

# Interim condensed separate financial statements for the six months ended 30 June 2022

Prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting



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## Separate statement of financial position as at 30 June 2022 (In thousands of euro)

	Note	June 2022	December 2021
Assets			
Cash and cash equivalents	7	3 115 522	2 612 785
Financial assets at fair value through profit or loss:	8	47 119	30 064
Financial assets held for trading  Non-trading financial assets at fair value		47 119	30 004
through profit or loss		6 762	7 316
Derivatives – Hedge accounting	9	195 269	55 574
Financial assets at fair value through other comprehensive income of which pledged as collateral	10	1 493 029 1 374 291	1 671 403 1 549 666
Financial assets at amortised cost:	11	1 3/4 291	1 549 666
Due from other banks	• • •	1 846 229	1 819 364
of which pledged as collateral		1 653 303	1 649 850
Due from customers		17 000 412	16 256 447
of which pledged as collateral Fair value changes of the hedged items		102 049	-
in portfolio hedge of interest rate risk	12	(47 456)	3 301
Investments in subsidiaries, joint ventures and associates	13	20 175	69 656
Property and equipment	14	101 060	110 087
Intangible assets Goodwill	15 16	127 689 29 305	130 848 18 871
Current income tax assets	17	29 303 52	10071
Deferred income tax assets	17	57 156	53 880
Other assets	18	24 296	21 108
Non-current assets classified as held for sale	14	5 946	515
		24 022 565	22 861 219
Liebilities			
<b>Liabilities</b> Financial liabilities at fair value through profit or loss:	8		
Financial liabilities held for trading	Ü	46 305	30 863
Derivatives – Hedge accounting	9	195 133	31 510
Financial liabilities at amortised cost:	11	0.070.054	0.004.000
Due to banks Due to customers		3 372 651 14 147 655	2 964 063 13 952 764
Lease liabilities		20 657	20 474
Subordinated debt		200 152	200 150
Debt securities in issue		4 151 235	3 829 056
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(11 420)	2 816
Current income tax liabilities	17	19 577	12 018
Provisions	19	20 675	21 597
Other liabilities	20	86 358	86 186
		22 248 978	21 151 497
Equity	22		
Share capital	22	430 819	430 819
Share premium		13 719	13 719
Legal reserve fund		87 493	87 493
Retained earnings		1 236 172	1 152 984
Equity reserves		5 384 1 773 587	24 707 1 709 722
		24 022 565	22 861 219
		ZT 0ZZ 303	<u> </u>



# Separate statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 (In thousands of euro)

	Note	June 2022	June 2021
Interest income calculated using the effective interest method Other interest income		182 553 1	146 306 18
Interest and similar expense		(34 967)	(14 714)
Net interest income	24	147 587	131 610
Fee and commission income Fee and commission expense		98 772 (16 149)	81 536 (13 045)
Net fee and commission income	25	82 623	68 491
Dividend income Net trading result Other operating income Other operating expenses Salaries and employee benefits Other administrative expenses Amortisation Depreciation Profit before provisions, impairment and tax  Net modification losses Provisions Impairment losses Net gain / (loss) arising from the derecognition of financial assets at amortised cost  Profit before tax	26 27 28 29 30 15 14 19, 31 21, 32	8 003 6 706 1 337 (20 577) (59 631) (37 360) (9 019) (6 167) 113 502 (17) (63) (30 530) 7 548 90 440	3 002 13 072 1 003 (16 838) (58 681) (34 460) (8 002) (6 730) 92 467 (46) (9) (16 248) (1 551) 74 613
Income tax expense	33	(20 713)	(16 948)
NET PROFIT FOR THE SIX MONTHS		69 727	57 665
Other comprehensive income for the three months, after tax:  Items that shall not be reclassified to profit or loss in the future:  Reversal of deferred income tax on disposed property and equipment  Change in value of financial assets at fair value  through other comprehensive income (equity instruments)	34, 35	- (541)	- 460
Items that may be reclassified to profit or loss in the future:		(541)	460
Change in value of financial assets at fair value through other comprehensive income (debt instruments)  Exchange difference on translation of foreign operations		(18 690) (92)	(5 345) (22)
		(18 782)	(5 367)
Other comprehensive income for the three months, net of tax		(19 323)	(4 907)
TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS		50 404	52 758
Basic and diluted earnings per € 33.2 share in €		5,37	4,44



# Separate statement of profit or loss and other comprehensive income for the three months ended 30 June 2022 (In thousands of euro)

	Note	June 2022	June 2021
Interest income calculated using the effective interest method Other interest income		94 639	72 124 18
Interest and similar expense		(20 312)	(7 256)
Net interest income	24	74 327	64 886
Fee and commission income		52 178	42 893
Fee and commission expense		(8 669)	(6 875)
Net fee and commission income	25	43 509	36 018
Dividend income		-	-
Net trading result	26	3 580	3 974
Other operating income	27	620	727
Other operating expenses	28	(4 273)	(2 651)
Salaries and employee benefits	29	(30 237)	(29 338)
Other administrative expenses	30	(18 976)	(16 737)
Amortisation	15	(4 586)	(4 142)
Depreciation	14	(3 155)	(3 357)
Profit before provisions, impairment and tax		60 809	49 380
Net modification losses		(2)	(41)
Provisions	10 21	(3)	(41)
	19, 31	(38)	(7)
Impairment losses	21, 32	(14 956)	(8 455)
Net gain / (loss) arising from the derecognition of financial assets at amortised cost	32	2 764	(1 016)
Profit before tax	<i>52</i>	48 576	39 861
Tront before tax		40 37 0	33 001
Income tax expense	33	(11 211)	(8 899)
NET PROFIT FOR THE SIX MONTHS		37 365	30 962
Other comprehensive income for the three months, after tax: Items that shall not be reclassified to profit or loss in the future: Change in value of financial assets at fair value	34, 35		
through other comprehensive income (equity instruments)		(688)	568
		(688)	568
Items that may be reclassified to profit or loss in the future: Change in value of financial assets at fair value		(000)	300
through other comprehensive income (debt instruments)		(9 254)	348
Exchange difference on translation of foreign operations		(11)	8
		(9 265)	356
Other comprehensive income for the three months, net of tax		(9 953)	924
TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS		27 412	31 886
Basic and diluted earnings per € 33.2 share in €		2,88	2,39



