financial and regulatory figures published by the Bank are based on IFRS. Eligible capital components derive from the statement of financial position and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation.

The unified reporting date of the individual financial statements and individual regulatory figures of the Bank is 31 December of each respective year.

Own funds

Own funds according to CRR consist of CET1, additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk amount

The regulatory minimum capital ratios including the capital buffers as of 31 December 2022 amount to:

- 9.99% for CET1 (CET1 Pillar 1 requirement 4.5%, capital conservation buffer 2.5%, Other Systemic Important Institution (O-SII) buffer 2% , and countercyclical capital buffer specific for the bank 0.99%),
- 11.49% for tier 1 capital (sum of CET1 and AT1)
- 13.49% for total own funds.

Capital buffer requirements are set out in Act on Banks 483/2001

- capital conservation buffer Article 33b
- Global Systemic Important Institution (G-SII) Article 33a and Article 33d(5)
- Other Systemic Important Institution (O-SII) buffer Article 33a and Article 33d(6)
- systemic risk buffer Article 33a, Article 33e
- countercyclical buffer Article 33a, Article 33c

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

As a result of the 2021 SREP process performed by the European Central Bank (ECB) the Bank applies a Pillar 2 requirement (P2R) of 1.5% as of 31. December 2022. The minimum CET1 ratio of 5.34% encompasses the Pillar 1 minimum requirement of 4.5% and the Pillar 2 requirement of 0.84% (56.25% of 1.5%) as of 31. December 2022.

The regulatory minimum capital ratios including the capital buffers and SREP requirements as of 31 December 2022 amount to:

- a CET1 requirement of 10.83%, (Pillar 1 requirement of 4.5%, combined capital buffers of 5.49% and 56.25% of 1.5% Pillar 2 requirement)
- a T1 requirement of 12.62% (Pillar 1 T1 requirement of 6%, combined capital buffers of 5.49% and 75% of 1.5% Pillar 2 requirement)
- a total own funds requirement of 14.99% (Pillar 1 own funds requirement of 8%, combined capital buffers of 5.49% and 1.5% Pillar 2 requirement).

According to SREP, the bank is expected to meet a Pillar 2 Guidance (P2G) of 1.0%. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

	31.12.2021	31.12.2022
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	5.48%	5.49%
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.98%	0.99%
Systemic risk buffer (SRB)	1.00%	0.00%
O-SII capital buffer	1.00%	2.00%
Minimum CET 1 requirement (incl. CBR)	9.98%	9.99%
Minimum Tier 1 requirement (incl. CBR)	11.48%	11.49%
Minimum Own Funds requirement (incl. CBR)	13.48%	13.49%
Pillar2		
Minimum CET1 requirement	0.84%	0.84%
Minimum T1 requirement	1.13%	1.13%
Minimum Own Funds requirement	1.50%	1.50%
Total CET1 requirement for Pillar 1 and Pillar 2	10.82%	10.83%
Total Tier 1 requirement for Pillar 1 and Pillar 2	12.61%	12.62%
Total Own Funds requirement for Pillar 1 and Pillar 2	14.98%	14.99%

The following table shows the structure of own funds according to implementing technical standards EBA with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (the positions not relevant for the Bank were excluded):

in EUR ths.	31.12.2021	31.12.2022
Common equity tier 1 capital (CET1)		
Capital instruments eligible as CET1	212,000	212,000
Retained earnings	1,193,241	1,318,464
Accumulated other comprehensive income	(1,750)	(956)
Common equity tier 1 capital (CET1) before regulatory adjustments	1,403,491	1,529,509
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(947)	(1,116)
Value adjustments due to the requirements for prudent valuation	(5,894)	(2,811)
Securitisation positions which can alternatively be subject to a 1.250% risk weight	(12,999)	(13,333)
Other intangible assets	(16,068)	(11,294)
Insufficient coverage for non-performing exposures	(32)	(35)
Additional deductions of CET1 Capital due to Article 3 CRR	(222)	(349)
Development of unaudited risk provisions during the year (EU No 183/2014)	(1,099)	(32,114)
Common equity tier 1 capital (CET1)	1,366,230	1,468,456
Additional tier 1 capital (AT1)		
Capital instruments eligible as AT1	380,000	380,000
Additional tier 1 capital (AT1)	380,000	380,000
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	1,746,230	1,848,456
Tier 2 capital (T2)		
Capital instruments and subordinated loans eligible as T2	19,686	16,412
IRB excess of provisions over expected losses eligible	44,489	50,900
T2 instruments of financial sector entities where the institution has a significant investment	(5,240)	(5,247)
Tier 2 capital (T2)	58,935	62,065
Total own funds	1,805,165	1,910,521
Capital requirement	713,660	803,742
CET1 capital ratio	15.32%	14.62%
Tier 1 capital ratio	19.57%	18.40%
Total capital ratio	20.24%	19.02%

The Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

	31.12.2021		31.12.2022	
EUR ths.	Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	8,920,754	713,660	10,046,772	803,742
Risk weighted assets (credit risk)	8,061,816	644,945	9,249,831	739,986
Standardised approach	543,422	43,474	662,965	53,036
IRB approach	7,414,859	593,188	8,483,331	678,667
Securitisation positions	103,535	8,283	103,535	8,283
Trading book, foreign FX risk and commodity risk	2,790	223	1,612	129
Operational Risk	846,590	67,727	788,357	63,069
Exposure for CVA	9,558	765	6,972	558

The Bank uses AMA model for calculation of RWA and capital requirements arising from operational risk. The calculation is performed on ERSTE Group level.

24. Credit risk

In 2022, management attention was dedicated to the evolving Russia-Ukraine conflict, which poses serious threats to the European but also global economy. The Bank is not directly impacted, as it has no operating presence in geopolitical region of Russia or Ukraine and also direct exposure to these two markets is immaterial. Still, a number of ad hoc risk management activities were undertaken in order to evaluate, actively steer and mitigate indirect impact on the capital position and risk profile. All stress scenarios, including 'no gas from Russia', would have manageable impact on the Bank risk profile, keeping all capital ratios above the limits.

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2022. Focus in risk was on advancements in implementation of initiatives to achieve compliance with regulatory requirements and expectations such as performance of the ECB Climate Stress Test, improvements in the Carbon Footprint Calculation, development of methodologies for setting decarbonization targets for priority sectors, enhancement of Risk Materiality Assessment and reporting system, and incorporation of climate-related and environmental risks in credit risk processes.

Credit risk arises in the Bank's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).
Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information is also considered in the calculation of credit risk.
Operative credit decisions are made by the credit risk management units.

In contrast to large corporates, banks and governments managing credit risk in retail and SME involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro and small companies. Credit risk related to retail and SME loan portfolios is managed at bank and group level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

The Bank also considers ESG factors in its risk management and industry strategy framework (e.g. ESG Factor Heatmap as an input in respective industry strategies). The Bank has established an ESG risk framework and toolkit for assessment of material ESG factors, related risks and appropriateness of the mitigating strategies in the credit and rating processes.

Internal rating system

The Bank has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at a minimum on an annual basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk is based on the customer's probability of default (PD). For each credit exposure and lending decision, the Bank assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review).

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and risk-weighted assets under Pillar 1 and 2.

The Bank uses the internal ratings-based (IRB) approach, internal ratings are key input for the risk-weighted assets calculation. They are also used in the Bank's assessment of the economic capital requirements according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows a group-wide methodological standard and utilises relevant data covering local market. In this way, the Bank ensures the availability of rating models with the best possible prediction and discriminatory ability across its core regions.
All credit risk rating models are validated on the ongoing basis. Model Validation employs qualitative as well as quantitative validation methods to challenge conceptual soundness, performance and model use aspects. The validation outcomes are approved by the respective model committees and shared with the regulatory bodies. In addition to the validation process, the Bank applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Credit risk classification

For the disclosure of asset quality (e.g. in this document and to the regulatory bodies) the Bank assigns each customer to one of the following four risk categories:

Low risk
Typically regional customers with well-established and rather long-standing relationships with SLSP or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention
Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term to the Bank. Retail clients with possible payment problems in the past triggering early collection reminders from the Bank´s side. These clients typically have a good recent payment history.

Substandard
The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing
There are exposure meeting criteria according to default definition set out above. The Bank applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.
Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk review and monitoring

Retail Credit Risk Management as well as Credit Risk Control in cooperation with Corporate Risk Management conduct periodical reviews of the loan portfolio to ensure an adequate portfolio quality.

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded.
A group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. The early warning monitoring process for corporate clients is managed by Corporate and Retail Credit Risk Management for respective segments. When early warning signals are identified and validated, the overall client exposure and creditworthiness is reviewed and adequate risk mitigating actions are taken if deemed necessary. Watch list review meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures. For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management, the early warning signals for adverse portfolio developments include, for instance, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures. Additionally, the monitoring is performed for clients where early warning signals have been identified, even if they are still fulfilling their contractual repayment obligations.
Adverse portfolio developments regarding the non-performing and substandard loans portfolio of the Bank are monitored, discussed and reported. In case of further negative developments clients are handled in specialized workout units aiming to minimize potential losses.

Credit risk exposure

Credit risk exposure relates to the sum of the following statement of financial position items:

- cash and cash balances - other demand deposits to credit institutions;
- financial assets held for trading – derivatives, debt securities (without equity instruments);
- non-trading financial assets at fair value through profit or loss (FVTPL) (without equity instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) (without equity instruments);
- financial assets at amortised cost (AC);
- finance lease receivables;
- positive fair value of hedge accounting derivatives;
- trade and other receivables;
- off-balance sheet positions (financial guarantees, irrevocable and revocable loan and other commitments given).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

Between the 31 December 2021 and 31 December 2022, credit risk exposure increased from EUR 23,888 million to EUR 27,026 million. This is an increase of 13.11% or EUR 3,138 of which EUR 2,27 million increase was in on-balance and EUR 0,87 million in off-balance (of which Revocable part of off-balance was EUR 0,65 million, without impact on ECL). Revocable part of off-balance sheet represents EUR 1,938 million and irrevocable EUR 2,508 million. In 2021 revocable part of off-balance sheet represented EUR 1,290 million and irrevocable EUR 2,285 million.

Reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure

31.12.2022		Credit loss allowances					
EUR ths.	Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Net carrying amount
Cash and cash balances - other demand deposits	15,512	-	-	-	-	-	15,512
Financial assets at amortised cost	22,008,151	43,479	110,310	158,695	31,465	-	21,664,202
Loans and advances to banks	26	-	-	-	-	-	26
Loans and advances to customers	17,851,323	42,629	109,257	158,695	31,465	-	17,509,277
of which: Lending for house purchase	10,342,105	18,578	19,242	66,070	1,114	-	10,237,101
of which: Credit for consumption	1,468,003	8,038	14,493	42,704	84	-	1,402,684
of which: Corporate loans and others	6,041,215	16,013	75,522	49,921	30,267	-	5,869,492
Debt securities	4,156,802	850	1,053	-	-	-	4,154,899
Finance lease receivables	288,141	394	509	2,727	11	-	284,500
Trade and other receivables	161,956	627	956	4,379	468	-	155,526
Non-trading financial assets at fair value through profit or loss - Debt securities	12,149	-	-	-	-	-	12,149
Financial assets - held for trading	77,139	-	-	-	-	-	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	-	-	16,879
Total credit risk exposure on-balance	22,579,927	44,500	111,775	165,801	31,944	-	22,225,907
Off-balance	4,446,011	4,097	10,437	1,946	4,556	2,304	4,422,671
Total credit risk exposure	27,025,938	48,597	122,212	167,747	36,500	2,304	26,648,578

Allocation of credit loss allowances is affected by the war in Ukraine. The Bank allocated credit loss allowances for the customers with higher risk profile based on their ratings and in case of corporates, the industry was also used. More detailed information about changes in collective assessment of credit loss allowances is provided in section Collective assessment.

31.12.2021 EUR ths.	Gross carrying amount	Credit loss allowances					Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash balances - other demand deposits	9,658	-	-	-	-	-	9,658
Financial assets at amortised cost	19,849,966	40,664	111,187	157,658	21,919	-	19,518,537
Loans and advances to banks	50,025	42	-	-	-	-	49,983
Loans and advances to customers	15,887,047	39,860	110,713	157,658	21,919	-	15,556,896
of which: Lending for house purchase	9,361,376	18,419	21,341	65,073	459	-	9,256,084
of which: Credit for consumption	1,422,176	5,960	13,380	48,420	76	-	1,354,339
of which: Corporate loans and others	5,103,495	15,481	75,992	44,165	21,384	-	4,946,473
Debt securities	3,912,894	762	474	-	-	-	3,911,658
Finance lease receivables	238,772	1,245	506	3,586	-	-	233,435
Trade and other receivables	135,518	1,838	3	4,747	-	-	128,930
Non-trading financial assets at fair value through profit or loss - 'Debt securities	13,909	-	-	-	-	-	13,909
Financial assets - held for trading	47,874	-	-	-	-	-	47,874
Positive fair value of derivatives - hedge accounting	16,454	-	-	-	-	-	16,454
Total credit risk exposure on-balance	20,312,151	43,747	111,696	165,991	21,919	-	19,968,797
Off-balance	3,575,425	5,358	7,444	572	11,277	1,134	3,549,642
Total credit risk exposure	23,887,576	49,105	119,140	166,563	33,196	1,134	23,518,439

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated. The non-defaulted part of POCI amounted to EUR 114.99 million (2021: EUR 107.33 million), the defaulted part to EUR 11.16 million (2021: EUR 5.71 million).

On the next pages the credit risk exposure is presented according to the following criteria:

- counterparty FINREP sector and financial instrument;
- financial instrument and risk category;
- financial instrument and IFRS 9 stage;
- industry and financial instrument;
- industry and risk category;
- industry and IFRS 9 stage;
- region and financial instrument;
- region and risk category;
- region and IFRS 9 stage;
- impairment view;
- neither past due, not impaired;
- Basel 3 exposure class and financial instrument.