## Separate statement of changes in equity for the six months ended 30 June 2022 (In thousands of euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Buildings and land	Financial assets at FVOCI	Translation of foreign operation	Total
As at 31 December 2021	430 819	13 719	87 493	1 152 984	17 215	7 392	100	1 709 722
VUB Leasing Merger	-	-	-	23 631	-	-	-	23 631
As at 1 January 2022 Total comprehensive income	430 819	13 719	87 493	1 176 615	17 215	7 392	100	1 733 353
for the six months, net of tax	-	-	-	69 727	-	(19 231)	(92)	50 404
Exchange difference	-	-	-	220	-	-	-	218
Transactions with owners, recorded directly in equity								
Dividends to shareholders	-	-	-	(10 534)	-	-	-	(10 534)
Reversal of dividends distributed but not collected				144				144
As at 30 June 2022	430 819	13 719	87 493	1 236 172	17 215	(11 839)	8	1 773 587
As at 1 January 2021 Total comprehensive income	430 819	13 719	87 493	1 134 224	17 297	9 673	21	1 693 246
for the six months, net of tax	-	-	-	57 665	-	(4 885)	(22)	52 758
Gain on disposal of property and equipment	-	-	-	1	(1)	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	(110)	-	110	-	-
Exchange difference	-	-	-	1	-	-	-	1
Transactions with owners, recorded directly in equity Reversal of dividends distributed but not collected	_	_	_	269	_	_	_	269
	420.040	40.740	07.400		47.000	4.000		
As at 30 June 2021	430 819	13 719	87 493	1 192 050	17 296	4 898	(1)	1 746 274



## Separate statement of cash for the six months ended 30 June 2022 (In thousands of euro)

	Note	June 2022	June 2021
Cash flows from approxing potivities.			
Cash flows from operating activities: Profit before tax		90 440	74 613
Adjustments for:		30 440	74010
Interest income	24	(182 554)	(146 324)
Interest expense	24	34 967	` 14 714
Dividend income		(8 003)	(3 002)
Loss from sale/revaluation of financial assets			
at fair value through other comprehensive income	00	56 242	26 560
(Gain)/loss on sale of intangible assets and property and equipment Gain from revaluation of debt securities in issue	28	(396)	(20, 220)
Amortisation	15	(162 316) 9 019	(28 238) 8 002
Depreciation	14	6 167	6 730
Impairment losses and similar charges	32, 33	62 811	16 277
Exchange difference on translation of foreign operations	35, 36	128	248
Interest received		183 462	147 806
Interest paid		(50 888)	(12 054)
Tax paid		(13 204)	476
Increase in financial assets at fair value through profit or loss		(16 499)	(117 436)
(Increase)/decrease in derivatives – hedge accounting (assets)		(139 695)	29 302
Financial assets at amortised cost: (Increase)/decrease in due from other banks		(23 187)	8 409
Increase in due from customers		(424 620)	(675 027)
Decrease in fair value changes of the hedged items		(424 020)	(070 021)
in portfolio hedge of interest rate risk (assets)		50 757	7 881
Decrease in other assets		26 091	11 124
Increase/(decrease) in financial liabilities			
at fair value through profit or loss		15 442	(6 295)
Increase/(decrease) in derivatives – hedge accounting (liabilities)		163 623	(30 310)
Financial liabilities measured at amortised cost:		(270, 420)	4 000 000
(Decrease)/increase in due to banks		(376 420) 198 712	1 063 822 (216 799)
Increase/(decrease) in due to customers  Decrease in fair value changes of the hedged items		190 / 12	(210 199)
in portfolio hedge of interest rate risk (liabilities)		(14 236)	(1 861)
Increase in provisions		169	825
(Decrease)/increase in other liabilities		(2 167)	360
Net cash (used in)/from operating activities		(516 155)	179 813
····· (account)		(0.0.00)	
Cash flows from investing activities:			
Purchase of financial assets		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<b>/</b>
at fair value through other comprehensive income		(483 390)	(547 514)
Disposal of financial assets at fair value through other comprehensive income		294 275	419 835
Repayments of financial assets		294 273	419 033
at fair value through other comprehensive income		286 803	375 000
Purchase of intangible assets and property and equipment		(4 089)	(9 374)
Disposal of intangible assets and property and equipment		912	16
Dividends received		8 003	-
Purchase of share in Monilogi, s.r.o.		(75)	
Net cash from investing activities		102 439	237 963

(Table continues on the next page)



# Separate statement of cash flows for the six months ended 30 June 2022 (In thousands of euro) (continued)

	Note	June 2022	June 2021
Cash flows from financing activities:			
Proceeds from issue of debt securities		500 000	500 000
Repayments of debt securities in issue		(14 000)	(47 597)
Proceeds from loans received from other banks		450 000	-
Repayments of loans received from other banks		(5 280)	(6 486)
Repayments of lease liabilities		(3 733)	(913)
Dividends paid		(10 534)	
Net cash from financing activities		916 453	445 004
Net change in cash and cash equivalents		502 737	862 780
Cash and cash equivalents as at the beginning of the period	7	2 612 785	1 571 629
Cash and cash equivalents as at 30 June	7	3 115 522	2 434 409



#### 1. Basis of preparation

#### 1.1. Reporting entity - general information

Všeobecná úverová banka, a. s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25 and has the identification number (IČO) 313 20 155 and the tax identification number (DIČ) 2020411811.

As at 30 June 2022, the Bank had a network of 172 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (31 December 2021: 179). The Bank also has one branch in the Czech Republic (31 December 2020: 1).