Credit risk exposure by counterparty finrep sector and financial instrument

EUR ths.	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2022							
Cash and cash balances - other demand deposits	-	-	15,512	-	-	-	15,512
Financial assets at amortised cost	-	4,071,806	296,472	247,810	4,952,487	12,439,576	22,008,151
Loans and advances to banks	-	-	26	-	-	-	26
Loans and advances to customers	-	337,264	-	221,980	4,852,503	12,439,576	17,851,323
of which: Lending for house purchase	-	-	-	-	-	10,342,105	10,342,105
of which: Credit for consumption	-	-	-	-	-	1,468,003	1,468,003
of which: Corporate loans and others	-	337,264	-	221,980	4,852,503	629,468	6,041,215
Debt securities	-	3,734,542	296,446	25,830	99,984	-	4,156,802
Finance lease receivables	-	1,063	-	39	284,878	2,161	288,141
Trade and other receivables	-	1,822	4,582	2,222	153,259	71	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	7,512	4,637	-	12,149
Derivatives - held for trading	-	-	55,079	-	22,055	5	77,139
Positive fair value of derivatives - hedge accounting	-	-	16,879	-	-	-	16,879
Total credit risk exposure on-balance	-	4,074,691	388,524	257,583	5,417,316	12,441,813	22,579,927
Off-balance	-	154,096	34,223	236,387	3,474,900	546,405	4,446,011
Total credit risk exposure	-	4,228,787	422,747	493,970	8,892,216	12,988,218	27,025,938

EUR ths.	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2021							
Cash and cash balances - other demand deposits	-	-	9,658	-	-	-	9,658
Financial assets at amortised cost	-	3,890,122	230,139	148,345	4,212,509	11,368,851	19,849,966
Loans and advances to banks	-	-	50,025	-	-	-	50,025
Loans and advances to customers	-	285,411	-	123,036	4,109,749	11,368,851	15,887,047
of which: Lending for house purchase	-	-	-	-	-	9,361,376	9,361,376
of which: Credit for consumption	-	-	-	-	-	1,422,176	1,422,176
of which: Corporate loans and others	-	285,411	-	123,036	4,109,749	585,299	5,103,495
Debt securities	-	3,604,711	180,114	25,309	102,760	-	3,912,894
Finance lease receivables	-	1,329	-	37	234,051	3,355	238,772
Trade and other receivables	-	521	1,857	2,457	130,682	1	135,518
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	7,913	5,996	-	13,909
Derivatives - held for trading	-	-	7,048	603	40,191	32	47,874
Positive fair value of derivatives - hedge accounting	-	-	16,454	-	-	-	16,454
Total credit risk exposure on-balance	-	3,891,972	265,156	159,355	4,623,429	11,372,239	20,312,151
Off-balance	-	81,028	45,667	172,952	2,745,148	530,631	3,575,426
Total credit risk exposure	-	3,973,000	310,823	332,307	7,368,577	11,902,870	23,887,577

Credit risk exposure by financial instrument and risk category

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2022					
Cash and cash balances - other demand deposits	15,512	-	-	-	15,512
Financial assets at amortised cost	17,162,082	3,339,413	1,226,265	280,391	22,008,151
Loans and advances to banks	24	2	-	-	26
Loans and advances to customers	13,005,780	3,338,897	1,226,255	280,391	17,851,323
of which: Lending for house purchase	8,229,618	1,436,628	536,690	139,169	10,342,105
of which: Credit for consumption	767,029	452,945	190,861	57,168	1,468,003
of which: Corporate loans and others	4,009,133	1,449,324	498,704	84,054	6,041,215
Debt securities	4,156,278	514	10	-	4,156,802
Finance lease receivables	124,696	144,577	14,620	4,248	288,141
Trade and other receivables	72,907	42,905	40,454	5,690	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	11,189	960	-	-	12,149
Derivatives - held for trading	55,431	21,694	13	1	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	16,879
Total credit risk exposure on-balance	17,458,696	3,549,549	1,281,352	290,330	22,579,927
Off-balance	3,069,998	1,072,460	294,955	8,598	4,446,011
Total credit risk exposure	20,528,694	4,622,009	1,576,307	298,928	27,025,938

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2021					
Cash and cash balances - other demand deposits	9,658	-	-	-	9,658
Financial assets at amortised cost	17,341,501	1,320,524	904,006	283,935	19,849,966
Loans and advances to banks	50,023	2	-	-	50,025
Loans and advances to customers	13,378,584	1,320,522	904,006	283,935	15,887,047
of which: Lending for house purchase	8,332,186	586,927	302,258	140,005	9,361,376
of which: Credit for consumption	1,093,989	162,783	103,984	61,420	1,422,176
of which: Corporate loans and others	3,952,409	570,812	497,764	82,510	5,103,495
Debt securities	3,912,894	-	-	-	3,912,894
Finance lease receivables	200,787	23,287	8,372	6,326	238,772
Trade and other receivables	93,247	8,830	28,581	4,860	135,518
Non-trading financial assets at fair value through profit or loss - 'Debt securities	6,479	-	7,430	-	13,909
Derivatives - held for trading	11,500	35,590	784	-	47,874
Positive fair value of derivatives - hedge accounting	16,454	-	-	-	16,454
Total credit risk exposure on-balance	17,679,626	1,388,231	949,173	295,121	20,312,151
Off-balance	3,026,136	305,761	239,045	4,483	3,575,425
Total credit risk exposure	20,705,762	1,693,992	1,188,218	299,604	23,887,576

Credit risk exposure by financial instrument and IFRS 9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
Cash and cash balances - other demand deposits	15,512	-	-	-	-	15,512
Financial assets at amortised cost	19,359,442	2,278,559	270,743	99,407	-	22,008,151
Loans and advances to banks	24	2	-	-	-	26
Loans and advances to customers	15,251,371	2,229,802	270,743	99,407	-	17,851,323
of which: Lending for house purchase	9,917,061	284,914	137,315	2,815	-	10,342,105
of which: Credit for consumption	1,259,115	151,630	57,039	219	-	1,468,003
of which: Corporate loans and others	4,075,195	1,793,258	76,389	96,373	-	6,041,215
Debt securities	4,108,047	48,755	-	-	-	4,156,802
Finance lease receivables	250,629	33,045	4,220	247	-	288,141
Trade and other receivables	152,408	3,858	4,938	752	-	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	12,149	12,149
Derivatives - held for trading	-	-	-	-	77,139	77,139
Positive fair value of derivatives - hedge accounting	-	-	-	-	16,879	16,879
Total credit risk exposure on-balance	19,777,991	2,315,462	279,901	100,406	106,167	22,579,927
Off-balance	2,975,192	746,605	5,775	25,736	692,703	4,446,011
Total credit risk exposure	22,753,183	3,062,067	285,676	126,142	798,870	27,025,938

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2021						
Cash and cash balances - other demand deposits	9,658	-	-	-	-	9,658
Financial assets at amortised cost	17,564,561	1,935,073	278,608	71,724	-	19,849,966
Loans and advances to banks	50,023	2	-	-	-	50,025
Loans and advances to customers	13,611,010	1,925,705	278,608	71,724	-	15,887,047
of which: Lending for house purchase	8,895,446	325,032	138,977	1,921	-	9,361,376
of which: Credit for consumption	1,213,055	147,615	61,328	178	-	1,422,176
of which: Corporate loans and others	3,502,509	1,453,058	78,303	69,625	-	5,103,495
Debt securities	3,903,528	9,366	-	-	-	3,912,894
Finance lease receivables	208,696	23,750	6,326	-	-	238,772
Trade and other receivables	129,500	1,158	4,860	-	-	135,518
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	13,909	13,909
Derivatives - held for trading	-	-	-	-	47,874	47,874
Positive fair value of derivatives - hedge accounting	-	-	-	-	16,454	16,454
Total credit risk exposure on-balance	17,912,415	1,959,981	289,794	71,724	78,237	20,312,151
Off-balance	2,647,416	318,512	4,046	47,929	557,522	3,575,425
Total credit risk exposure	20,559,831	2,278,493	293,840	119,653	635,759	23,887,576

‘Not subject to IFRS 9 impairment’ means that those statement of financial position items are out of IFRS9 rules.

Credit risk exposure by industry and financial instrument

31.12.2022		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
I. Natural Resources & Commodities	-	-	-	-	578,917	-	32,594	46,607	-	69	429,643	1,087,830
II. Energy	-	-	-	-	693,161	29,259	9,402	3,020	-	21,648	590,723	1,347,213
III. Construction and building materials	-	-	-	-	343,639	-	18,196	21,549	-	2	931,671	1,315,057
IV. Automotive	-	-	-	-	221,806	-	9,381	9,356	-	-	324,168	564,711
V. Cyclical Consumer Products	-	-	-	-	294,709	-	6,440	12,166	4,637	29	174,231	492,212
VI. Non-Cyclical Consumer Products	-	-	-	-	395,629	9,356	9,627	16,979	-	7	157,615	589,213
VII. Machinery	-	-	-	-	218,261	-	11,175	21,346	-	11	220,389	471,182
VIII. Transportation	-	-	-	-	469,700	76,544	175,660	9,770	-	-	280,590	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	162,561	-	2,768	2,780	-	-	80,151	248,260
X. Healthcare & Services	-	-	-	-	263,295	-	9,256	10,892	-	12	113,800	397,255
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	187,991	-	1,242	209	-	1	28,614	218,057
XII. Real Estate	-	-	-	-	1,210,743	10,131	1,248	478	-	276	248,880	1,471,756
XIII. Public Sector	-	-	-	-	329,844	3,734,543	990	-	-	-	101,766	4,167,143
XIV. Financial Institutions	15,512	26	-	-	136,114	296,969	39	6,804	7,512	71,958	259,375	794,309
XV. Private Households	-	-	10,342,105	1,468,003	534,814	-	123	-	-	5	504,380	12,849,430
XVI. Other	-	-	-	-	31	-	-	-	-	-	14	45
Total	15,512	26	10,342,105	1,468,003	6,041,215	4,156,802	288,141	161,956	12,149	94,018	4,446,010	27,025,937

31.12.2021 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities							
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others								
I. Natural Resources & Commodities	-	-	-	-	540,569	-		34,196	49,281	-	486	321,929	946,461
II. Energy	-	-	-	-	525,265	29,249		6,487	3,995	-	35,559	398,546	999,101
III. Construction and building materials	-	-	-	-	325,058	-		14,122	10,092	-	111	584,973	934,356
IV. Automotive	-	-	-	-	194,999	-		8,597	6,939	-	126	299,422	510,083
V. Cyclical Consumer Products	-	-	-	-	215,021	-		7,169	13,177	5,996	36	148,552	389,951
VI. Non-Cyclical Consumer Products	-	-	-	-	370,365	9,356		9,235	14,444	-	117	153,484	557,001
VII. Machinery	-	-	-	-	202,234	-		9,045	19,346	-	192	147,721	378,538
VIII. Transportation	-	-	-	-	422,856	79,313		133,848	4,978	-	969	246,393	888,357
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	138,171	-		5,436	2,444	-	407	71,395	217,853
X. Healthcare & Services	-	-	-	-	179,847	10		6,848	5,947	-	3	102,769	295,424
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	164,041	-		1,369	238	-	439	20,988	187,075
XII. Real Estate	-	-	-	-	958,253	10,131		904	321	-	1,777	317,176	1,288,562
XIII. Public Sector	-	-	-	-	290,938	3,604,711		1,324	-	-	-	82,017	3,978,990
XIV. Financial Institutions	9,658	50,025	-	-	73,678	180,124		37	4,314	7,913	24,076	186,567	536,392
XV. Private Households	-	-	9,361,376	1,422,176	501,785	-		153	-	-	32	493,360	11,778,882
XVI. Other	-	-	-	-	413	-		-	-	-	-	131	544
Total	9,658	50,025	9,361,376	1,422,176	5,103,493	3,912,894		238,770	135,516	13,909	64,330	3,575,423	23,887,570

Credit risk exposure by industry and risk category

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2022					
I. Natural Resources & Commodities	588,966	330,250	150,225	18,390	1,087,831
II. Energy	1,077,535	239,978	23,358	6,342	1,347,213
III. Construction and building materials	551,152	616,996	127,998	18,911	1,315,057
IV. Automotive	420,482	130,563	12,198	1,468	564,711
V. Cyclical Consumer Products	251,840	171,331	59,457	9,584	492,212
VI. Non-Cyclical Consumer Products	372,216	147,726	62,047	7,224	589,213
VII. Machinery	275,471	85,007	100,989	9,715	471,182
VIII. Transportation	646,413	314,886	47,400	3,565	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	127,316	92,978	25,625	2,341	248,260
X. Healthcare & Services	195,976	127,166	70,271	3,842	397,255
XI. Hotels, Gaming & Leisure Industry	107,012	69,543	30,459	11,043	218,057
XII. Real Estate	1,175,199	215,305	77,074	4,178	1,471,756
XIII. Public Sector	4,093,542	64,638	8,963	-	4,167,143
XIV. Financial Institutions	769,265	21,606	3,281	157	794,309
XV. Private Households	9,876,285	1,994,024	776,954	202,167	12,849,430
XVI. Other	24	12	8	1	45
Total	20,528,694	4,622,009	1,576,307	298,928	27,025,938

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2021					
I. Natural Resources & Commodities	743,151	109,207	70,693	23,409	946,460
II. Energy	763,442	208,477	25,904	1,276	999,099
III. Construction and building materials	659,637	182,355	81,670	10,694	934,356
IV. Automotive	477,575	5,937	12,909	13,662	510,083
V. Cyclical Consumer Products	309,661	34,988	30,201	15,100	389,950
VI. Non-Cyclical Consumer Products	484,522	40,936	27,322	4,221	557,001
VII. Machinery	293,746	37,991	43,834	2,967	378,538
VIII. Transportation	827,905	45,310	11,195	3,949	888,359
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	158,648	52,457	5,988	760	217,853
X. Healthcare & Services	222,540	33,339	31,003	8,542	295,424
XI. Hotels, Gaming & Leisure Industry	110,909	13,291	56,060	6,815	187,075
XII. Real Estate	891,199	55,729	339,937	1,697	1,288,562
XIII. Public Sector	3,927,116	49,184	2,690	-	3,978,990
XIV. Financial Institutions	520,995	1,750	13,568	80	536,393
XV. Private Households	10,314,362	822,846	435,243	206,431	11,778,882
XVI. Other	352	192	-	-	544
Total	20,705,760	1,693,989	1,188,217	299,603	23,887,569

Credit risk exposure by industry and IFRS9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
I. Natural Resources & Commodities	473,256	552,907	16,647	2,378	42,643	1,087,831
II. Energy	210,531	936,170	6,342	-	194,170	1,347,213
III. Construction and building materials	952,664	128,460	17,398	8,512	208,023	1,315,057
IV. Automotive	461,632	50,532	1,421	59	51,067	564,711
V. Cyclical Consumer Products	385,605	80,865	6,659	3,627	15,456	492,212
VI. Non-Cyclical Consumer Products	502,882	55,948	6,710	817	22,856	589,213
VII. Machinery	370,941	41,556	7,792	6,503	44,390	471,182
VIII. Transportation	880,594	51,449	3,468	99	76,654	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	185,516	52,397	1,858	48	8,441	248,260
X. Healthcare & Services	278,818	110,361	3,311	593	4,172	397,255
XI. Hotels, Gaming & Leisure Industry	96,205	97,844	10,087	12,645	1,276	218,057
XII. Real Estate	927,901	451,715	4,162	86,902	1,076	1,471,756
XIII. Public Sector	4,161,152	600	-	-	5,391	4,167,143
XIV. Financial Institutions	670,652	224	157	26	123,250	794,309
XV. Private Households	12,194,797	451,031	199,664	3,933	5	12,849,430
XVI. Other	37	8	-	-	-	45
Total	22,753,183	3,062,067	285,676	126,142	798,870	27,025,938

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2021						
I. Natural Resources & Commodities	715,757	192,802	22,541	1,849	13,511	946,460
II. Energy	730,060	148,835	1,276	-	118,929	999,100
III. Construction and building materials	630,845	80,778	10,318	5,908	206,508	934,357
IV. Automotive	404,450	48,428	13,623	50	43,533	510,084
V. Cyclical Consumer Products	204,254	153,888	13,913	1,903	15,993	389,951
VI. Non-Cyclical Consumer Products	468,566	53,438	4,052	722	30,223	557,001
VII. Machinery	271,472	82,602	2,498	3,769	18,198	378,539
VIII. Transportation	740,779	73,067	3,812	159	70,541	888,358
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	152,771	57,277	713	47	7,045	217,853
X. Healthcare & Services	152,817	125,671	8,363	727	7,847	295,425
XI. Hotels, Gaming & Leisure Industry	38,105	126,628	6,414	14,484	1,444	187,075
XII. Real Estate	604,277	591,323	1,688	86,836	4,439	1,288,563
XIII. Public Sector	3,966,662	6,380	-	-	5,947	3,978,989
XIV. Financial Institutions	396,947	47,775	79	20	91,572	536,393
XV. Private Households	11,081,594	489,528	204,551	3,176	32	11,778,881
XVI. Other	472	72	-	-	-	544
Total	20,559,828	2,278,492	293,841	119,650	635,762	23,887,573

Credit risk exposure by region and financial instrument

31.12.2022		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	-	1	10,286,770	1,458,034	5,955,732	3,769,971	288,141	103,591	5,597	21,996	4,122,439	26,012,272
Central and Eastern Europe	14,754	22	20,488	5,732	55,027	59,239	-	25,682	-	70,430	252,097	503,471
Austria	14,302	13	3,006	350	17	-	-	5,429	-	70,366	23,673	117,156
Czech Republic	445	9	5,425	359	54,852	59,239	-	15,914	-	64	214,428	350,735
Hungary	6	-	62	134	24	-	-	3,189	-	-	11,703	15,118
Croatia	-	-	-	63	1	-	-	426	-	-	1,031	1,521
Romania	1	-	708	215	16	-	-	694	-	-	1,026	2,660
Serbia	-	-	11,287	4,611	117	-	-	30	-	-	236	16,281
Other EU	549	1	1,970	227	26,211	322,513	-	26,557	3,058	1,592	61,924	444,602
Other industrialised countries	209	-	2,541	140	4,127	5,079	-	4,258	3,494	-	5,717	25,565
Emerging markets	-	2	30,336	3,870	118	-	-	1,868	-	-	3,834	40,028
Total	15,512	26	10,342,105	1,468,003	6,041,215	4,156,802	288,141	161,956	12,149	94,018	4,446,011	27,025,938