The Bank's ultimate parent company is Intesa Sanpaolo S.p.A. ('ISP' or 'the Parent Company'), which is a joint-stock company and which is incorporated and domiciled in Italy. The consolidated financial statements of the company are available at the address of its registered office at Piazza San Carlo 156, 10121 Torino, Italy.

As at 30 June 2022, the members of the Management Board are Alexander Resch (Chairman), Paolo Vivona (Vice Chairman), Marie Kovářová, Peter Magala, Martin Techman, Andrej Viceník and Darina Kmeťová.

As at 30 June 2022, the members of the Supervisory Board are Ignacio Jaquotot (Chairman), Elena Kohútiková (Vice Chairman), Marco Fabris, Peter Gutten, Luca Leoncini Bartoli, Christian Schaack and Róbert Szabo.

#### 1.2. Basis of accounting

The interim separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value though profit or loss, financial assets at fair value through other comprehensive income, derivatives — hedge accounting, buildings and land in property and equipment under revaluation model to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

The financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

#### 1.3. Functional and presentation currency

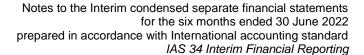
The financial statements are presented in thousands of euro ('€'), unless indicated otherwise. Euro is the functional currency of the Bank.

Negative balances are presented in brackets.

#### 1.4. Use of judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.





#### 1.4.1. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes. The most significant judgements relate to the classification of financial instruments.

- Classification of financial instruments: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ('SPPI') on the principal amount outstanding. (note 3.4.2)
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss ('ECL') and selection and approval of models used to measure ECL. (note 4.1.2)
- Valuation of lease liabilities (note 11.5) and right-of-use assets (note 14)

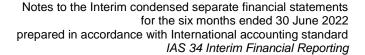
The application of International Financial Reporting Standard 16 Leases ('IFRS 16') requires the Bank to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets (note 3.16). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Bank generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

For contracts relating to branch and office premises, the Bank has concluded that there are a number of scenarios where the Bank might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease were excluded from the lease term.

For leases of branch and office premises with indefinite term the Bank generally estimates the length of the contract to be five years. The Bank monitors these assumptions, reviews the industry practice and the evolution of the accounting interpretations in relation to the estimation of the lease terms among peer financial entities and is prepared to make adjustments, if necessary.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Bank's rating, observed in the period when the lease contract commences or is modified.





#### 1.4.2. Assumptions and estimation uncertainties

Estimates are used for, but not limited to: fair values of financial instruments, fair value of buildings and land under the revaluation model, impairment losses on due from other banks and due from customers and impairment losses related to financial assets at fair value through other comprehensive income, provisions for off-balance sheet risks, useful lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, valuation of lease liabilities and right-of-use assets, liabilities from employee benefits, provisions for legal claims and deferred tax assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes.

- Determination of the fair value of financial instruments with significant unobservable inputs. (note 5) 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 which include the use of mathematical models. The inputs to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.
- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information. (note 4.1.2)

The Bank reviews its loans and advances at each reporting date to assess whether any individually assessed impairment loss should be recorded in the statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the individually assessed impairment losses.

- Recognition and measurement of legal claims: key assumptions about the likelihood and magnitude of an outflow of resources.
- Recognition of deferred tax assets: availability of future taxable profit against which deferred tax assets can be
  used.
- Impairment testing for cash generating units containing goodwill: key assumptions underlying recoverable amounts



#### 2. Changes in accounting policies

A number of the new standards are also effective from 1 January 2022 but they do not have a material effect on the financial statements.

The Bank has consistently applied the accounting policies as set out in Note 3 to all periods presented in the financial statements.

#### 2.1. Standards and interpretations relevant to the Banks's operations issued that are effective for current year

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

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

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

In accordance with exceptions provided in the Phase 2 amendments, the Bank has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2019. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption. The details of the accounting policies are disclosed in note 3.9. See also note 4.2.5 for related disclosures about risks and hedge accounting.

#### Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020.

IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendments, did not have a material impact on the financial statements of the Bank because the Bank did not renegotiate rent agreements.



#### 2.2. Standards and interpretations issued but not yet effective or not early adopted by the Bank

A number of new standards and amendments to standards are not yet effective or not yet adopted by the European Union. Early application is permitted, however, the Bank has not early adopted the new and amended standards in preparing these consolidated financial statements. The Bank intends to adopt these standards when they become effective.

## IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted.

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Bank will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2021, the taxable temporary difference in relation to the right-of-use asset is  $\in$  20 232 thousand and the deductible temporary difference in relation to the lease liability is  $\in$  20 474 thousand, resulting in a net deferred tax asset of  $\in$  51 thousand.

Under the amendments, the VUB Group will present a separate deferred tax liability of € 4 249 thousand and a deferred tax asset of € 4 300 thousand. There will be no impact on retained earnings on adoption of the amendments.

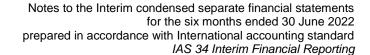
### Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The Bank expects that the amendments, when initially applied, will not have a material impact on the financial statements of the Bank.

The following new and amended standards are not expected to have a significant impact on the Bank's separate financial statements:

- IFRS 17: Insurance Contracts and amendments to IFRS 17 Insurance Contracts,
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1),
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16),
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37),
- Annual Improvements to IFRS Standards 2018–2020,
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16),
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2),
- Definition of Accounting Estimates (Amendments to IAS 8).





#### Annual Improvements to IFRS Standards 2018-2021

(Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Bank expects that the amendments, when initially applied, will not have a material impact on the financial statements of the Bank.

#### 2.3 Group restructuring under common control

The Bank's 100% subsidiary VÚB Leasing, a.s. (Business Reg. Nr.: 31318045) ceased its operations as of 31.12.2021 and as of this day the company has been removed from the list of active companies of Business Register of the Slovak Republic. Its operations related to finance lease have been transferred to the Bank and those related to operating lease to the company VÚB Operating Leasing, a.s. (Business Reg. Nr.: 54108128), that is also 100% subsidiary of the Bank.

The merger was accounted for according to the continuity principle, where the values used were accounted for in accordance with IFRS standards of VÚB Leasing, a. s. (VÚBL).