31.12.2021		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	-	50,008	9,317,001	1,416,897	5,052,736	3,558,247	238,772	90,296	7,419	40,346	3,354,608	23,126,330
Central and Eastern Europe	5,486	14	17,157	2,856	20,546	42,862	-	18,259	-	19,054	156,096	282,330
Austria	5,261	11	2,286	332	12	-	-	2,319	-	18,548	19,138	47,907
Czech Republic	-	3	4,626	289	20,432	42,862	-	12,103	-	479	125,254	206,048
Hungary	208	-	145	137	20	-	-	3,082	-	27	8,631	12,250
Croatia	14	-	-	53	1	-	-	406	-	-	1,454	1,928
Romania	3	-	495	120	17	-	-	342	-	-	1,292	2,269
Serbia	-	-	9,605	1,925	64	-	-	7	-	-	327	11,928
Other EU	3,961	1	2,127	186	28,616	306,707	-	23,385	-	4,928	56,879	426,790
Other industrialised countries	211	-	2,727	182	1,517	5,078	-	2,133	6,490	-	4,699	23,037
Emerging markets	-	2	22,364	2,055	80	-	-	1,445	-	-	3,144	29,090
Total	9,658	50,025	9,361,376	1,422,176	5,103,495	3,912,894	238,772	135,518	13,909	64,328	3,575,426	23,887,577

Credit risk exposure by region and risk category

EUR ths.	Credit risk exposure Low Risk	Management attention	Substandard	Non-performing	Gross carrying amount
31.12.2022					
Slovakia	19,759,394	4,462,001	1,498,449	292,428	26,012,272
Central and Eastern Europe	372,212	97,072	28,417	5,770	503,471
Austria	113,532	1,799	1,824	1	117,156
Czech Republic	243,924	82,289	19,065	5,457	350,735
Hungary	5,580	5,392	4,100	46	15,118
Croatia	21	901	577	22	1,521
Romania	1,386	1,190	33	51	2,660
Serbia	7,769	5,501	2,818	193	16,281
Other EU	358,343	50,632	35,279	348	444,602
Other industrialised countries	15,997	2,710	6,700	158	25,565
Emerging markets	22,748	9,594	7,462	224	40,028
Total	20,528,694	4,622,009	1,576,307	298,928	27,025,938

EUR ths.	Credit risk exposure Low Risk	Management attention	Substandard	Non-performing	Gross carrying amount
31.12.2021					
Slovakia	20,068,842	1,640,996	1,122,599	293,891	23,126,328
Central and Eastern Europe	234,944	18,444	23,319	5,619	282,326
Austria	44,736	4	3,161	3	47,904
Czech Republic	171,751	16,489	12,614	5,195	206,049
Hungary	7,273	13	4,935	29	12,250
Croatia	1,406	20	500	1	1,927
Romania	1,651	-	556	62	2,269
Serbia	8,127	1,918	1,553	329	11,927
Other EU	360,555	29,052	37,148	33	426,788
Other industrialised countries	20,524	9	2,498	7	23,038
Emerging markets	20,894	5,489	2,653	55	29,091
Total	20,705,759	1,693,990	1,188,217	299,605	23,887,571

Credit risk exposure by region and IFRS 9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
Slovakia	21,959,734	2,992,038	279,993	125,242	655,265	26,012,272
Central and Eastern Europe	329,853	40,521	4,955	819	127,323	503,471
Austria	27,713	140	1	2	89,300	117,156
Czech Republic	268,212	39,289	4,650	807	37,777	350,735
Hungary	14,791	35	42	4	246	15,118
Croatia	1,499	-	22	-	-	1,521
Romania	2,594	14	50	2	-	2,660
Serbia	15,044	1,043	190	4	-	16,281
Other EU	409,883	22,023	347	80	12,269	444,602
Other industrialised countries	16,814	5,080	158	-	3,513	25,565
Emerging markets	36,899	2,405	223	1	500	40,028
Total	22,753,183	3,062,067	285,676	126,142	798,870	27,025,938

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2021						
Slovakia	19,922,288	2,235,413	288,143	119,634	560,850	23,126,328
Central and Eastern Europe	212,474	12,526	5,602	17	51,705	282,324
Austria	15,115	352	3	2	32,432	47,904
Czech Republic	170,533	11,374	5,187	8	18,946	206,048
Hungary	11,866	27	25	3	327	12,248
Croatia	1,926	-	1	-	-	1,927
Romania	2,147	61	60	1	-	2,269
Serbia	10,887	712	326	3	-	11,928
Other EU	381,239	29,318	33	-	16,200	426,790
Other industrialised countries	16,261	264	7	-	6,505	23,037
Emerging markets	27,564	971	54	1	500	29,090
Total	20,559,826	2,278,492	293,839	119,652	635,760	23,887,569

Credit risk exposure according to impairment view

31.12.2022	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	15,512	-	15,512
Financial assets at amortised cost	341,895	317,202	13,312	7,195	2,543	1,642	21,385,865	280,391	22,008,151
Loans and advances to banks	25	25	-	-	-	-	1	-	26
Loans and advances to customers	341,870	317,177	13,312	7,195	2,543	1,642	17,229,062	280,391	17,851,323
of which: Lending for house purchase	109,910	93,774	8,648	4,274	1,933	1,280	10,093,026	139,169	10,342,105
of which: Credit for consumption	48,517	43,075	3,011	1,746	479	206	1,362,318	57,168	1,468,003
of which: Corporate loans and others	183,443	180,328	1,653	1,175	131	156	5,773,718	84,054	6,041,215
Debt securities	-	-	-	-	-	-	4,156,802	-	4,156,802
Finance lease receivables	4,432	3,605	594	228	5	-	279,461	4,248	288,141
Trade and other receivables	14,108	13,405	598	105	-	-	142,157	5,690	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	12,149	-	12,149
Financial assets - held for trading	-	-	-	-	-	-	77,139	-	77,139
Positive fair value of derivatives	-	-	-	-	-	-	16,879	-	16,879
Total credit risk exposure on-balance	360,435	334,212	14,504	7,528	2,548	1,642	21,929,162	290,329	22,579,927
Off-balance	-	-	-	-	-	-	4,439,510	6,501	4,446,011
Total credit risk exposure	360,435	334,212	14,504	7,528	2,548	1,642	26,368,672	296,830	27,025,938

31.12.2021	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	9,658	-	9,658
Financial assets at amortised cost	355,861	329,821	14,564	6,624	3,163	1,688	19,210,171	283,935	19,849,966
Loans and advances to banks	46	45	-	-	-	-	49,980	-	50,025
Loans and advances to customers	355,815	329,776	14,564	6,624	3,163	1,688	15,247,297	283,935	15,887,047
of which: Lending for house purchase	101,844	87,703	7,582	2,971	2,209	1,379	9,119,527	140,005	9,361,376
of which: Credit for consumption	50,836	43,152	4,123	2,627	762	172	1,309,920	61,420	1,422,176
of which: Corporate loans and others	203,135	198,921	2,859	1,026	192	137	4,817,850	82,510	5,103,495
Debt securities	-	-	-	-	-	-	3,912,894	-	3,912,894
Finance lease receivables	6,305	6,289	15	-	-	-	226,139	6,326	238,772
Trade and other receivables	10,875	9,201	991	667	16	-	119,782	4,860	135,518
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	13,909	-	13,909
Financial assets - held for trading	-	-	-	-	-	-	47,874	-	47,874
Positive fair value of derivatives	-	-	-	-	-	-	16,454	-	16,454
Total credit risk exposure on-balance	373,041	345,311	15,570	7,291	3,179	1,688	19,643,987	295,121	20,312,151
Off-balance	-	-	-	-	-	-	3,570,942	4,483	3,575,425
Total credit risk exposure	373,041	345,311	15,570	7,291	3,179	1,688	23,214,929	299,604	23,887,576

Credit quality for exposures, which are neither past due non impaired

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2022					
Cash and cash balances - other demand deposits	15,512	-	-	-	15,512
Financial assets at amortised cost	17,102,348	3,282,978	1,000,539	-	21,385,865
Loans and advances to banks	1	-	-	-	1
Loans and advances to customers	12,946,069	3,282,464	1,000,529	-	17,229,062
of which: Lending for house purchase	8,226,385	1,422,905	443,736	-	10,093,026
of which: Credit for consumption	766,496	447,843	147,979	-	1,362,318
of which: Corporate loans and others	3,953,188	1,411,716	408,814	-	5,773,718
Debt securities	4,156,278	514	10	-	4,156,802
Finance lease receivables	124,017	141,976	13,468	-	279,461
Trade and other receivables	67,256	38,044	36,857	-	142,157
Non-trading financial assets at fair value through profit or loss - 'Debt securities	11,189	960	-	-	12,149
Derivatives - held for trading	55,431	21,694	13	1	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	16,879
Total credit risk exposure on-balance	17,392,632	3,485,652	1,050,877	1	21,929,162
Off-balance	3,069,998	1,072,460	294,955	2,097	4,439,510
Total credit risk exposure	20,462,630	4,558,112	1,345,832	2,098	26,368,672

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2021					
Cash and cash balances - other demand deposits	9,659	-	-	-	9,659
Financial assets at amortised cost	17,214,318	1,265,715	730,138	-	19,210,171
Loans and advances to banks	49,980	-	-	-	49,980
Loans and advances to customers	13,251,444	1,265,715	730,138	-	15,247,297
of which: Lending for house purchase	8,322,737	570,340	226,450	-	9,119,527
of which: Credit for consumption	1,090,934	156,115	62,871	-	1,309,920
of which: Corporate loans and others	3,837,773	539,260	440,817	-	4,817,850
Debt securities	3,912,894	-	-	-	3,912,894
Finance lease receivables	196,576	22,775	6,789	-	226,140
Trade and other receivables	84,919	8,050	26,813	-	119,782
Non-trading financial assets at fair value through profit or loss - 'Debt securities	6,479	-	7,430	-	13,909
Derivatives - held for trading	11,500	35,590	784	-	47,874
Positive fair value of derivatives - hedge accounting	16,454	-	-	-	16,454
Total credit risk exposure on-balance	17,539,905	1,332,130	771,954	-	19,643,989
Off-balance	3,026,136	305,761	239,045	-	3,570,942
Total credit risk exposure	20,566,041	1,637,891	1,010,999	-	23,214,931

Credit risk exposure by Basel 3 exposure class and financial instrument

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2022					
Cash and cash balances - other demand deposits	-	15,512	-	-	15,512
Financial assets at amortised cost	4,071,807	296,472	4,893,907	12,745,965	22,008,151
Loans and advances to banks	-	26	-	-	26
Loans and advances to customers	337,264	-	4,768,094	12,745,965	17,851,323
of which: Lending for house purchase	-	-	-	10,342,105	10,342,105
of which: Credit for consumption	-	-	-	1,468,003	1,468,003
of which: Corporate loans and others	337,264	-	4,768,094	935,857	6,041,215
Debt securities	3,734,543	296,446	125,813	-	4,156,802
Finance lease receivables	1,062	-	275,972	11,107	288,141
Trade and other receivables	1,822	-	159,883	251	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	12,149	-	12,149
Derivatives - held for trading	-	55,079	22,055	5	77,139
Positive fair value of derivatives - hedge accounting	-	16,879	-	-	16,879
Total credit risk exposure on-balance	4,074,691	383,942	5,363,966	12,757,328	22,579,927
Off-balance	154,095	34,228	3,632,606	625,082	4,446,011
Total credit risk exposure	4,228,786	418,170	8,996,572	13,382,410	27,025,938

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2021					
Cash and cash balances - other demand deposits	-	9,658	-	-	9,658
Financial assets at amortised cost	3,890,122	230,139	4,098,250	11,631,455	19,849,966
Loans and advances to banks	-	50,025	-	-	50,025
Loans and advances to customers	285,411	-	3,970,181	11,631,455	15,887,047
of which: Lending for house purchase	-	-	-	9,361,376	9,361,376
of which: Credit for consumption	-	-	-	1,422,176	1,422,176
of which: Corporate loans and others	285,411	-	3,970,181	847,903	5,103,495
Debt securities	3,604,711	180,114	128,069	-	3,912,894
Finance lease receivables	1,329	-	226,546	10,897	238,772
Trade and other receivables	522	-	134,850	146	135,518
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	13,909	-	13,909
Derivatives - held for trading	-	7,048	40,794	32	47,874
Positive fair value of derivatives - hedge accounting	-	16,454	-	-	16,454
Total credit risk exposure on-balance	3,891,973	263,299	4,514,349	11,642,530	20,312,151
Off-balance	80,928	93,172	2,798,284	603,042	3,575,426
Total credit risk exposure	3,972,901	356,471	7,312,633	12,245,572	23,887,577

Expected credit loss measurement

The general principles and standards for credit loss allowances are governed by internal policies in the Bank. According to IFRS 9, credit loss allowances are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. In addition, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

Classification into stages and definition of credit-impaired financial instruments

There are three main stages outlined for expected credit loss (ECL) determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk (SICR) since initial recognition, irrespective of their credit quality, or subject to the 'low risk exemption' allowed by IFRS 9. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the 'low credit risk exemption' allowed by IFRS 9. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In stage 2, the credit loss allowances are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

Stage 3 includes financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Bank has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' and 'Commission Delegated Regulation (EU)

2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due'. The definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. The Bank generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other hand, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, credit loss allowances are calculated as lifetime ECLs.

POCI includes financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis (cumulative changes in lifetime ECL since initial recognition) and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Significant increase in credit risk determination

Assessment of significant increase in credit risk (SICR) of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognised based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria
Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a comparison of the current probability of failure and mix of relative and absolute change thresholds. The Bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each separate entity, as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment

	Threshold interval (x times)	
	Min	Max
31.12.2022	1.13	4.08
31.12.2021	1.13	4.08

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

Qualitative criteria

Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related bank and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

Bank has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. Similarly, from 2020 till Q3-2022 portfolio assessment due to the Covid-19 pandemic was established. For more details refer to “Collective assessment” in the next chapter.

Considering the war in Ukraine, Bank started with a portfolio screening to identify customers affected by the secondary effects of the geopolitical risk. The Bank has only very limited exposure towards the affected region with only several clients with exposure.

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Bank’s implementation means using a risk free rate as a proxy.
A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant and a rule-based (collective) approach is used for the calculation of the related credit loss allowance as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective allowances are calculated according to a rule-based approach irrespective of the significance of the customer. The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The Banking criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band. The bank is using rating method and product information to segment customers and assets into homogenous clusters to calculate collective credit loss allowances.

The calculation of credit loss allowances is done on a daily basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss allowance, the Bank applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Bank expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.
The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a 'point-in-time' measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by Bank's research department. Given multiple scenarios, the 'neutral' PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in year four.

Specific situation of the Covid-19 pandemic and extensive supporting measures, mainly moratoria, lead to the lagging of the macroeconomic reflection in credit risk parameters. Therefore, macroeconomic variables of 2020 were included as additional predictors for future values of credit risk parameters. Variables in year 2020 have same values across all three scenarios.

Thus, the unbiased probability-weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development is the GDP. In addition, economic effects of the war in Ukraine led to increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the table below we are disclosing expected development of inflation or interest rates in our region. Disclosures are based on the relevancy in the macro-shift model.

Bank reviewed the FLI in the fourth quarter of 2022 according to the disclosed forecasts for baseline, downside and upside scenarios. Erste Group decided to keep 40% probability of occurrence assigned to baseline forecast due to the unstable development of the geopolitical situation – war in Ukraine.

In December 2021, the specific situation of the Covid-19 pandemic was addressed in FLI via the lagging of the macroeconomic variables in credit risk parameters, i.e. variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters. Considering the improvement of the situation (it is expected that new variants, including omicron, are more contagious, but with lower hospitalisation rate), Erste Group decided to update FLI based on the forecasts for years 2023-2025, i.e., no lagging is applied; however macro-variables' historical development was adjusted for the Covid period (2020-2021) in order to reflect compensatory effect of the state support measures.

Below we are publishing scenarios used for ECL calculation and as well latest available GDP growth forecasts.