Accounting steps were as follows:

- Part of VÚBL excluding operating lease, which was transferred to the bank, was added to the values of the individual financial statements of VÚB,
- Intercompany transactions were eliminated.
- Investments in VÚB presented as "Investments in subsidiaries, joint ventures and associates" have been cleared against net equity of VÚBL and the difference was accounted for against retained earnings of EUR 23 631 thousand.



The impact of merger on Statement of financial position is as follows:

		1 January	VÚBL 31 Dec.		1 January
	Note	2022	2021	Eliminations	2022
Assets					
Cash and cash equivalents	7	2 612 784	2	-	2 612 786
Financial assets at fair value through profit or loss:	8				
Financial assets held for trading Non-trading financial assets		30 064	-	-	30 064
at fair value through profit or loss		7 316	-	-	7 316
Derivatives – Hedge accounting	9	55 574	-	-	55 574
Financial assets at fair value through	10				
other comprehensive income	10	1 671 403	-	-	1 671 403
of which pledged as collateral		1 549 666	-	-	1 549 666
Financial assets at amortised cost:	11				
Due from other banks		1 819 365	-	-	1 819 365
of which pledged as collateral		1 649 850		-	1 649 850
Due from customers		16 256 447	588 056	(201 823)	16 642 680
Fair value changes of the hedged items	12				
in portfolio hedge of interest rate risk		3 301	-	-	3 301
Investments in subsidiaries,	13			( ( )	
joint ventures and associates		69 656	-	(49 556)	20 100
Property and equipment	14	110 087	14	-	110 101
Intangible assets	15	130 848	928	-	131 776
Goodwill	16	18 871		10 434	29 305
Current income tax assets	17	0	1 594	-	1 594
Deferred income tax assets	17	53 880	1 684	-	55 564
Other assets	18	21 108	29 132	-	50 240
Non-current assets classified as held	14				
for sale		515			515
		22 861 219	621 410	(240 945)	23 241 683



		1 January	VÚBL 31 Dec.		1 January
	Note	2022	2021	Eliminations	2022
Liabilities					
Financial liabilities at fair value through profit or loss:	8				
Financial liabilities held for trading		30 863	-	-	30 863
Financial liabilities designated at fair value through profit or loss		-	-	-	-
Derivatives – Hedge accounting	9	31 510	-	-	31 510
Financial liabilities measured	11				
at amortised cost:  Due to banks		2 964 063	552 708	(201 823)	3 314 947
Due to customers		13 952 765	0	(201 023)	13 952 765
Lease liabilities		20 474	-	_	20 474
Subordinated debt		200 150	-	-	200 150
Debt securities in issue		3 829 056	-	-	3 829 056
Fair value changes of the hedged items	12				
in portfolio hedge of interest rate risk	. –	2 816	-	-	2 816
Current income tax liabilities	17	12 018	-	-	12 018
Provisions	19	21 597	3 465	-	25 062
Other liabilities	20	86 186	2 483		88 668
		21 151 497	558 656	(201 823)	21 508 330
Equity	22				
Share capital		430 819	43 446	(43 446)	430 819
Share premium		13 719	-	-	13 719
Legal reserve fund		87 493	3 794	(3 794)	87 493
Retained earnings		1 152 984	15 514	8 117	1 176 615
Equity reserves		24 707			24 707
		1 709 722	62 753	(39 122)	1 733 353
		22 861 219	621 410	(240 945)	23 241 683



#### 3. Significant accounting policies

#### 3.1. Foreign currency transactions

Transactions in foreign currencies are translated into the euro at the official European Central Bank ('ECB') spot exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into euro at the official ECB spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into euro at the official ECB spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the official ECB spot exchange rate at the date of the transaction.

The foreign currency gain or loss is the difference between the contractual exchange rate of a transaction and the official ECB exchange rate at the date of the transaction. Foreign currency gain or loss is included in 'Net trading result', as well as gains or losses arising from movements in exchange rates after the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ('OCI'):

- qualifying cash flow hedges to the extent that the hedge is effective; and
- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI.

#### 3.2. Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated into euro at the spot exchange rate at the reporting date. The income and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences arising on these translations are recognised in OCI, and accumulated in the foreign currency translation reserve ('Translation of foreign operation' reserve').

#### 3.3. Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, balances held with central banks, including compulsory minimum reserves, and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

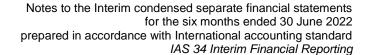
'Cash and cash equivalents' are carried at amortised cost in the statement of financial position (note 7).

#### 3.4. Financial assets and financial liabilities

#### 3.4.1. Recognition and initial measurement

The Bank initially recognises loans and advances (e.g. 'Due from other banks', 'Due from customers'), deposits (e.g. 'Due to banks', 'Due to customers'), debt securities issued and subordinated debt on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.





#### 3.4.2. Classification

On initial recognition, a financial asset is classified as measured at:

- Amortised cost ('AC'),
- Fair value through other comprehensive income ('FVOCI'), or
- Fair value through profit or loss ('FVTPL').

A financial asset is measured at AC, if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
   and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI (note 3.6.2). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (note 3.4.7).

Business model assessment

The Bank uses the following business models:

- Held to collect,
- Held to collect and sell,
- Held for trading/Other.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales, in prior periods, the reasons for such sales and its expectations
  about future sales activity. However, information about sales activity is not considered in isolation, but as part
  of an overall assessment of how the Bank states objective for managing the financial assets is achieved and
  how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

#### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

#### 3.4.3. Subsequent measurement

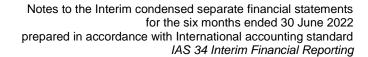
After initial recognition, the Bank measures financial assets and financial liabilities in accordance to the classification at fair value through profit or loss (note 3.5), fair value through other comprehensive income (note 3.6) or at amortised cost (note 3.7).

#### 3.4.4. Derecognition

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, whether the modification is such that the instrument would no longer meet the SPPI criterion.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.