Baseline, upside and downside scenarios of GDP growth

31.12.2022

Parameter	Scenario	Weight	2022	2023	2024	2025
GDP - real growth (in %)	Macro down	59%	1.8	-4.6	-2.2	1.1
	Macro base	40%	1.8	1.5	2.6	2.0
	Macro up	1%	1.8	3.6	4.7	4.1
GDP - Nominal growth (in %)	Macro down	59%	7.0	5.1	4.4	3.9
	Macro base	40%	10.0	8.0	7.3	6.8
	Macro up	1%	12.9	11.0	10.3	9.8
Unemployment rate (in %)	Macro down	59%	6.3	8.4	8.8	8.5
	Macro base	40%	6.3	6.5	6.5	6.3
	Macro up	1%	6.3	5.1	5.1	4.9
Inflation - CPI (in %)	Macro down	59%	12.7	11.4	6.8	4.8
	Macro base	40%	12.7	9.3	4.5	3.5
	Macro up	1%	12.7	8.0	3.2	2.2
Unemployment rate - shift 12 months (in %)	Macro down	59%	7.0	6.3	8.4	8.8
	Macro base	40%	7.0	6.3	6.5	6.5
	Macro up	1%	7.0	6.3	5.1	5.1
Real Wage growth (in %)	Macro down	59%	-3.7	-3.6	0.6	-0.3
	Macro base	40%	-3.7	-2.3	1.9	1.0
	Macro up	1%	-3.7	-0.9	3.3	2.4

31.12.2021

Parameter	Scenario	Weight	2020	2021	2022	2023
GDP - real growth (in %)	Macro down	43%	-4.8	-2.5	0.0	0.8
	Macro base	40%	-4.8	3.0	4.2	3.7
	Macro up	17%	-4.8	4.9	6.1	5.6
GDP - Nominal growth (in %)	Macro down	43%	-2.5	2.2	5.9	4.4
	Macro base	40%	-2.5	5.3	9.0	7.5
	Macro up	17%	-2.5	8.1	11.8	10.3
Unemployment rate (in %)	Macro down	43%	6.7	10.8	11.2	10.7
	Macro base	40%	6.7	7.0	6.4	5.7
	Macro up	17%	6.7	5.7	5.1	4.4
Inflation - CPI (in %)	Macro down	43%	1.6	2.1	1.1	1.4
	Macro base	40%	1.6	5.2	3.2	3.5
	Macro up	17%	1.6	6.3	4.3	4.6
Unemployment rate - shift 12 months (in %)	Macro down	43%	5.8	6.7	10.8	11.2
	Macro base	40%	5.8	6.7	7.0	6.4
	Macro up	17%	5.8	6.7	5.7	5.1
GDP - YtY (in %)	Macro down	43%	-7.3	2.3	2.5	0.9
	Macro base	40%	-7.3	7.8	1.2	-0.5
	Macro up	17%	-7.3	9.7	1.2	-0.5

Bank recognizes additional challenges caused by the ESG (environmental, social and governance) risks. We are in the process of analyses how to incorporate these risks into ECL measurement.

In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, but they are expected to generate more impact on credit risk in the medium to long run. Therefore, in the short-term Bank did not include additional overlays for ESG risks into ECL calculation for year 2022.

Collective assessment

As of December 2022, in addition to standard SICR assessment, Bank applied stage overlays rules, i.e. transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis. Till fourth quarter of 2022, Bank had in place overlays addressing Covid-19 as well. Improved pandemic situation over 2022 enabled discontinuation of Covid-19 related overlays.

Covid-19 effect

The Covid-19 pandemic caused high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced in all of Bank's core markets to support citizens and companies.

Effect on customers

Immediately upon the crisis showed severe economic impacts in our region (governmental decisions on lockdowns), initiatives were started aiming to, on the one hand support Banks´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Bank towards all stakeholders in mind.

In these circumstances, in order to minimize the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, Slovak government have implemented several support measures. These measures introduced in Act. 67/2020 include moratorium on payments of credit obligations (1. EBA-compliant legislative moratoria) or giving financial support through loans with state guarantee (2. Public guarantee schemes). In cases where clients did not meet all predefined criteria required by legislation, individual solutions could be agreed (3. Other Covid-19 related measures).

In order to qualify moratorium on payments as EBA-compliant moratoria several conditions must be met:

a) The moratorium was launched in response to the COVID-19 pandemic,
b) The moratorium has to be broadly applied,
c) The moratorium has to apply to a broad range of obligors,
d) The same moratorium offers the same conditions,
e) The moratorium changes only schedule of payments,
f) The moratorium does not apply to new loans granted after the launch of the moratorium.

Effect on business

In March 2020, Risk and Business divisions started a joint initiative aiming to quickly provide a harmonized guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorized into critical, high, medium and low expected impacts due to Covid-19 creating an "Industry Heat Map". The categorization was based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities. The Industry Heat Map was reassessed on quarterly basis.

Main drivers for assigning corresponding green (low impact), yellow (medium impact), amber (high impact) and red (critical impact) industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific (sub)industry. E.g. a complete lock-down of businesses like hotels or passenger air transport resulted in "red" classification on short-term view and based on expected re-opening/recovery remained on "amber" or "red" or was assessed as "yellow" or "green" on medium-term view. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry could lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards.

In order to address COVID-19 pandemic induced crisis, the Group introduced COVID-19 SICR overlays where exposures were moved from Stage 1 to Stage 2 based on certain rules. In Q4 2021 the reassessment of Industry Heat Map led to a change in classification where almost all industries were assessed in better categories compared to 2020 with few exceptions where Covid still had a significant impact on their businesses, e.g. Hotels, Manufacturing. In Q4 2022 the reassessment led to complete discontinuation of Industry heat map and all staging rules introduced due to Covid-19 pandemic.

Effect on Expected Credit Loss

The Bank kept its model for ECL (expected credit loss) consistent with prior periods. The Bank has enhanced few areas mainly in the credit risk parameters and SICR (significant increase in credit risk) assessment process in order to address COVID-19 pandemic induced crisis.

Credit risk parameters were affected by the macroeconomic development. The Bank was using macro shift translation models which the Bank has implemented for purposes of external and internal stress test to translate macro variables to parameters' shifts. Unprecedented state support measures lead to a significant delay in the observed defaults. Therefore, the Bank decided to adjust credit risk parameters to a different point in time (PiT) value – post financial crisis 2009-2011 (in previous year, financial crisis from 2008-2009 was used as PiT). Additionally, various expected macroeconomic developments are incorporated as forward-looking information (FLI).

The Bank used three scenarios as a basis for the credit risk parameters' shift incorporation. The Baseline scenario was constructed by the Erste Group macro research team which leverages on the network of local macroeconomic experts in our core markets. The baseline scenario was generally aligned with other available external forecasts (e.g.: ECB, IMF, EU Commission).

The Bank has kept all the standard triggers for SICR assessment and has added additional ones such as COVID-19 SICR overlays. In order to properly identify portfolios with higher risk of default and addressing drawbacks in SICR identification due to the current COVID-19 situation and COVID-19 measures, the Bank decided to implement COVID-19 SICR overlays. They follow standard SICR assessment process and identify additional portfolios to be migrated to lifetime ECL measurement - Stage 2 (they cannot be used to over-ride standard stage 2 migrations back to stage 1).

In order to quantify COVID-19 SICR overlay, the Bank uses 3 negative information:

1. COVID-19 flag
2. Industry Heat Map information (not relevant for private individuals)
3. the level of the current 1Y IFRS PD

as factors which combination led to COVID-19 SICR overlay assessment.

The Bank established a COVID-19 flag in the systems. The COVID-19 flag indicated any supporting measure granted to the customer irrespective whether legal or private moratorium, EBA guideline compliant or not. All these flags were considered as relevant and were referred to as COVID-19 flag for the purpose of COVID-19 SICR overlay. Applying for COVID-19 measures, even if not by itself, in combination with other negative information would point to current weakness and higher vulnerability to default in our view.

In order to distinguish between opportunistic applicants and those who really needed the measure to cover a worsened situation, the Bank set 1Y IFRS PD threshold of 250 bps as second negative information (i.e. if the Bank had only industry heat map negative information or COVID-19 flag as the negative information). In case there existed already a combination of two negative information, the Bank did not need any PD discriminator – i.e. COVID-19 flag and high-risk industry combination would result to Stage 2 migration irrespective of current PD. Critical industry segment designation was the only criteria that would lead to Stage 2 on its own.

To summarize COVID-19 SICR overlay rules that would result to Stage 2 migration were as follows:

1. Private individuals
   a. COVID-19 flag + PD
2. Non-private individuals
   a. COVID-19 flag + medium risk industry + PD
   b. COVID-19 flag + high risk industry (irrespective of PD)
   c. High risk industry + PD (irrespective of COVID-19 flag)
   d. Critical risk industry (irrespective of PD and COVID-19 flag)

In 2020 the bank created about EUR 47 million provisions applying the Covid-19 SICR overlay rules.

After moratoria ended for clients, the Bank still kept SICR overlays active for six months in order to compensate for lacking information. In case of private individuals we addressed via these overlays mainly lacking information for the score-card variables on the delinquency.

In case of private individuals the Bank already saw release of ECL where the 6 month period after moratoria expiration already passed. Most of the moratoria expired in January and February 2021 and the Bank released approximately EUR 8 million of provisions in Retail and EUR 16 million in Corporate portfolio.

Developments in 2022

The Industry heatmap categorizations were regularly reviewed on a 12-month rolling forecast basis to take current developments into account. The last review was done in October 2022 and led to discontinuation of this industries' classification due to the overall stabilization of the Covid-19 situation and its effects. This caused a release of ECL in amount of EUR 4.9 million in 2022.

War in Ukraine

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In June 2022, Bank implemented rules for stage overlays due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. These rules were defined on top of existing criteria mentioned in the section 'Significant increase in credit risk determination – Qualitative criteria' (Stage 2 identification based on the early warning signal and negative information about geopolitical risk in March 2022). The table below shows volumes for the cyclical industries category.

In addition to cyclical industries, from September 2022 Bank has introduced additional Energy stage overlay due to the current distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were identified. Effects of gas rationing/shortage on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability is driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being most affected. All companies belonging to the Energy sector as the whole industry can potentially be affected by the massive shortages and distortions in the current energy market: price volatility, margin calls, price caps, adverse weather environment for hydro power, fixed off-take contracts (putting off-takers at risk when stopped and / or limiting producers of renewable energy profiting from the higher prices), exceptional taxes, etc. All customers belonging to these industries / sub-industries were migrated to Stage 2.

After discontinuation of Covid-19 overlays we are currently applying two sets of overlays mentioned above:

1. Cyclical overlays – exposures with Cyclical industry + one-year IFRS PD > 250bps
2. Energy overlays – exposures with Energy industry (II. Energy industry + sub-industries Chemicals and Metals from I. Natural resources & commodities industry).

The overlays are exclusive meaning only one of them can be applied at the time and the priority is cyclical overlays are evaluated first and energy overlays second.

The table below shows volumes for the cyclical industries category and energy dependent (sub)industries.

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – cyclical industries

31.12.2022 EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
I. Natural Resources & Commodities	473,256	552,908	16,648	2,378	1,045,190	42,643	1,087,833	20,654
of which cyclical	134,497	410,905	1,040	1,240	547,681	36,021	583,702	5,928
II. Energy	210,531	936,170	6,342	-	1,153,043	194,170	1,347,213	23,048
III. Construction and building materials	952,664	128,460	17,398	8,513	1,107,034	208,024	1,315,058	20,690
of which cyclical	834,059	95,429	8,824	8,403	946,716	194,063	1,140,779	12,005
IV. Automotive	461,632	50,532	1,421	59	513,644	51,068	564,712	3,147
of which cyclical	441,694	48,946	611	48	491,300	50,418	541,718	2,219
V. Cyclical Consumer Products	385,604	80,865	6,659	3,627	476,756	15,456	492,212	12,918
VI. Non-Cyclical Consumer Products	502,882	55,948	6,710	817	566,356	22,857	589,213	8,056
VII. Machinery	370,941	41,556	7,792	6,503	426,792	44,390	471,182	10,887
of which cyclical	286,461	34,890	1,659	5,445	328,455	19,557	348,012	5,174
VIII. Transportation	880,594	51,449	3,468	99	935,610	76,655	1,012,265	6,117
of which cyclical	120,621	17,351	52	-	138,023	1,112	139,135	463
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	185,516	52,397	1,858	48	239,818	8,441	248,259	5,724
of which cyclical	36,835	5,823	92	47	42,797	201	42,998	348
X. Healthcare & Services	278,818	110,361	3,311	593	393,082	4,172	397,254	11,089
of which cyclical	72,308	93,772	2,228	424	168,731	1,557	170,288	8,338
XI. Hotels, Gaming & Leisure Industry	96,205	97,844	10,087	12,645	216,782	1,275	218,057	15,484
of which cyclical	96,205	97,844	10,087	12,645	216,782	1,275	218,057	15,484
XII. Real Estate	927,901	451,715	4,162	86,902	1,470,680	1,074	1,471,754	58,362
of which cyclical	835,401	436,309	3,396	86,902	1,362,007	276	1,362,283	54,872
XIII. Public Sector	4,161,152	600	-	-	4,161,752	5,391	4,167,143	1,159
XIV. Financial Institutions	670,653	224	157	26	671,059	123,250	794,309	725
XV. Private Households	12,194,797	451,031	199,664	3,934	12,849,425	5	12,849,430	179,299
XVI. Other	36	8	-	-	44	-	44	2
Total	22,753,182	3,062,068	285,677	126,144	26,227,067	798,871	27,025,938	377,361
of which cyclical (including Cyclical Consumer Products)	3,243,686	1,322,134	34,648	118,782	4,719,249	319,935	5,039,185	117,750

31.12.2021 EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
I. Natural Resources & Commodities	715,757	192,802	22,541	1,849	932,949	13,511	946,462	26,624
of which cyclical	408,596	80,502	1,569	409	491,076	11,002	502,078	5,321
II. Energy	730,060	148,835	1,276	-	880,172	118,929	999,101	20,978
III. Construction and building materials	630,845	80,778	10,318	5,908	727,849	206,508	934,358	15,242
of which cyclical	510,493	56,854	8,390	5,778	581,514	189,715	771,229	11,414
IV. Automotive	404,450	48,428	13,623	50	466,551	43,533	510,083	6,447
of which cyclical	395,089	45,011	12,662	39	452,801	42,883	495,683	5,311
V. Cyclical Consumer Products	204,254	153,888	13,913	1,903	373,958	15,993	389,951	17,447
VI. Non-Cyclical Consumer Products	468,566	53,438	4,052	722	526,778	30,223	557,001	7,505
VII. Machinery	271,472	82,602	2,498	3,769	360,340	18,198	378,537	6,877
of which cyclical	222,317	66,541	2,474	3,769	295,102	13,045	308,147	6,225
VIII. Transportation	740,779	73,067	3,812	159	817,818	70,541	888,359	6,836
of which cyclical	120,562	32,135	53	-	152,751	100	152,851	789
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	152,771	57,277	713	47	210,809	7,045	217,854	3,446
of which cyclical	18,011	40,843	368	47	59,270	101	59,371	1,844
X. Healthcare & Services	152,817	125,671	8,363	727	287,577	7,847	295,424	10,210
of which cyclical	27,584	59,633	6,229	503	93,949	587	94,536	5,120
XI. Hotels, Gaming & Leisure Industry	38,105	126,628	6,414	14,484	185,632	1,444	187,076	9,817
of which cyclical	38,105	126,628	6,414	14,484	185,632	1,444	187,076	9,817
XII. Real Estate	604,277	591,323	1,688	86,836	1,284,123	4,439	1,288,562	54,182
of which cyclical	551,277	572,219	401	86,827	1,210,724	2,904	1,213,628	50,425
XIII. Public Sector	3,966,662	6,380	-	-	3,973,042	5,947	3,978,989	1,446
XIV. Financial Institutions	396,947	47,775	79	20	444,822	91,572	536,393	520
XV. Private Households	11,081,594	489,528	204,551	3,176	11,778,850	32	11,778,882	181,552
XVI. Other	472	72	-	-	544	-	544	6
Total	20,559,828	2,278,492	293,841	119,650	23,251,814	635,762	23,887,576	369,135
of which cyclical (including Cyclical Consumer Products)	2,496,289	1,234,254	52,473	113,759	3,896,775	277,773	4,174,548	113,712

Total exposure in Stage 2 of cyclical industries as of December 2022 is EUR 1,322 million. After applying rule for one-year IFRS PD the exposure relevant for cyclical overlays is EUR 578 million. Total exposure in Stage 2 of energy industries as of December 2022 is EUR 1,461 million. As no further rules are applied, this is also the amount in energy overlays. With these overlay rules for cyclical and energy overlays we allocated additional ECL in the amount of EUR 10 million for cyclical overlays and EUR 8 million for energy overlays. Total ECL creation due to overlay rules in 2022 was EUR 18 million from the total impairment costs of EUR 32.1 million.

Sensitivity of ECL overlays

The Bank has calculated potential effects of various scenarios on ECL. We focused on change in PD parameter in both cyclical and energy overlays and change in PD threshold for cyclical overlays. The results are presented in the following table.

Sensitivity of ECL overlays

31.12.2022	Scenario PD + 10%				Scenario PD threshold 0bps			
EUR ths.	Credit risk exposure	CLA	CLA stress	Δ(CLA - CLA stress)	Credit risk exposure	CLA	CLA stress	Δ(CLA - CLA stress)
I. Natural Resources & Commodities	526,169	6,310	6,892	582	531,385	6,345	6,475	130
of which Cyclical	21,704	1,188	1,286	98	414,925	4,372	4,502	130
of which Energy	504,464	5,122	5,605	484	116,460	1,973	1,973	-
II. Energy	934,974	19,670	21,628	1,957	934,974	19,670	19,670	-
of which Energy	934,974	19,670	21,628	1,957	934,974	19,670	19,670	-
III. Construction and building materials	72,528	4,322	4,659	336	578,786	5,514	8,992	3,478
of which Cyclical	72,528	4,322	4,659	336	578,786	5,514	8,992	3,478
IV. Automotive	6,559	497	535	39	464,768	1,724	3,282	1,558
of which Cyclical	6,559	497	535	39	464,768	1,724	3,282	1,558
V. Cyclical Consumer Products	44,759	3,262	3,450	188	426,737	4,697	8,687	3,991
of which Cyclical	44,759	3,262	3,450	188	426,737	4,697	8,687	3,991
VII. Machinery	32,384	2,510	2,734	224	271,873	2,841	4,780	1,939
of which Cyclical	32,384	2,510	2,734	224	271,873	2,841	4,780	1,939
VIII. Transportation	191	22	22	-	129,848	425	1,831	1,405
of which Cyclical	191	22	22	-	129,848	425	1,831	1,405
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	823	78	81	3	38,596	230	680	450
of which Cyclical	823	78	81	3	38,596	230	680	450
X. Healthcare & Services	90,441	6,764	7,393	629	154,615	7,099	8,047	948
of which Cyclical	90,441	6,764	7,393	629	154,615	7,099	8,047	948
XI. Hotels, Gaming & Leisure Industry	73,121	7,130	7,784	654	193,024	7,885	9,212	1,327
of which Cyclical	73,121	7,130	7,784	654	193,024	7,885	9,212	1,327
XII. Real Estate	236,100	15,794	17,323	1,529	1,270,785	25,783	32,563	6,780
of which Cyclical	236,100	15,794	17,323	1,529	1,270,785	25,783	32,563	6,780
Total	2,018,049	66,358	72,499	6,141	4,995,391	82,213	104,220	22,007
of which Cyclical (including Cyclical Consumer Products)	578,610	41,567	45,266	3,700	3,943,957	60,570	82,577	22,007
of which Energy	1,439,439	24,792	27,233	2,441	1,051,434	21,643	21,643	-

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e. g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation
Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the Bank's valuable, good clientele.

Forbearance

The definition of ‘forbearance’ is included in Regulation (EU) 2015/227. A restructuring is considered ‘forbearance’ if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer is more than 30 days past due on any account in the past 3 months;
- the customer would be more than 30 days past due on any account without receiving forbearance;
- the customer is in default;
- the customer would default without receiving forbearance.

Additional criteria for non-retail segment:

- specific early warning signals for this customer were identified in the last 3 months;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default.

Forborne exposure is assessed at account level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Contractual modification means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution;
- the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- activation of embedded forbearance clause of the contract;
- waiver of a material breach of a financial covenant.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.
Forbearance statuses are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of the Bank.

Default definition

The Bank applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to “R” and all on- and off balance exposure including equity products is considered as defaulted.

Default is recognized when one or both of the following incidents occur:

- the obligor is past due 90 consecutive days with any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full without realisation of the collateral.

In the Bank the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition the Bank considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 –forbearance
- E4 – Credit loss
- E5 – bankruptcy

Credit Risk Model department participates on the definition of default with Late Collection and Corporate Workout departments. The definition of default fulfils EBA criteria and influences estimation of LLP, SRC, etc.

Credit risk exposure, forbearance exposure and credit loss allowances

EUR ths.	Loans and advances	Debt securities	Other positions	Off-balance	Total credit risk exposure
31.12.2022					
Gross exposure	18,301,446	4,168,951	109,530	4,446,011	27,025,938
thereof gross forborne exposure	388,082	-	-	6,814	394,896
Performing exposure	18,011,117	4,168,951	109,529	4,437,413	26,727,010
thereof performing forborne exposure	283,280	-	-	6,459	289,739
Credit loss allowances for performing exposure	179,353	1,903	-	20,177	201,433
thereof credit loss allowances for performing forborne exposure	13,037	-	-	80	13,117
Non-performing exposure	290,329	-	1	8,598	298,928
thereof non-performing forborne exposure	104,801	-	-	355	105,156
Credit loss allowances for non-performing exposure	172,765	-	-	3,162	175,927
thereof credit loss allowances for non-performing forborne exposure	53,315	-	-	3	53,318

EUR ths.	Loans and advances	Debt securities	Other positions	Off-balance	Total credit risk exposure
31.12.2021					
Gross exposure	16,311,359	3,926,803	73,986	3,575,425	23,887,574
thereof gross forborne exposure	455,255	-	121	55,128	510,503
Performing exposure	16,016,238	3,926,803	73,986	3,570,942	23,587,969
thereof performing forborne exposure	357,990	-	120	54,622	412,733
Credit loss allowances for performing exposure	171,963	1,236	-	25,056	198,255
thereof credit loss allowances for performing forborne exposure	15,896	-	-	772	16,668
Non-performing exposure	295,121	-	-	4,483	299,605
thereof non-performing forborne exposure	97,264	-	-	506	97,770
Credit loss allowances for non-performing exposure	170,152	-	-	728	170,880
thereof credit loss allowances for non-performing forborne exposure	48,369	-	-	155	48,524

Loans and advances also include lease, trade and other receivables.

Collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk divisions. The Bank's Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.
All collateral types acceptable within the Bank are contained in the Collateral Catalogue. Permitted collateral is defined in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Bank's Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral

or a specific collateral asset is accepted for credit risk mitigation is decided by Corporate Credit Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

The following types of credit collateral are accepted:

- real estate: residential and commercial real estate;
- financial collateral: securities, cash deposits and life insurance policies;
- guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: equipment, investment goods, machinery and motor vehicles;
- claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction. Therefore, imputed excess collateral values are not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined by the Bank. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation discounts are adjusted regularly – at least once a year – to reflect current recoveries.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, the Bank does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into the Bank's possession.

Credit risk exposure by financial instrument and collaterals

31.12.2022	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral	IFRS 9 impairment relevant		
EUR ths.			Guarantees	Real estate	Other			Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash balances - other demand deposits	15,512	-	-	-	-	-	15,512	15,512	-	-
Financial assets at amortised cost	22,008,151	144,735	236,430	10,901,046	370,547	11,508,022	10,500,129	21,385,865	341,895	280,391
Loans and advances to banks	26	-	12	-	-	12	14	1	25	-
Loans and advances to customers	17,851,323	144,735	226,365	10,901,046	370,547	11,497,957	6,353,366	17,229,062	341,870	280,391
of which: Lending for house purchase	10,342,105	128,134	-	9,533,711	25	9,533,736	808,369	10,093,026	109,910	139,169
of which: Credit for consumption	1,468,003	280	-	291	-	291	1,467,712	1,362,318	48,517	57,168
of which: Corporate loans and others	6,041,215	16,321	226,365	1,367,044	370,522	1,963,930	4,077,285	5,773,718	183,443	84,054
Debt securities	4,156,802	-	10,053	-	-	10,053	4,146,749	4,156,802	-	-
Finance lease receivables	288,141	1,781	-	-	195,354	195,354	92,787	279,461	4,432	4,248
Trade and other receivables	161,956	-	-	-	-	-	161,956	142,157	14,108	5,690
Non-trading financial assets at fair value through profit or loss - 'Debt securities	12,149	-	-	-	-	-	12,149	-	-	-
Financial assets - held for trading	77,139	-	-	-	-	-	77,139	-	-	-
Positive fair value of derivatives	16,879	-	-	-	-	-	16,879	-	-	-
Total credit risk exposure on-balance	22,579,927	146,516	236,430	10,901,046	565,901	11,703,376	10,876,551	21,822,995	360,435	290,329
Off-balance	4,446,011	408	-	115,757	112,269	228,026	4,217,985	3,746,807	-	6,501
Total credit risk exposure	27,025,938	146,924	236,430	11,016,803	678,170	11,931,402	15,094,536	25,569,802	360,435	296,830

31.12.2021	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral	IFRS 9 impairment relevant		
EUR ths.			Guarantees	Real estate	Other			Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash balances - other demand deposits	9,658	-	-	-	-	-	9,658	9,658	-	-
Financial assets at amortised cost	19,849,966	148,694	242,473	8,697,832	220,400	9,160,705	10,689,261	19,210,171	355,861	283,935
Loans and advances to banks	50,025	-	35	-	-	35	49,990	49,980	46	-
Loans and advances to customers	15,887,047	148,694	222,304	8,697,832	220,400	9,140,536	6,746,511	15,247,297	355,815	283,935
of which: Lending for house purchase	9,361,376	122,660	-	7,660,995	22	7,661,017	1,700,359	9,119,527	101,844	140,005
'of which: Credit for consumption	1,422,176	158	-	196	16	212	1,421,964	1,309,920	50,836	61,420
'of which: Corporate loans and others	5,103,495	25,876	222,304	1,036,641	220,362	1,479,307	3,624,188	4,817,850	203,135	82,510
Debt securities	3,912,894	-	20,134	-	-	20,134	3,892,760	3,912,894	-	-
Finance lease receivables	238,772	3,059	-	-	163,196	163,196	75,574	226,139	6,305	6,326
Trade and other receivables	135,518	-	-	-	-	-	135,517	119,782	10,875	4,860
Non-trading financial assets at fair value through profit or loss - 'Debt securities	13,909	-	-	-	-	-	13,909	-	-	-
Financial assets - held for trading	47,874	-	-	-	-	-	47,874	-	-	-
Positive fair value of derivatives	16,454	-	-	-	-	-	16,454	-	-	-
Total credit risk exposure on-balance	20,312,151	151,753	242,473	8,697,832	383,596	9,323,901	10,988,247	19,565,750	373,041	295,121
Off-balance	3,575,425	144	-	96,756	122,426	219,182	3,356,243	3,013,473	-	4,430
Total credit risk exposure	23,887,576	151,897	242,473	8,794,588	506,022	9,543,083	14,344,490	22,579,223	373,041	299,551

The collateral attributable to exposures that are credit-impaired at 31 December 2022 amounts to EUR 146.5 million (2021: EUR 151.9 million).

Concentration

The following table presents a summary of the Banks's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Cash and cash balances	2,483,999	899,436	10.73%	3.78%
Loans and receivables to customers	562,736	552,140	2.43%	2.32%
Securities portfolio	3,264,708	3,377,414	14.11%	14.20%
Total	6,311,443	4,828,990	27.27%	20.30%

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	31.12.2021	31.12.2022
Financial assets at amortised cost	3,264,708	3,377,414
State bonds denominated in EUR	3,194,283	3,377,414
State bonds denominated in USD	70,425	-
Total	3,264,708	3,377,414

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with negative outlook (since 05 August 2022).

25. Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated. The main tools to measure market risk exposure are sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.
Sensitivity and VAR are applied to Trading Book positions as well as to Investment portfolios of the Banking Book. The overall interest rate risk of the bank (IRRBB) is quantified by Economic Value of Equity (change in statement of financial position value due to shift in the yield curves) and ICAAP IRRBB capital charge (one year VAR at 99.92% confidence level based on historical observed shifts in yield curves). The limits are imposed to both of the measures.

The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions. The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VAR statistically only two to three times a year (1% of around 250 workdays).
This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation

period of two years, and calculates the VAR for the current position of the Bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at the Bank. These events include mainly market movements of low probability.

In addition to standard day-to-day risk measurement and monitoring, comprehensive stress testing procedures are established. Neither traditional risk measurement using sensitivity indicators, nor value-at-risk model is capable of capturing extreme events that occur in the market from time to time. Since the value-at-risk model only estimates the potential maximum loss with 99% probability, potential stressful events that possess less than 1% probability will not be embraced in the value-at-risk figure.
In stress testing, scenarios of potential extreme behaviour of the most significant market variables are developed. These are then applied to the current market values and potential profit or loss is calculated for current positions.
These analyses are made available to the management board within the scope of the regular market risk reporting.

Methods and instruments of risk mitigation

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed and proposed usually at year-end by SRM in cooperation with Treasury and BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.
Risk reporting is done daily for relevant management and monthly for ALCO.

Sensitivity, VAR and stop-loss limits are applied to Trading Book positions as well as to Investment portfolios of the Banking Book. The overall interest rate risk of the bank (entire statement of financial position) is quantified by Economic Value of Equity (change in statement of financial position value due to shift in the yield curves) and ICAAP IRRBB capital charge (one year VAR at 99.92% confidence level based on historical observed shifts in yield curves). The limits are imposed to both of the measures.

Analysis of market risk

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

Value at Risk of banking book and trading book

EUR ths.	31.12.2021	31.12.2022
Banking book - ALM portfolio	11,700	14,993
Banking book - Corporate portfolio	718	1,062
Banking book - ALCO portfolio	181	325
Trading book	7	22

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk of an adverse change in the value of interest rate sensitive balance sheet positions caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities, interest rate behaviour or of the timing of interest rate adjustments.
Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value (EVE) as well as the change in earnings. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

Economic value of equity (EVE)

EUR ths.	31.12.2021	31.12.2022
SLSP		
parallel down scenario	(35,990)	9,357
parallel up scenario	42,675	(106,611)
flattener scenario	(154,497)	(126,449)
steepener scenario	109,694	51,012
short down scenario	50,369	73,087
short up scenario	(100,661)	(140,115)

The positive numbers mean an increase in economic value due to the shift in yield curves, i.e. profit, the negative numbers vice versa. The biggest risk for the bank arises from non-parallel shift in the yield curves – the flattener scenario, under which the short end of the yield curves goes up while the long end declines.

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis.

Basis principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the statement of financial position.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. The Bank is exposed to credit spread risk with respect to its bond portfolio accounted at fair value. There is no bonds position in the trading book. The bonds position in fair value portfolio in the banking book is small (EUR 4.6 million). Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the ICAAP calculations to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising the Bank's risk position by finding the proper trade-off between the economic value of the statement of financial position and forecasted earnings. Decisions are based on statement of financial position development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges are used. In addition, the fair value option is used for hedging the market risk from the economic perspective. The hedging within the Bank concerns hedging of interest rate risk.

26. Liquidity risk

The liquidity risk is defined in the Bank as the inability to meet the Bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Bank cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Bank. Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Bank's own refinancing cost or spread.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee (L-OLC) is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The goal of the Bank's Funding Strategy is to cover the gap coming from the core business and also Minimum Requirement for Own Funds and Eligible Liabilities (MREL) efficiently, i.e. reaching an optimal liquidity status and MREL compliance in terms of structure and costs versus risk tolerance.

In 2022, customer deposits remained the primary source of funding for the Bank. The growth in loan volume was substantially higher than inflows of customer deposits. The gap was funded chiefly by own issuances. The Bank comfortably fulfills all regulatory and internal liquidity limits and keeps sufficient liquidity buffer composed mainly of government securities.

With regards its own issuance, the Bank issued EUR 1 944 million in bonds in 2022 (2021: EUR 312 million) out of which 1 000 million as covered bond, EUR 500 million as retained covered bonds and EUR 444 million as senior bonds.