Derecognition other than due to substantial modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained above. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. (note 3.8)

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### 3.4.5. Modifications

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

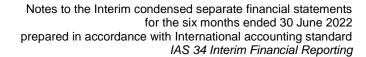
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see above under Derecognition other than due to substantial modification) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement
  of eligible transaction costs are included in the initial measurement of the asset;
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy, note 4.1.5). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate as well as fixed-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (note 4.1.2), then the gain or loss is presented together with impairment losses.





#### 3.4.6. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

#### 3.4.7. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The hierarchy of valuation techniques is explained in note 5.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### 3.5. Financial assets and financial liabilities at fair value through profit or loss

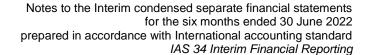
Financial assets and financial liabilities at fair value through profit or loss comprise financial assets held for trading, including derivative financial instruments and financial assets at fair value through profit or loss.

#### 3.5.1. Financial assets and financial liabilities held for trading

The Bank classifies trading portfolio as financial assets or financial liabilities measured at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Financial assets and financial liabilities held for trading are recorded and measured in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the 'Fair value gains and losses arising from the Bank's own credit risk related to derivative liabilities' and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is presented in 'Other interest income'. Dividend income from equity instruments measured at FVTPL is considered to be incidental to the Bank's trading operations and is recorded in profit or loss as 'Net trading result' when the right to the payment has been established.

Included in this classification are trading derivatives, debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling in the near term.

The Bank monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the statement of profit or loss in 'Net trading result'.





#### Derivative financial instruments

In the normal course of business, the Bank is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include forward rate agreements, foreign exchange and commodity forwards, interest rate, foreign exchange and commodity swaps, interest rate, foreign exchange, equity options, cross currency swaps and futures. The Bank also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives if they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The Bank also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments not used for hedge accounting purposes are initially recognised and subsequently remeasured in the statement of financial position at fair value as part of 'Financial assets held for trading'.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Net trading result'.

Fair values are obtained from quoted market prices. If such values are not available, discounted cash flow models and option pricing models are used. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

#### Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Bank assesses whether any embedded derivatives contained in a given contract are required to be separated from the host contract and accounted for as derivatives.

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

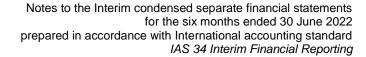
- the host contract is not an asset in the scope of International Financial Reporting Standard 9 Financial Instruments ('IFRS 9');
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss in net trading result unless they form part of a qualifying cash flow hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with other derivatives.

#### 3.5.2. Financial assets at fair value through profit or loss

Financial assets in this category are those that are not held for trading and are required to be measured at fair value under IFRS 9, as they do not meet the requirements of the SPPI test.

Financial assets at fair value also comprises equity instruments not held for trading where the Bank did not elect the option to classify investments at FVOCI. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading result'. Interest income is recorded in 'Other interest income' and dividend income in 'Net trading result' according to the terms of the contract, or when the right to payment has been established.





#### 3.6. Financial assets at fair value through other comprehensive income

#### 3.6.1. Debt instruments measured at fair value through other comprehensive income

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual
  cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in equity. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets at amortised cost. The Bank applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in equity are reclassified from equity to profit or loss.

The fair value of debt instruments, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

In the case of debt instruments measured at fair value through other comprehensive income, impairment is assessed based on the same criteria as financial assets carried at amortised cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in 'Impairment losses' in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss.

#### 3.6.2. Equity instruments measured at fair value through other comprehensive income

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as 'Net trading result' when the right to the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to any impairment assessment.

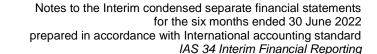
#### 3.7. Financial assets and financial liabilities at amortised costs

Financial assets at amortised costs comprise balances due from other banks and due from customers including debt securities. Financial liabilities at amortised costs comprise balances due to banks, due to customers, subordinated debt and debt securities in issue.

#### 3.7.1. Financial assets at amortised costs: Due from other banks and Due from customers

The Bank only measures 'Due from other banks' and 'Due from customers' at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.





#### Due from other banks

Due from other banks include receivables from current accounts in other than central banks, term deposits, loans provided and securities purchased from commercial banks. Balances are presented at amortised cost including interest accruals less any impairment losses.

#### Due from customers

Due from customers balances comprise loans and advances and securities with fixed or determinable payments and fixed maturities. These receivables are recorded at amortised cost less any impairment losses. (note 11.2)

#### *Impairment*

The detailed description of policy is in the note 4.1.2.

The Bank writes off 'Due from other banks' and 'Due from customers' when it determines that the loans and advances are uncollectible. Loans and advances are written off against the Impairment losses on Financial Assets in amortised cost with the remaining part being written-off against profit or loss reported under 'Net loss arising from the derecognition of financial assets at amortised cost'. Any recoveries of written off loans are credited to the same line in the statement of profit or loss on receipt.

### 3.7.2. Financial liabilities at amortised costs: Due to banks, Due to customers, Subordinated debt and Debt securities in issue

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

Due to customers covers also lease liabilities (note 3.16).

In 2021 the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank and is presented under line item Due to central banks. As at 31 December 2021 the Bank has a liability in form of loans received in TLTRO in amount of 2 478 millions EUR. (note 11.3).

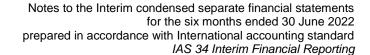
The Bank assessed accounting treatment which is appropriate for the TLTRO. The Bank decided that such instrument do not qualify as below-market interest rate loans. This is the reason why it is not related to IAS 20 government grants accounting. The Bank applies the accounting treatment determined in accordance with IFRS 9 to TLTRO III transactions, treating the refinancing conditions established by the ECB as market rates within the Eurosystem's monetary policy measures.

#### 3.8. Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the statement of financial position under the original caption and the liability from the received loan is included in 'Financial assets at amortised cost: Due to banks' or 'Financial assets at amortised cost: Due to customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the statement of financial position in 'Cash, cash balances at central banks', 'Financial assets at amortised cost: Due from other banks' or 'Financial assets at amortised cost: Due from customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and deferred over the life of the agreement.