The Bank's total TLTRO participation at the end of 2022 was EUR 1 billion (2021: EUR 2.75 billion). EUR 1.75 billion participation in TLTRO was early repaid in November 2022.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Bank can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its counterbalancing capacity consist mainly of pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Bank to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined within the Bank and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- name crisis – over 1 months
- market crisis – over 6 months
- combined name and market crisis – over 3 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at EUR 0 million with warning level in range between EUR 0 and EUR 200 million.
The minimum amount of highly liquid assets (cash and average balance in central bank less minimum reserve requirement) must be over EUR 0.75 billion.
The Bank daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets and amount of retained covered bonds which could be pledged in central bank. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.
Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR and NFSR.

Funding Concentrations management - sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than EUR 770 million.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

In the Bank, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio

The Bank uses the regulatory liquidity coverage ratio for internal monitoring and steering of the liquidity position as well. In order to keep the LCR above both limits, the regulatory limit and the internal limit, the Bank closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity.

The following table shows the LCR as of 31 December 2021 and 31 December 2022:

EUR ths.	31.12.2021	31.12.2022
Liquidity buffer	4,327,590	4,322,139
Net liquidity outflow	2,282,137	2,672,881
Liquidity coverage ratio	189.63%	161.70%

Counterbalancing capacity

The Bank regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets, amount of retained covered bonds which could be pledged in ECB and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation.

Term structure of counterbalancing capacity

EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
31.12.2022					
Cash, excess reserve	1,056	-	-	-	-
Liquid assets	3,288	-	(361)	(10)	(60)
Other central bank eligible assets	-	1,553	(3)	(3)	(5)
Thereof retained covered bonds	-	1,428	-	-	-
Thereof credit claims	-	125	(3)	(3)	(5)
Counterbalancing capacity	4,344	1,553	(364)	(13)	(65)

EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
31.12.2021					
Cash, excess reserve	2,753	-	-	-	-
Liquid assets	1,487	-	-	-	-
Other central bank eligible assets	-	1,176	(2)	(4)	(7)
Thereof retained covered bonds	-	1,032	-	-	-
Thereof credit claims	-	144	(2)	(4)	(7)
Counterbalancing capacity	4,240	1,176	(2)	(4)	(7)

The figures above show the total amount of potential liquidity available for the Bank in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities were as follows:

EUR ths.	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
31.12.2022						
Non-derivative liabilities	21,082,230	21,290,266	15,637,900	1,383,527	3,404,396	864,443
Deposits by banks	1,173,628	1,226,304	38,783	24,188	1,132,491	30,842
Customer deposits	16,920,169	16,922,106	15,599,056	1,307,255	15,795	-
Debt securities in issue	2,935,613	3,086,267	61	45,401	2,224,676	816,129
Subordinated liabilities	52,820	55,589	-	6,683	31,434	17,472
Derivative liabilities	176,799	50,271	774	18,726	30,752	19
Derivatives liabilities with gross Cash Flow (net)	176,799	50,271	774	18,726	30,752	19
Outflows	-	344,755	106,241	108,588	123,678	6,248
Inflows	-	(294,484)	(105,467)	(89,862)	(92,926)	(6,229)
Contingent liabilities	2,507,524	2,507,524	2,507,524	-	-	-
Financial guarantees	15,070	15,070	15,070	-	-	-
Commitments	2,492,454	2,492,454	2,492,454	-	-	-
Other financial liabilities	113,790	113,790	113,790	-	-	-
Lease liabilities	81,718	81,718	1,658	9,922	34,058	36,080
Total	23,962,061	24,043,569	18,261,646	1,412,175	3,469,206	900,542

EUR ths.	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
31.12.2021						
Non-derivative liabilities	20,816,523	20,828,126	15,486,854	787,356	4,215,153	338,763
Deposits by banks	2,893,347	2,879,226	8,803	26,102	2,800,463	43,858
Customer deposits	15,977,315	15,977,467	15,477,990	471,251	28,226	-
Debt securities in issue	1,863,933	1,888,467	61	260,424	1,349,368	278,614
Subordinated liabilities	81,928	82,966	-	29,579	37,096	16,291
Derivative liabilities	77,975	31,427	3,591	12,208	16,062	(434)
Derivatives liabilities with gross Cash Flow (net)	77,975	31,427	3,591	12,208	16,062	(434)
Outflows	-	296,143	73,552	114,215	98,751	9,625
Inflows	-	(264,716)	(69,961)	(102,007)	(82,689)	(10,059)
Contingent liabilities	2,284,714	2,284,714	2,284,714	-	-	-
Financial guarantees	10,801	10,801	10,801	-	-	-
Commitments	2,273,913	2,273,913	2,273,913	-	-	-
Other financial liabilities	36,526	36,526	36,526	-	-	-
Lease liabilities	32,333	32,333	1,292	11,888	18,495	658
Total	23,248,071	23,213,126	17,812,977	811,452	4,249,710	338,987

As of year-end 2022, the currency composition of the non-derivative liabilities consisted mainly by EUR (approximately 99%).

27. Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), the Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across the Bank using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. The Bank sources external data from a leading non-profit risk-loss data consortium.

The Bank calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, the Bank received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and operational risk decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, the Bank monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

The Bank uses a group-wide insurance program that has reduced the cost of meeting the Bank's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the Bank and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of the Bank. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for the Bank.

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation.

Non-current assets and other investments

28. Property, equipment, investment properties and right of use assets

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

Type of property and equipment	Useful lives in years
Buildings	30 years
Right-of-use assets - buildings	15 - 30 years
Office equipment / other fixed assets	4 - 6 years
Passenger cars	4 years
IT assets (hardware)	4 years
Fixture and fittings	6 - 12 years

Land is not depreciated.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of income under the line item 'Other operating result'.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction when the future use is expected to be the same as for investment property are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the statement of financial position in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-30 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Impairment

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.
Impairments and their reversals are recognised in the statement of income under the line item 'Other operating result'.

Acquisition and production costs

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2021	143,955	45,843	56,401	58,557	304,756	6,595
Additions	6,676	3,179	3,594	6,632	20,081	-
Disposals	(3,907)	(2,476)	(1,041)	(1,026)	(8,450)	-
Reclassification	430	-	-	-	430	(430)
Balance as at 31 December 2021	147,154	46,546	58,954	64,163	316,817	6,165
Additions	6,515	3,520	7,792	62,987	80,814	-
Disposals	(8,615)	(4,640)	(10,309)	(1,886)	(25,450)	(126)
Reclassification	(705)	-	-	-	(705)	705
Balance as at 31 December 2022	144,349	45,426	56,437	125,264	371,476	6,744

Accumulated depreciation

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2021	(90,990)	(38,123)	(37,488)	(18,810)	(185,411)	(4,697)
Amortisation and depreciation	(6,434)	(2,904)	(5,736)	(14,126)	(29,200)	(205)
Disposals	3,111	2,404	1,022	1,026	7,563	-
Impairment	(1,194)	-	-	-	(1,194)	(1)
Reversal of impairment	2,610	-	-	-	2,610	42
Reclassification	(214)	-	-	-	(214)	214
Balance as at 31 December 2021	(93,111)	(38,623)	(42,202)	(31,910)	(205,846)	(4,647)
Amortisation and depreciation	(6,676)	(2,622)	(6,350)	(13,996)	(29,644)	(213)
Disposals	6,599	4,302	10,305	1,886	23,092	81
Disposal of subsidiaries	623	-	-	-	623	-
Impairment	(204)	-	-	-	(204)	(3)
Reversal of impairment	2,401	-	-	-	2,401	14
Reclassification	521	-	-	-	521	(521)
Balance as at 31 December 2022	(89,847)	(36,943)	(38,247)	(44,020)	(209,057)	(5,289)

Carrying amounts

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings (used by the Group)	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 31 December 2021	54,043	7,923	16,752	32,253	110,971	1,518
Balance as at 31 December 2022	54,502	8,483	18,190	81,244	162,419	1,455

In 2022, land and buildings were impaired to the amount of EUR 7.7 million (2021: EUR 10.6 million).

Cost of property and equipment, which are fully depreciated but still used by the Bank as at 31 December 2022 amounted EUR 65.4 million (2021: EUR 71.5 million) and includes various types of tangible fixed assets.

As at 31 December 2022 the Bank owned property and equipment not yet put in use in the amount of EUR 4.7 million (2021: EUR 0.7 million).
Tangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

29. Intangible assets

The Bank's intangible assets other than goodwill include computer software and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Intangible assets are measured on initial recognition at cost, including transaction costs. Costs of internally generated software are capitalised if the Bank can demonstrate the technical feasibility and intention of completing the software, the ability to use it, how it will generate probable economic benefits, the availability of resources and the ability to measure the expenditures reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the statement of income under the line item 'Depreciation and amortisation'.

Type of property and equipment	Useful lives in years
Computer software	4 - 8 years
Core banking system and related applications	8 years

Impairment of intangible assets

Impairment of intangible assets is based on the same requirements as described in Note 28 Property, equipment, investment properties and right of use assets. It is typical of intangible assets that they do not generate cash inflows that are largely independent of those from other assets. As a result, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Acquisition and production costs

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2021	281,361	2,661	2,723	286,745
Additions	7,508	-	-	7,508
Disposals	(159)	-	-	(159)
Balance as at 31 December 2021	288,710	2,661	2,723	294,094
Additions	6,618	-	-	6,618
Balance as at 31 December 2022	295,328	2,661	2,723	300,712

Accumulated depreciation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2021	(262,503)	(2,631)	(2,664)	(267,798)
Amortisation and depreciation	(7,453)	(29)	(23)	(7,505)
Disposals	159	-	-	159
Balance as at 31 December 2021	(269,797)	(2,660)	(2,687)	(275,144)
Amortisation and depreciation	(7,677)	-	(23)	(7,700)
Balance as at 31 December 2022	(277,474)	(2,660)	(2,710)	(282,844)

Carrying amounts

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2021	18,911	-	36	18,947
Balance as at 31 December 2022	17,854	-	14	17,868

Cost of intangible assets, which are fully depreciated but still used by the Bank as at 31 December 2022 amounted EUR 261.6 million (2021: EUR 253.7 million).

As at 31 December 2022 the Bank owned intangible assets not yet put in use in the amount of EUR 3.1 million (2021: EUR 3.3 million).

During the year 2022 the Bank put in use upgrade of the core banking system, which amounted EUR 6.5 million (2021: EUR 6.0 million).

Intangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

30. Other assets

EUR ths.	31.12.2021	31.12.2022
Client settlement	28,565	10,742
Personnel balances	192	715
State budget, social and health insurance, taxes	-	906
Sundry assets	6,934	12,211
Thereof: deferred cost	6,163	11,165
Other assets	35,691	24,574

These items represent balances like:

Item Client settlement represents mainly suspense accounts or money in transit accounts that are not allocated to respective client account due to missing information or due to essence of the transaction. The main part of this items belongs to interbank clearing or open settlement with securities transactions.

Item Personnel balances represents other unsettled transactions – mainly unsettled prepaid expenses.

Item State budget, social and health insurance, taxes consist mainly of withholding tax and VAT tax receivables that will be settled with state budget within next month.

Sundry assets represent other items that do not fall into the above-mentioned categories – mainly deferred costs and suspense accounts.

Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Bank as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

Finance leases

The Bank leases both movable property and real estate to other parties under finance lease arrangements. For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

EUR ths.	31.12.2021	31.12.2022
Outstanding lease payments	253,955	312,042
Gross investment	253,955	312,042
Unrealised financial income	(15,185)	(23,900)
Net investment	238,770	288,142
Present value of outstanding lease payments	238,770	288,142

Maturity analysis by residual maturities

EUR ths.	31.12.2021		31.12.2022	
	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	72,632	68,448	64,289	58,512
1-2 years	46,436	43,317	54,139	49,523
2-3 years	35,350	33,014	47,771	44,158
3-4 years	27,929	26,164	35,269	32,549
4-5 years	20,842	19,561	25,917	23,796
> 5 years	50,766	48,267	84,657	79,603
Total	253,955	238,771	312,042	288,141

During 2022, the Bank recognised interest income on finance lease receivables in the amount of EUR 5.3 million (2021: EUR 5.0 million). Gains/losses from derecognition of finance lease receivables are recognized in line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2022											
General governments	993	70	-	-	1,063	(1)	-	-	-	(1)	1,062
Other financial corporations	39	-	-	-	39	-	-	-	-	-	39
Non-financial corporations	248,072	32,608	3,951	247	284,878	(389)	(502)	(2,597)	(11)	(3,499)	281,379
Households	1,526	367	268	-	2,161	(3)	(7)	(131)	-	(141)	2,020
Total	250,630	33,045	4,219	247	288,141	(393)	(509)	(2,728)	(11)	(3,641)	284,500

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2021											
General governments	1,327	-	-	-	1,327	(2)	-	-	-	(2)	1,325
Other financial corporations	37	-	-	-	37	-	-	-	-	-	37
Non-financial corporations	205,363	23,298	5,391	-	234,052	(1,240)	(505)	(3,085)	-	(4,830)	229,222
Households	1,967	452	936	-	3,355	(2)	(2)	(500)	-	(504)	2,851
Total	208,694	23,750	6,327	-	238,771	- (1,244)	(507)	(3,585)	-	(5,336)	233,435

Movement in credit loss allowances

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(1,244)	(134)	3	142	840	-	(393)
Stage 2	(506)	-	3	(204)	198	-	(509)
Stage 3	(3,586)	-	692	(86)	(350)	602	(2,728)
POCI	-	-	73	-	(84)	-	(11)
Total	(5,336)	(134)	771	(148)	604	602	(3,641)

EUR ths.	01.01.2021	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2021
Stage 1	(425)	(369)	161	1,313	(1,924)	-	(1,244)
Stage 2	(1,185)	-	15	(55)	718	-	(507)
Stage 3	(4,198)	-	214	(51)	450	-	(3,585)
POCI	-	-	-	-	-	-	-
Total	(5,808)	(369)	390	1,207	(756)	-	(5,336)

In column ‘Additions’ increases of credit loss allowance due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of credit loss allowance following the derecognition of the related finance lease receivables are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ credit loss allowance net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2022 or initial recognition date to Stages 2 or 3 as of 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related credit loss allowances are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related credit loss allowances are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related credit loss allowance amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

The use of credit loss allowance triggered by full or partial write-offs of finance lease receivables is reported in column 'Write-offs'.

One significant driver of the credit loss allowance movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

EUR ths.	2021	2022
Transfers between Stage 1 and Stage 2	48,445	31,653
To Stage 2 from Stage 1	5,463	24,944
To Stage 1 from Stage 2	42,982	6,709
Transfers between Stage 2 and Stage 3	276	393
To Stage 3 from Stage 2	246	110
To Stage 2 from Stage 3	30	283
Transfers between Stage 1 and Stage 3	533	1,199
To Stage 3 from Stage 1	465	1,170
To Stage 1 from Stage 3	68	29

The year-end total gross carrying amount of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2022 amounts to EUR 109.3 million (2021: EUR 53.5 million). The gross carrying amounts of the finance lease receivables that were held at 1 January 2022 and fully de-recognized during the year 2022 amounts to EUR 2.6 million (2021: EUR 0.4 million).

Leases where the Bank is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Bank uses the straight-line method of depreciation. The right-of-use assets are presented on the statement of financial position as part of 'Property and equipment, right-of-use assets'

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across the Bank. The use of extension and termination options gives the Bank added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. The incremental borrowing rate for movables consists of Euribor as a base rate, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing bank data. The single property rate represents a surcharge to the market rate based on the quality of the single property. In the statement of financial position, the lease liabilities are presented in the line item 'Lease liabilities'.

The Bank primarily rents real estate such as buildings and land for headquarters, branches and parking lots. For details related to right of use assets capitalized in statement of financial position arising from leases where the Bank is lessee, please see Note 28 Property, equipment, investment properties and right of use assets.

Maturity analysis of lease liabilities based on undiscounted cash flows

EUR ths.	31.12.2021	31.12.2022
< 1 year	13,182	13,964
1-5 years	18,499	41,599
> 5 years	658	40,399
Total	32,339	95,962

During 2022, interest expenses on lease liabilities were recognised in the amount of EUR 0.8 million (2021: EUR 0.0 million). In addition, expenses in the amount of EUR 0.7 million (2021: EUR 0.7 million) relating to short term leases and expenses amounting to EUR 0.0 million (2021: EUR 0.0 million) relating to leases of low value items, for which the recognition exemption of IFSR 16 applies, were recognised. Total cash outflow for leases in 2022 was EUR 15.2 million (2021: EUR 14.9 million).

Accruals, provisions, contingent liabilities and legal proceedings

31. Other liabilities

EUR ths.	31.12.2021	31.12.2022
Client settlement	25,296	26,869
Trade payables	43,918	59,396
Personnel balances and social fund	35,794	37,744
State budget, social and health insurance, taxes	5,882	5,299
Sundry liabilities	3	2,213
Other liabilities	110,893	131,521

Item Client settlement represents mainly suspense accounts or money in transit accounts that are not allocated to respective client account due to missing information or due to essence of the transaction.

Item Trade payables represents liabilities to suppliers, including accruals and the main part belongs to unbilled deliveries, that are completed but unbilled as end of month.

Item Personnel balances and social fund mainly represents provisions for personnel costs, wage liabilities to employees and social fund contribution.

Item State budget, social and health insurance, taxes consist mainly of withholding tax and VAT tax payables that will be settled with state budget within next month.

Social fund liability, which is included in the line item 'Other liabilities', developed as follows:

EUR ths.	2021	2022
As at 1 January	4,359	3,907
Additions	2,837	5,795
Withdrawals	(3,288)	(2,753)
As at 31 December	3,907	6,950

32. Provisions

Provisions are liabilities with uncertain timing or amount. The statement of financial position line item 'Provisions' includes:

- provisions for defined employee benefit plans recognised based on requirements of IAS 19 Employee benefits
- provisions for loan commitments and financial guarantees recognised based on requirements for the expected credit loss model under IFRS 9; and
- remaining classes of provisions recognised in accordance with IAS 37 Provisions, contingent liabilities and contingent assets such as provisions or litigation, restructuring, commitments and guarantees not in scope of IFRS 9.

Accounting judgements, assumptions and estimates

Recognition of provisions requires judgement with respect to whether the Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures in Note 24 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 33 Contingent liabilities.

Following classes of provision can be distinguished in the business of the Bank:

EUR ths.	31.12.2021	31.12.2022
Long-term employee provisions	7,577	5,596
Pending legal issues and tax litigation	9,602	9,857
Loan commitments and financial guarantees given	24,651	21,037
Other provisions	1,384	2,482
Restructuring	250	179
Other	1,134	2,303
Provisions	43,214	38,972

Defined employee benefit plans

Defined employee benefit plans operated by the Bank are for severance and jubilee benefits. From IAS 19 categorisation perspective, severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

All employees that are employed are entitled to receive a severance payment if their employment is terminated by the employer or if they retire after defined employment period. The amount to be paid depends on the number of years of service and the employee's salary at termination of the employment.

Defined benefit plans include jubilee benefits. Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, statistical data but also anticipated future rates of increase in salaries.

The liability recognised under a defined benefit plan represents the present value of the defined benefit obligation.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations. Remeasurements of severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit pension liabilities' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations, as well as related amounts are disclosed in the section 'Long-term employee pension provisions'.

Financial guarantees

In the ordinary course of business, the Bank provides financial guarantees, consisting of various types of letters of credit and guarantees. A financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

The Bank as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. This amount is subsequently amortised to fee income. If no premium is received at contract inception (i.e. the initial transaction price is zero), this is the price that would be paid to transfer the liability in an orderly transaction between market participants. As a result, the fair value of such a financial guarantee and thus the initial measurement is nil. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the statement of financial position under the line 'Provisions'. The premium received is recognised in the statement of income under the line item 'Fee and commission income' under 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

If the Bank is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of financial assets whose risk is guaranteed. The Bank considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral.

Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Financial guarantees which are not considered integral are recognised as reimbursement assets under 'Other assets' in the statement of financial position. In the statement of income, they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

Provision for commitments and financial guarantees given

Provisions for commitments and financial guarantees were created to cover losses expected in unused loan commitments, guarantees and letters of credits. The amount of these provisions is estimated with respect to credit risk relating to affected items, as well as time value of money (i.e. current market interest rates used for discounting).

The following table presents movements in the provision for commitments and financial guarantees:

EUR ths.	01.01.2022	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2022
Provisions for commitments and guarantees given						
Stage 1	5,356	45,229	(23,783)	(22,637)	(68)	4,097
Stage 2	7,445	-	(10,715)	(754)	14,462	10,438
Stage 3	572	-	(628)	1,424	578	1,946
POCI	11,278	-	(1,039)	(5,683)	-	4,556
Total	24,651	45,229	(36,165)	(27,650)	14,972	21,037

EUR ths.	01.01.2021	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2021
Provisions for commitments and guarantees given						
Stage 1	3,812	29,513	(18,331)	(9,550)	(86)	5,358
Stage 2	11,658	-	(9,215)	(2,250)	7,251	7,444
Stage 3	539	-	(1,643)	526	1,150	572
POCI	275	-	(7,098)	18,100	-	11,277
Total	16,284	29,513	(36,287)	6,826	8,315	24,651

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases of the credit loss allowances and reclassifications between stages. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9 Impairment result from financial instruments.

In column 'Increases due to origination and acquisition' increases of credit risk allowances due to the initial recognition of commitments and guarantees given during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related commitments and guarantees given are reported in column 'Decreases due to derecognition'.

Long-term employee provisions

The Bank has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. The number of employees under this program is disclosed in the note 8 General administrative expenses.

The amount of long-term employee provisions is calculated using an actuarial model based on the projected unit credit method. The Bank performs annual review of the long-term employee benefits provisions using updated data in order to recognize the provisions in appropriate amounts.

The amounts relating to long-term employee provisions recognised on the statement of financial position, in the income statement and in the statement of other comprehensive income were as follows:

EUR ths.	Long-term employee provision	Working anniversaries provision	Total
Present value of long-term employee benefit obligations – 1 January 2021	4,364	3,256	7,620
Service cost	270	267	537
Interest cost	1	-	1
Payments	(214)	(249)	(463)
Actuarial gains/losses recognised in OCI	74	(192)	(118)
Experience adjustments	74	(192)	(118)
As at 31 December 2021	4,495	3,082	7,577
Service cost	188	166	354
Interest cost	8	5	13
Payments	(191)	(278)	(469)
Actuarial gains/losses recognised in OCI	(1,006)	(873)	(1,879)
Experience adjustments	(1,006)	(873)	(1,879)
As at 31 December 2022	3,494	2,102	5,596

Actuarial assumptions

The actuarial calculation of long-term employee provision used the following assumptions:

Long-term employee provision	2021	2022
Annual discount rate	0.17%	1.72%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	4,28% - 10,95%	6,61% - 24,81%
Retirement age	64 years	64 years

The actuarial calculation of working anniversaries provision used the following assumptions:

Working anniversary provision	2021	2022
Annual discount rate	0.17%	1.72%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	4,28% - 10,95%	6,61% - 24,81%
Retirement age	64 years	64 years

In the calculation of long-term employee provisions official mortality tables published by the Statistical Office were used.

Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the statement of financial position. The analysis is based on relative change in employee turnover by 10%.

EUR ths.	31.12.2021	31.12.2022
Change in the annual employee turnover +10%	4,272	3,276
Change in the annual employee turnover -10%	4,733	3,734

Provisions for pending legal issues and tax litigation and other provisions

Based on the requirement of IAS 37, provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Expenses or income related to these provisions are reported in the statement of income under the line item 'Other operating result'.

Provisions for legal issues relate to legal cases where the Bank is sued and which arose from normal banking activities. During the reporting period the Bank does not participate in any new passive legal cases.

The item 'Other provisions´ includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2022 were paid in full amount, therefore the Bank does not disclose these items as other provisions.

The following table presents development of legal issues and tax litigation as well as other provisions:

EUR ths.	01.01.2022	Additions	Use	Release	31.12.2022
Restructuring provision	250	-	(71)	-	179
Pending legal issues and tax litigation	9,602	636	(324)	(57)	9,857
Other provisions	1,134	36,374	(15,751)	(19,454)	2,303
Total	10,986	37,010	(16,146)	(19,511)	12,339

EUR ths.	1.1.2021	Additions	Use	Release	31.12.2021
Restructuring provision	1,547	-	(1,220)	(77)	250
Pending legal issues and tax litigation	5,553	4,132	(83)	-	9,602
Other provisions	832	32,070	(14,091)	(17,678)	1,135
Total	7,932	36,202	(15,394)	(17,755)	10,987

The movement of other provisions related to the provisions for Deposit protection fund and Resolution fund accounted for in accordance with IFRIC 21.

33. Contingent liabilities

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 24 Credit risk).

Legal proceedings

The Bank is involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of the Bank.

Capital instruments, equity and reserves

34. Total equity

in EUR ths.	31.12.2021	31.12.2022
Subscribed capital	212,000	212,000
Retained earnings and other reserves	1,434,032	1,565,180
Additional equity instruments	380,000	380,000
Owners of the parent	2,026,032	2,157,180
Total	2,026,032	2,157,180

As of 31 December 2022, subscribed capital (also known as registered capital) consists of 212,000 (2021: 212,000) voting shares (ordinary shares). Nominal value of share is EUR 1,000.00. Subscribed capital was fully paid. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Additional equity instruments

Name	ISIN	Nominal value	Currency	Issue date	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes	AT0000A2UFJ4	80,000,000	EUR	30.11.2021	4,49% p.a.	M/S + 457 bps	Semi-annually	30.11.2026 and each Distribution Payment Date following the First Reset Date
SLSP AT1 PNC5 IC 2020 II	SK4000018172	150,000,000	EUR	23.11.2020	4,82% p.a.	M/S + 527 bps	Semi-annually	23.11.2025 and each Distribution Payment Date following the First Reset Date
SLSP AT1 PNC5 IC 2020	SK4000016788	150,000,000	EUR	27.2.2020	4,15% p.a.	M/S + 449 bps	Semi-annually	27.2.2025 and each Distribution Payment Date after 27.2.2025 falling one year after the previous Call Redemption Date

Distributions on own equity instruments

Distributions on own equity instruments are recognised when their payment is confirmed. For dividends on common shares as well as for coupons on Additional Tier 1 instruments the decision is taken by the Annual General Meeting.

The following table presents distribution of individual profits of the Bank for the years 2021 (approved) and 2022 (proposed):

Profit distribution (in EUR ths.)	31.12.2021	31.12.2022
Profit for the year	239,428	244,559
Coupon payment for Investment certificate SLSP AT1 SK4000016788	6,225	6,225
Coupon payment for Investment certificate SLSP AT1 SK4000018172	7,230	7,230
Coupon payment for Investment certificate SLSP AT1 AT0000A2UFJ4	3,592	3,592
Dividends paid to shareholder from profit for the year	97,158	106,931
Transfer to retained earnings	125,223	120,582
Number of shares with nominal value of EUR 1 000 (in pcs.)	212,000	212,000
Dividend per share (in EUR)	458	504

Dividends for the year 2021 were paid in March 2022 following the resolution of General Assembly of the Bank dated 22 March 2022.

As at 27 February 2022 was paid coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 in amount of EUR 3.1 million.

On 23 May 2022, a coupon was paid from the investment certificate SLSP AT1 PNC5 IC 2020 II in the value of EUR 3.6 million and then on 25 May 2022, a coupon from the investment certificate EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes was paid in the amount of EUR 1.8 million.

On 30 August 2022 was paid the coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 in amount of EUR 3.1 million.

On 23 November 2022 was paid from coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 II in amount of EUR 3.6 million and then on 25 November 2022, a coupon from investment certificate EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes was paid in the amount of EUR 1.8 million.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20% of its share capital. As at 31 December 2022 Legal reserve fund amounted to EUR 79.8 million (2021: EUR 79.8 million) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Bank's capital base. This fund is not available for distribution to the shareholder. Once the Bank's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2022 Statutory fund amounted EUR 39.1 million (2021: EUR 39.1 million).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the shareholder. As at 31 December 2022 the revaluation of financial assets measured at fair value through other comprehensive income amounted to EUR 0.0 million (2021: EUR 0.0 million), net of deferred tax.

Remeasurements of defined benefit pension liabilities

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2022 the remeasurement of the pension provision amounted EUR 1,0 million (2021: EUR 1.8 million), net of deferred tax.

Investments in subsidiaries, associates and joint ventures

35. Subsidiaries

The Bank holds controlling interests in the subsidiaries described in the table below. In these separate financial statements, the subsidiaries are recognised at cost, less any impairment losses.

Subsidiaries are recognized on the statement of financial position from the date when control is obtained until the date when control is lost. Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with the subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of this company. Relevant activities of the company are those which most significantly affect the variable returns of an entity.

The following table presents overview of the carrying amounts of investments in subsidiaries:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Subsidiaries						
Procurement Services SK, s.r.o.	3	3	-	-	3	3
SLSP Social Finance, s.r.o.	3,050	3,050	-	-	3,050	3,050
LANED a.s.	25,807	25,807	-	-	25,807	25,807
SLSP Seed Starter, s.r.o.	-	500	-	-	-	500
Total	28,860	29,360	-	-	28,860	29,360

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

EUR ths.	Procurement Services SK, s.r.o.		SLSP Social Finance, s.r.o.		LANED a.s.		SLSP Seed Starter, s.r.o.	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Place of business	Tomášikova 48, 832 75 Bratislava, Slovakia		Tomášikova 48, 832 01 Bratislava, Slovakia		Tomášikova 48, 832 71 Bratislava, Slovakia		Tomášikova 48, 831 04 Bratislava, Slovakia	
Main business activity	Procurement		Advisory services		Real estate company		Advisory services	
Ownership held	51%		60%		100%		-	100.0%
Voting rights held	51%		60%		100%		-	100.0%
IFRS Classification	Subsidiary		Subsidiary		Subsidiary		Subsidiary	
Reporting currency	EURO		EURO		EURO		EURO	
Dividend income received	19	19	-	-	-	-	-	-
Investee's key financial information for the reporting period								
Cash and cash balances	245	224	267	227	4,043	6,556	-	411
Other current assets	57	34	-	-	103	13	-	-
Non-current assets	36	50	11,730	11,730	49,258	46,872	-	-
Current liabilities	-	-	7,012	7,029	21,849	20,082	-	-
Non-current liabilities	278	246	8	10	133	171	-	1
Operating result	(938)	(941)	(57)	(59)	2,527	2,410	-	(90)
Post-tax result from continuing operations	36	37	(57)	(59)	1,956	1,765	-	(90)
Total comprehensive income	36	37	(57)	(59)	1,956	1,765	-	(90)
Depreciation and amortization	-	-	-	-	(3,653)	(3,695)	-	-
Interest expense	-	-	(10)	(28)	(403)	(425)	-	-
Tax expense/income	(11)	(11)	-	-	(520)	(469)	-	-

Changes in subsidiaries during the year 2022

In August 2022, the subsidiary company SLSP Seed Starter, s.r.o. was established. The Bank has an equity stake in it amount of EUR 0.5 million and this represents participation in the amount of 100% of the company's share capital.

Changes in subsidiaries during the year 2021

On 1 April 2021 the subsidiary S Slovensko, spol. S r. o. was merged with the Bank with impact of EUR 24.8 million to line item 'Cash and cash balances' and EUR 0.4 million to the line item 'Deferred tax asset'. On 28 May 2021 has been completed the liquidation of the subsidiary Služby SLSP, s. r. o. in liquidation and a liquidation residue was distributed among its shareholders. Slovenská sporiteľňa, a.s. as a shareholder with 100 % share received a liquidation payment in the amount of EUR 26.0 million. In September 2021 the Bank additionally increased equity contribution to the subsidiary SLSP Social Finance, s.r.o. by EUR 1 million. As at 31 December 2021, the value of the investment in this subsidiary was EUR 3.1 million.

During 2021, the ownership share of SLSP Social Finance, s.r.o. have decreased from 100% (31.12.2020) to 60.40% (31.12.2021) due to the accession of another investor to the company.

36. Investments in associates and joint ventures

The Bank has significant influence in the associates and joint ventures described in the table below. In these separate financial statements the investments in associates and joint ventures are recognized at cost, less any impairment losses.

Investments in associates ('associates') and joint ventures ('joint ventures') represent entities over which the Bank exercises significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control of those policies.

The following table presents overview of the carrying amounts of investments in associates:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Associates						
Prvá stavebná sporiteľňa, a.s.	1,093	1,093	-	-	1,093	1,093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Holding Card Service s.r.o.	7,046	7,046	-	-	7,046	7,046
Total	8,142	8,142	-	-	8,142	8,142

The following table presents overview of the carrying amounts of investments in joint ventures:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Joint ventures						
Monilogi s.r.o.	-	1,157	-	-	-	1,157
Total	-	1,157	-	-	-	1,157

Investments in associates and joint ventures of Slovenská sporiteľňa, a.s.