#### 3.9. Derivatives - Hedge accounting

When initially applying IFRS 9, the Bank has elected to continue to apply the requirements of IAS 39 instead of those of IFRS 9.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position in 'Derivatives – Hedge accounting'.

The Bank makes use of derivative instruments to manage exposures to interest rate risks, foreign currency risk, inflation risk and credit risk including exposures arising from highly probable transactions. In order to manage individual risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At the inception of the 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.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

In situations where that hedged item is an expected transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of profit or loss.

#### Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised in other comprehensive income as 'Cash flow hedges'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as gain or loss in the statement of profit or loss in 'Net trading result'.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is reclassified from other comprehensive income to profit or loss as a reclassification adjustment in 'Net trading result'. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income remains separately in equity and is reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment when the hedged expected transaction is ultimately recognised. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment.

#### Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the statement of profit or loss in 'Net trading result'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss in 'Net trading result'.

In case of macro hedge, the change in the fair value of the hedged items attributable to the risk hedged is presented separately as 'Fair value changes of the hedged items in portfolio hedge of interest rate risk'

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate ('EIR'). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss when the item is derecognised.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

Specific policies for hedges affected by IBOR reform

The Phase 1 amendments

If a hedging relationship is directly affected by IBOR reform, then certain exceptions can be applied (referred to as 'the Phase 1 amendments') to the general hedge accounting policy.

All hedges affected by IBOR reform either matured or were discontinued therefore the VUB Group ceased to apply the respective Phase 1 amendments.

The Phase 2 amendments

Policies specific to non-contractually specified risk portions

When the Bank designates an alternative benchmark rate as a hedged risk and the alternative benchmark rate is a non-contractually specified risk portion that is not separately identifiable at the date it is designated, the Bank deems that the rate meets the separately identifiable criterion if it reasonably expects that the alternative benchmark rate will be separately identifiable within a 24-month period. The 24-month period applies on a rate-by-rate basis and starts from the date when the Bank first designates the alternative benchmark rate as a hedged risk.

If the Bank subsequently expects that a non-contractually specified alternative benchmark rate risk component will not be separately identifiable within the 24-month period, then it discontinues hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate is designated as a non-contractually specified risk portion.

Policies specific to cash flow hedges

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Bank deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

#### 3.10. Investments in subsidiaries, joint ventures and associates

'Investments in subsidiaries, joint ventures and associates' are recorded at cost less impairment losses. The impairment loss is measured using the Free Cash Flow to Equity model.

Free Cash Flow to Equity model

The Management of the companies which are subject to the impairment test provide projection of free cash flow to equity which are expected to be paid out by their companies in a period of five years. The model calculates the present value of these cash flows discounting them at the cost of equity resulting from the Capital Asset Pricing Model ('CAPM'). Cash flows after the period of five years are determined by the present value of the perpetuity with the particular estimated growth rate, determined at the ISP Group level specifically for the Slovak market.

#### 3.11. Transactions under common control

Transactions under common control refer to business combinations involving entities belonging to the same group. More specifically, a combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Bank follows the accounting treatment of such transactions in continuity of values (pooling of interests) that consists of maintaining the book values of the acquiree in the financial statements of the acquirer. Assets and liabilities of the acquired company are recognised at the carrying amounts compliant with IFRS. Any differences between net equity of the acquired company and the investment in subsidiaries carried at cost are recorded in retained earnings of the acquirer.

Comparative periods are not subject to restatement since the Bank was not consolidating the results of the acquiree in its separate financial statements before the date of the combination.

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#### 3.12. Property and equipment

Land and buildings are recognised at fair value based on periodic, but at least annually, valuations by external independent specialized companies, less subsequent depreciation for buildings.

If the new fair value is higher than the carrying amount the value of the asset on the balance sheet is increased through other comprehensive income and accumulated in equity under the heading 'Buildings and land'. In case that an impairment loss was previously recorded in the income statement, the reversal of this impairment is recorded in the income statement up to the amount previously recognised in the income statement. If the new fair value is lower than the carrying amount, the decrease is recognised in profit or loss. The ISP Group chose to apply the elimination approach, which means that the accumulated depreciation is eliminated against the gross carrying amount of the asset at revaluation date. The assets subject to the revaluation model are depreciated based on their revalued value.

All other property and equipment is recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the statement of profit or loss when the expenditure is incurred.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	rears
Buildings	10 – 29
Equipment	4 – 12
Other tangibles	4 – 12

Land, assets in progress and art collections are not depreciated. The depreciation of assets in progress begins when the related assets are put into use.

The Bank tests its assets for impairment on annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Property and equipment contains also right-of-use assets. (note 3.16)

#### 3.13. Intangible assets

Intangible assets are recorded at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

Amortisation methods, useful lives and residual values are reassessed at the reporting date.

#### 3.14. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

#### 3.15. Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are represented by assets that are available for immediate sale in their present condition and their sale is considered to be highly probable.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.



#### 3.16. Leasing - right-of-use assets and lease liabilities

The Bank is a party to lease contracts for:

- Buildings and land (branch and office premises and lands under ATMs),
- Other tangible assets (motor vehicles).

Leases are recognized, measured and presented in line with IFRS 16.

Leases in which the Bank is a lessee

The Bank applies a single accounting model, requiring lessees to recognise assets and liabilities for all leases. However, the Bank applies exemptions regarding:

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

Based on the accounting policy applied the Bank recognizes a right-of-use asset (note 3.12) and a lease liability (note 3.7.2) at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives,
- Any initial direct costs incurred by the lessee,
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring
  the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

The right of use is recognized as part of 'Property and equipment'. Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

	rears
Buildings	2-6
Other tangibles	2 – 5

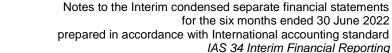
If the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or if the cost of the right-of-use asset reflects that the Bank will exercise a purchase option, the Bank depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Bank depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Bank recognizes asset retirement obligations mainly in relation to leased premises which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-use assets and depreciated over the asset's estimated useful life. The Bank estimates the fair value of asset retirement obligations using average premises reinstatement cost and the discount rate which equals the risk-free interest rate for the Bank and the currency of the lease contract.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss in the line 'Other administrative expenses'.