	Monilogi s.r.o.*		Prvá stavebná sporiteľňa, a.s. ("PSS")**		Slovak Banking Credit Bureau, s.r.o.**		Holding Card Service s.r.o.		Dostupný Domov j.s.a. (49,88% associate of SLSP Social Finance, s.r.o.)	
EUR ths.	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Place of business	Mlynské nivy 1 829 90 Bratislava, Slovakia		Bajkalská 30 829 48 Bratislava, Slovakia		Mlynské nivy 14 821 09 Bratislava, Slovakia		Olbrachtova 1929/62 140 00 Praha 4, Czech Republic		Farská 48 949 01 Nitra, Slovakia	
Main business activity	Cash handling		Banking		Retail credit register		Equity release company		Rental of real estate and related services	
Ownership held	-	26.00%	9.98%		33.33%		21.78%		49.88%	
Voting rights held	-	26.00%	35.00%		33.33%		21.78%		49.88%	
IFRS Classification	Joint venture		Associate		Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO		EURO		EURO	
Investee's key financial information for the reporting year										
Cash and cash balances	-	N/A	650	427	214	268	5	3	19,954	1,554
Other current assets	-	N/A	158,611	188,902	47	28	-	-	4	92
Non-current assets	-	N/A	2.779,461	2,765,628	-	-	43,574	44,914	3,034	22,067
Current liabilities	-	N/A	2,371,046	2,370,310	5	24	-	-	48	1,039
Non-current liabilities	-	N/A	284,369	292,058	-	-	-	-	26	15
Operating result	-	N/A	37,505	34,092	(26)	(96)	(3)	(2)	(211)	(531)
Post-tax result from continuing operations	-	N/A	16,576	8,274	24	38	(3)	(2)	(217)	(449)
Total comprehensive income	-	N/A	16,576	8,274	24	38	(3)	(2)	(217)	(449)
Depreciation and amortization	-	N/A	(5,947)	(5,698)	-	-	-	-	(72)	(208)
Interest income	-	N/A	86,156	79,593	-	-	-	-	-	-
Interest expense	-	N/A	(26,795)	(22,051)	(2)	(2)	-	-	(1)	-
Tax expense/income	-	N/A	(5,206)	(4,968)	-	-	-	-	-	-

*Results of the joint venture Monilogi, s.r.o. were not known as of the date of processing the financial statements.
**In the table are disclosed unaudited data for 11 months.

Changes in associates and joint ventures during the year 2022

In May 2022, the Bank made a cash deposit in the amount of EUR 0.1 million to the joint venture Monilogi, s.r.o., which represents a 26% share in its management. During the second half of the year 2022, the Bank invested in the joint venture Monilogi, s.r.o. contribution to capital funds in the amount of EUR 0.6 million and a non-monetary deposit in the amount of EUR 0.5 million without changing the stake in its management.

Changes in associates and joint ventures during the year 2021

During 2021, the ownership share of Holding Card Service, s.r.o. have decreased from 24.62% (31.12.2020) to 21.78% (31.12.2021) due to the accession of another investor to the company

Other disclosure matters

37. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by the only shareholder Erste Group Bank AG, which directly owns 100% share on the voting rights of the Bank. Further related parties include subsidiaries, which are under control of the Bank, associates and joint ventures, over which the Bank has significant influence. Moreover, other members of the Erste Group are also related parties of the Bank.

Transactions with related parties occur in the normal course of business and primarily include loans and deposits. These transactions are performed at arm's length, i.e. the terms and conditions applied respect market conditions.

Balances exposures with related parties

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates and joint ventures	
EUR ths.	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Assets								
Cash and cash balances	5,261	14,302	225	452	-	-	-	-
Derivatives	6,834	55,012	27	-	-	-	-	-
Derivatives – Hedge accounting	11,540	15,354	-	-	-	-	-	-
Securities	-	-	-	-	5,996	4,637	5,254	5,262
Loans and advances to banks	1,805	4,595	62	1	-	-	1	-
Loans and advances to customers	-	-	1,989	1,589	21,851	20,082	-	-
Property and equipment, right-of-use	-	-	-	-	12,255	60,563	-	-
Other assets	-	1	-	-	-	-	-	-
Total	25,440	89,264	2,303	2,042	40,102	85,282	5,255	5,262
Liabilities								
Derivatives held for trading	39,643	21,633	-	18	-	-	-	-
Deposits from banks	676	85	1,170	753	-	-	189	108
Deposits from customers	-	-	6,307	4,050	4,552	7,414	-	-
Debt securities issued	573,274	431,579	2,988	2,833	-	-	-	-
Derivatives – hedge accounting	31,844	103,266	-	-	-	-	-	-
Lease liabilities	-	-	-	-	12,282	60,521	-	-
Other liabilities	2,873	153	332	1,540	(46)	-	-	-
Total	648,310	556,716	10,797	9,194	16,788	67,935	189	108

Expenses/Income generated by transactions with related parties

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates and joint ventures	
EUR ths.	2021	2022	2021	2022	2021	2022	2021	2022
Interest income	(7,818)	(3,296)	7	47	409	519	100	213
Interest expense	1,644	2,748	(8)	(124)	-	(838)	(10)	(2)
Dividend income	-	-	-	-	18	19	-	-
Net fee and commisssion income	(473)	174	13,494	16,705	33	-	1	3
Net trading result	14,352	28,675	(226)	(94)	-	-	-	-
Gains/losses from financial instruments measured at fair value through profit or loss	-	-	-	-	61	(1,360)	-	-
General administrative expenses	(6,006)	(3,231)	(17,856)	(19,614)	(1,014)	(1,073)	-	(8)
Depreciation and amortisation	-	-	-	-	(7,018)	(6,565)	-	-
Other operating result	(2,048)	48	477	605	11,050	46	7	296
Total	(349)	25,118	(4,112)	(2,475)	3,539	(9,252)	98	502

Transactions with related parties are done at arm's length.

The amounts with Erste Group Bank AG reported in the line items 'Interest income' and 'Net trading result' represent results from derivative instruments used to close positions with the clients.

All issued investment certificates disclosed as AT1 instruments in equity at 31 December 2022 were purchased by Erste Group Bank AG (see note 34).

The Bank received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of EUR 2.2 million as at the reporting date (2021: EUR 2.2 million).

The Bank received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of EUR 0.2 million as at the reporting date (2021: EUR 0.2 million).

As at 31 December 2022 the Bank owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of EUR 1.0 million (2021: EUR 1.4 million).

As at 31 December 2022 and in 2021, the Bank did not receive any dividends from its associates.

Remuneration of management and supervisory board members

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2022 in form of short-term employee benefits amounted to EUR 3.3 million (2021: EUR 3.2 million). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

38. Audit fees and tax consultancy fees

The following table contains fees charged by the auditors of the Bank for the financial years 2022 and 2021; the auditors being PricewaterhouseCoopers Slovensko, s.r.o.

EUR ths.	2021	2022
Audit of statutory financial statements	(546)	(691)
Other assurance services	(170)	(28)
Other non-audit services	(3)	(3)
Total	(719)	(722)

Other assurance services in the amount of EUR 28 thousand (2021: EUR 170 thousand) related to a review of the special-purpose standard reporting forms; reports ISAE 3000 and ISAE 3402 prepared in accordance with International Standard on Assurance Engagements; SRB AUP. Other non-audit services in the amount of EUR 3 thousand (2021: EUR 3 thousand) related to agreed-upon procedures on the Bank's compliance with the covenants of the loan agreement between the Bank and the European Bank for Reconstruction and Development.

39. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2021		31.12.2022	
Assets				
Cash and cash balances	2,907,420	-	1,254,543	-
Financial assets HfT	11,181	36,693	6,183	70,956
Derivatives	11,181	36,693	6,183	70,956
Non-trading financial assets at FVPL	-	21,064	-	21,843
Equity instruments	-	7,155	-	9,694
Debt securities	-	13,909	-	12,149
Financial assets at AC	2,215,545	17,302,993	2,903,240	18,760,963
Debt securities	70,425	3,841,234	434,854	3,720,046
Loans and advances to banks	49,983	-	26	-
Loans and advances to customers	2,095,137	13,461,759	2,468,360	15,040,917
Finance lease receivables	63,112	170,323	54,871	229,629
Hedge accounting derivatives	-	16,454	-	16,879
Property and equipment, right-of-use assets	-	110,972	-	162,420
Investment properties	-	1,518	-	1,453
Intangible assets	-	18,947	-	17,868
Investments in associates	-	37,002	-	38,659
Deferred tax assets	-	67,843	-	69,979
Trade and other receivables	128,930	-	155,526	-
Other assets	35,692	-	24,574	-
Total assets	5,361,880	17,783,809	4,398,937	19,390,649

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2021		31.12.2022	
Liabilities				
Financial liabilities HfT	11,782	34,349	5,669	67,864
Derivatives	11,782	34,349	5,669	67,864
Financial liabilities at AC	16,306,933	4,546,116	17,118,172	4,077,849
Deposits from banks	34,929	2,858,418	62,736	1,110,892
Deposits from customers	15,949,101	28,214	16,904,447	15,722
Debt securities in issued	286,377	1,659,484	37,199	2,951,235
Other financial liabilities	36,526	-	113,790	-
Lease liabilities	13,180	19,153	11,580	70,138
Hedge accounting derivatives	-	31,844	684	102,582
Provisions	26,034	17,180	23,519	15,453
Current tax liabilities	2,193	-	7,374	-
Other Liabilities	110,892	-	131,521	-
Total liabilities	16,471,014	4,648,642	17,298,519	4,333,886

40. Reconciliation of carrying amounts in the Separate Statement of Cash Flows

As of 31.12. 2022, the Bank decided to modify the structure of the Separate Statement of Cash Flows. This change is in order to be consistent in presentation with the parent company Erste Group Bank AG. The new structure of the Separate Statement of Cash Flows provides information that is reliable and more relevant to users in accordance with IAS 1 Article 45 and 46. The new calculation is based on net profit in comparison to profit before taxes used before. As for the adjustments of cash flows from operating activities, we excluded the mandatory minimum reserves in the NBS to be in line with the market practise. Therefore, the balances of cash and cash equivalents in the Separate Statement of Cash Flows corresponds to the balances in Separate Statement of Financial Position.

The following tables presents changes between the individual lines of the statement as of 31.12.2021. In order to present the impact of changed structure, these effects are disclosed in accordance with the original positions of the Separate Statement of Cash Flows.

Original structure of the statement	New structure of the statement	Original carrying amount	New carrying amount
EUR ths.	EUR ths.	2021	2021
Profit before income taxes	Net result for the period	312,942	239,428
Non-cash adjustments for:	Non-cash adjustments for items in net profit/loss for the year		
Loss allowances for loans and advances, Provisions for off-balance sheet	Net allocation of credit loss allowances and other provisions	1,172	3,853
Provisions for liabilities and other liabilities	Net allocation of credit loss allowances and other provisions	2,681	
Impairment of tangible and intangible assets net	Depreciation, amortisation, impairment and reversal of impairment of assets	(1,546)	35,273
Depreciation and amortization	Depreciation, amortisation, impairment and reversal of impairment of assets	36,819	
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	(113)	(113)
Accrued interest, amortisation of discount and premium	Accrued interest, amortisation of discount and premium	35,059	35,059
Fair value adjust - hedging	Fair value adjust - hedging	(17,974)	(17,974)
Profit/(loss) on disposal of fixed assets	Other adjustments	161	(3,205)
Transfer of dividends received to investing activities	Other adjustments	(608)	
Investments in subsidiaries and associates	Other adjustments	(11,022)	
Cash flows from operations before changes in operating assets and liabilities	Cash flows from operations before changes in operating assets and liabilities	357,571	
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		(1,129,869)	
Financial assets held for trading	Financial assets held for trading	12,120	12,120
Non-trading financial assets at fair value through profit or loss	Non-trading financial assets at fair value through profit or loss	(5,084)	-
Equity instruments	Equity instruments	504	504
Debt securities	Debt securities	(5,588)	(5,588)
Financial assets at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	Financial assets at amortised cost	(1,284,631)	
Debt securities	Debt securities	(250,137)	(250,137)
Loans and advances to banks	Loans and advances to banks	(49,934)	(49,934)
Loans and advances to customers	Loans and advances to customers	(984,560)	(984,560)
Finance lease receivables	Finance lease receivables	7,138	7,138
Hedge accounting derivatives	Hedge accounting derivatives	17,891	17,891
Trade and other receivables	Trade and other receivables	(47,333)	(47,333)
Other assets from operating activities	Other assets from operating activities	(15,186)	(15,186)
Increase / (decrease) in operating liabilities:			

Table continues on the following page.

EUR ths.	EUR ths.	2021	2021
Increase / (decrease) in operating liabilities:			
Financial liabilities held for trading	Financial liabilities held for trading	(10,393)	(10,393)
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	2,250,697	
Deposits from banks	Deposits from banks	1,183,092	1,183,092
Deposits from customers	Deposits from customers	1,053,584	1,053,584
Other financial liabilities	Other financial liabilities	14,021	14,021
Hedge accounting derivatives	Hedge accounting derivatives	(16,529)	(16,529)
Provisions	Other liabilities from operating activities	8,520	8,520
Other liabilities from operating activities	Other liabilities from operating activities	29,307	11,317
Net cash flows provided by / (used in) operating activities before income tax		174,219	
Income taxes paid		(83,240)	
Net cash flows provided by / (used in) operating activities	Cash flow from operating activities	90,979	1,220,848
Cash flows from investing activities		-	
Dividends received from associates and other investments	Dividends received from subsidiaries, associates and other investments	608	608
Purchase of share in associates	Purchase of share in subsidiaries, associates and joint ventures	(1,000)	(1,000)
Proceeds from sale of investments	Proceeds from sale of associates and other investments	25,925	25,925
Capital increase in subsidiaries and associates	Capital increase in subsidiaries and associate	24,848	24,848
Purchase of intangible assets, property and equipment	Purchase of intangible assets, property and equipment	(20,843)	(20,843)
Proceeds from sale of intangible assets, property and equipment	Proceeds from sale of intangible assets, property and equipment	796	796
Net cash flows provided by / (used in) investing activities	Cash flow from investing activities	30,334	30,334
Cash flows from financing activities		-	
Dividends paid	Dividends paid	(53,926)	(53,926)
AT1 certificate - issue	AT1 certificate - issue	80,000	80,000
Repayment of subordinated debt	Repayment of subordinated debt	(10,000)	(10,000)
Issue of subordinated debt	Issue of subordinated debt	-	-
Issue of the bonds	Issue of the bonds	231,347	231,347
Repayment of the bonds	Repayment of the bonds	(295,591)	(295,591)
Lease liabilities	Lease liabilities	(13,753)	(13,753)
Net cash flows provided by / (used in) financing activities	Cash flow from financing activities	(61,923)	(61,923)
Net increase / (decrease) in cash and cash equivalents		60,065	
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of the year	363,352	1,717,486
	Cash flows from operating activities		1,220,848
	Cash flow from investing activities		30,334
	Cash flow from financing activities		(61,923)
Effect of foreign exchange rate changes on cash and cash equivalents	Effect of foreign exchange rate changes on cash and cash equivalents	675	674
Cash and cash equivalents at end of period	Cash and cash equivalents at end of the year	423,417	2,907,420
Operational cash flows from interest and dividends (included in cash flow from operating activities)	Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	361,604	361,604
Income taxes paid	Payments for taxes on income	(83,240)	(83,240)
Interest paid	Interest paid	(32,941)	(32,941)
Interest received	Interest received	477,177	477,177
Dividends received	Dividends received	608	608

41. Events after the balance sheet date

There are no significant events after the balance sheet date that require disclosure or adjustment to these separate financial statements.

STATEMENT OF MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank as required by the applicable accounting standards and that the Bank management report gives a true and fair view of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties to which the Bank is exposed.

Ing. Peter Krutil

Chairman of the Board of Directors
and Chief Executive Officer

RNDr. Milan Hain, PhD.

Member of the Board of Directors
and Deputy of Chief Executive Officer

Bratislava, 27 February 2023