The lease payments are discounted using the Bank's incremental borrowing rate or the rate implicit in the lease contract. Interest expense is recognised in the statement of profit or loss in the line 'Interest and similar expenses'.

The lease term determined by the Bank comprises:

- Non-cancellable period of lease contracts,
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that
  option.

After the commencement date the Bank measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect lease payments made, and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

Leases in which the Bank is a lessor

In case of lease contracts based on which the Bank is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

- The lease transfers ownership of the asset to the lessee by the end of the lease term,
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair
  value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease,
  that the option will be exercised,
- The lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
- At the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, or
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

At the commencement date, receivable from finance equal to the net investment in the lease is recognised in the statement of financial position in 'Due from customers'.

Initial measurement of the lease payments included in the net investment in the lease

- fixed payments, less any lease incentives payable;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party
  unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

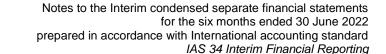
#### Subsequent measurement

Interest income is recognised in profit or loss statement in 'Other interest income' over the lease term using rate implicit in the lease, which represents the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

The lease payments are applied against the gross investment in the lease and reduce both the principal and the unearned finance income.

The detailed description of impairment of the net investment in the lease is described in the note 4.1.2.

Unguaranteed residual values are reviewed and estimated regularly in order to calculate the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately.





#### Operating leases

Recognition and measurement

Lease payments from operating leases are recognised as income on a straight-line basis in profit or loss in 'Other operating income'.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and this asset is being depreciated over the lease term on a straight-line basis.

Lease modifications

In case of modification to an operating lease a new lease is booked from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 3.17. Provisions

Provisions comprise litigations and claims, financial guarantees and loan commitments.

Provisions for litigations and claims are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when it falls due, in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Provisions for financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the in the statement of profit or loss in 'Fee and commission income' on a straight line basis over the lifetime of the guarantee, and an ECL allowance.

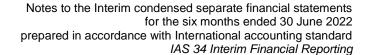
ECL allowances for financial guarantees are recognised based on stage of financial instrument (three-stage approach) which affects expected loss calculation for the financial guarantee. Any increase or decrease in the provision deriving from changes in ECL allowances relating to financial guarantees is recorded in the statement of profit or loss in 'Impairment losses'.

In case when the Bank is called to fulfil the guarantee and the guarantee is paid to the holder of the guarantee it ceases to exist. Instead a receivable against the counterparty for which the Bank issued the guarantee is created and the former provision for financial guarantees is converted into impairment losses allowance on such receivable along with the movement, if any, within 'Impairment losses'.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. For loan commitments the Bank also recognises Provisions based on stage of financial instrument. Any increase or decrease in the provision relating to Loan commitments is reflected in the statement of profit or loss in 'Impairment losses'.

#### 3.18. Provisions for employee benefits

The Bank's obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Employee benefit reserves are disclosed in the statement of financial position in 'Other liabilities'. All gains or losses in relation to the employee benefits are recognised in 'Salaries and employee benefits'.





#### 3.19. Equity reserves

The reserves recorded in equity that are disclosed in the statement of financial position include:

- 'Revaluation surplus of buildings and land' reserve which consists of the revaluation surplus of buildings and land measured at fair value using a revaluation model.
- 'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
- 'Financial assets at fair value through other comprehensive income' reserve which comprises changes in the fair value of financial assets at FVOCI.
- 'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.

#### 3.20. Net interest income

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

Interest income and expense is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method (EIR) for all financial instruments measured at amortised cost (note 3.7.1, and 3.7.2).

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost (AC) of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of 'fixed rate financial assets' or 'liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

In case of hedging relationship (as defined in note 3.9) interest from interest rate swap effectively replaces the contractual interest rate of the hedged item and such interest is disclosed under in 'Interest income calculated using the effective interest method'.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Other interest income includes interest received on financial assets at fair value through profit or loss other than interest on derivatives using the contractual interest rate and finance leases where the rate implicit in the lease is being used.

Interest income/expense on all derivatives is recognised as a part of the fair value change in 'Net trading result'.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

Negative interest arising from financial assets is presented in interest expense and negative interest arising from financial liabilities is presented in interest income.

In 2021 the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank and is presented under line item Due to central banks.

The bank's accounting policy, the special interest rates for the period from 24 June 2020 to 23 June 2022 are recognised in accordance with IFRS 9 as floating rates applicable to the reporting period, because the Governing Council of the ECB may at any time change the interest rate of TLTRO III operations prospectively (as it did in April and December 2020).

The interest is therefore recognised periodically based on the interest rate of the instrument for each period (0,5)% until 24 June 2020, (1)% until 23 June 2022 and (0,5)% thereafter and until maturity, based on current rates – as required by paragraph B5.4 of IFRS 9.

Interest expense from TLTRO, presented under line "Interest Income".

#### 3.21. Net fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

Fee and commission income and expense such as up-front and commitment fess that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see note 3.21).

Other fee and commission income arises on financial services provided by the Bank including account maintenance, cash management services, brokerage services, administrative services regarding loans, investment advice and financial planning, investment banking services, project finance transactions, asset management services, factoring services and other. Fee and commission income and expense is recognised when the corresponding service is provided. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

Nature and timing of satisfaction of performance obligations, including significant payment terms:

Fees for ongoing account management are charged to the customer's **Current accounts** 

account on a monthly basis. The Bank sets the rates separately for retail and

corporate banking customers in each jurisdiction on an annual basis.

Cards Credit card and debit card fees relate to both fees for issuance of credit card

for the period of card's validity as well as fees for specific transactions.

Payments and cash management Transaction-based fees for interchange and foreign currency transactions are

charged to the customer's account when the transaction takes place.

Loans Services for loans comprise mainly fees for overdrafts, which are recognised

on a straight-line basis over the overdraft duration.

They also include other servicing fees which are charged on a monthly basis

and are based on fixed rates reviewed annually by the Bank.

**Indirect deposits** These fees mainly relate to providing Bank's retail network for the mediation

of investments into funds. These fees are paid to the Bank by VÚB Asset Management, správ. spol., a. s. Since the Bank does not have any ongoing performance obligation regarding these fees, they are recognised in full when

charged.

Insurance The Bank provides insurance mediation along with selling its products. Except for life insurance mediation, only aliquot part of commission is sent by the

insurance company on monthly basis, therefore the Bank only recognises aliquot part of commission as income with the passage of time. In case client cancels insurance contract with insurance company, the insurance company stops paying the aliquot part of the commission and the Bank therefore stops to recognise these fees. The Bank is not liable to return aliquot part of

commissions recognised in fees to insurance company.

Regarding life insurance mediation the Bank is exposed to clawbacks if client cancels the insurance contract within certain periods. The Bank calculated effect of International Financial Reporting Standard 15 Revenue from Contracts with Customers ('IFRS 15') impact and evaluated this impact as

non-material and continues to recognise income on these fees as the related mediation service is provided.

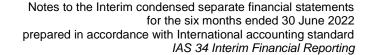
Trade finance, Structured finance Fees for loan commitments which are not expected to result in the draw-down of a loan are recognised on a straight-line basis over the commitment period.

> Administration of a loan syndication, execution of client transactions with exchanges and securities underwriting, charges for premature termination of

loans and other are charged when transaction takes place.

**Factoring** Services related to factoring include:

- Facility commitment, where fee is recognised on a straight-line basis over the commitment period;
- Invoice processing fee, where fixed amount for each processed invoice is charged;
- Factoring fee, where fee represent a percentage on a total receivable amount factored.





Revenue recognition under IFRS 15:

**Current accounts**Revenue from account service and servicing fees is recognised over time as

the services are provided.

Cards Revenue from card issuance is recognised over time as the services are

provided.

Revenue related to transactions is recognised at the point in time when the

transaction takes place.

Payments and cash management Revenue related to transactions is recognised at the point in time when the

transaction takes place.

**Loans** Overdraft fee is recognised on a straight-line basis over the overdraft duration.

Revenue related to transactions is recognised at the point in time when the

transaction takes place.

Indirect deposits Revenue related to transactions is recognised at the point in time when the

transaction takes place.

Insurance Revenue from insurance mediation services is recognised over time for the

duration of contract, except for life insurance mediation where service fee is recognised when service is provided and clawbacks are recognised when

they occur.

Trade finance, Structured finance Loan commitment fee is recognised on a straight-line basis over the

commitment period.

Revenue related to transactions is recognised at the point in time when the

transaction takes place.

Factoring Facility fee is recognised on a straight-line basis over the commitment period.

Revenues related to invoice processing and factoring fee are recognised at

the point in time when the transaction takes place.

#### 3.22. Net trading result

'Net trading result' includes gains and losses arising from purchases, disposals and changes in the fair value of Financial assets and financial liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

#### 3.23. Dividend income

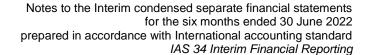
'Dividend income' is recognised in the statement of profit or loss on the date that the dividend is declared.

#### 3.24. Current and deferred income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the Bank operates.

Deferred income tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. Expected tax rates, applicable for the periods when assets and liabilities are realised, are used to determine deferred tax.

The Bank is also subject to various indirect operating taxes, which are included in 'Other operating expenses'.





#### 4. Financial and operational risk management

This note presents information about the Bank's exposure to the risks related to the use of financial instrumets, the Bank's objectives, policies and processes for measuring and managing risk.

The Management Board is the statutory body governing the executive management of the Bank, and has absolute authority over all matters concerning risk. The Management Board has primary responsibility for the creation and dissolution of risk related governance bodies. The primary governance bodies overseeing risk issues are:

- Asset/Liability Committee ('ALCO'),
- Credit Risk Governance Committee ('CRGC'),
- Operational Risk Committee ('ORC').

The Management Board delegates its risk authority to these governance bodies through statutes, which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in relevant Charters.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Internal Audit Department is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

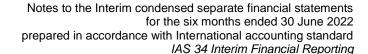
#### 4.1. Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

The Credit Risk Charter ('CRC') establishes the guidelines for measurement, control and management of credit risk by defining the legal framework, main responsibilities, policies and methodologies that support the credit risk management process of VUB Bank.

More specifically, CRC defines both the general and specific (retail, corporate) credit risk requirements for applied methodologies and procedures, and includes, as separate sections, the policies governing the key aspects of the Bank's credit risk management process:

- Authorized Approval Authority,
- Collateral Management Policy,
- Provisioning Policy,
- Credit Concentration Limits,
- Default Definition.
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.





#### 4.1.1. Management of credit risk

The Risk Management Division is established within the Bank as a Control Unit and managed by the Chief Risk Officer, who is a member of the Bank's Management Board. The Risk Management Division is organisationally structured to provide support to the Business Units, as well as to provide reporting of credit, market and operational risks to the Supervisory Board and Management Board. The Risk Management Division is responsible for overseeing the Bank's credit risk including:

- The development of credit risk strategies, policies, processes and procedures covering rules for credit assessment, collateral requirements, risk grading and reporting;
- Setting limits for the concentration of exposure to counterparties, related parties, countries and total assets and monitoring compliance with those limits;
- Establishment of the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are set in the CRC;
- Credit risk assessment according to defined policy;
- Monitoring of quality portfolio performance and its compliance with set limits (regulatory, internal). Regular reports are provided to the Management Board and the CRC on the credit quality of the Bank's portfolios;
- Development, maintenance and validation of scoring and rating models both application and behavioural;
- Development, maintenance and back-testing of impairment loss models.

#### 4.1.2. Impairment losses

The Bank establishes an allowance for impairment losses, which represents its ECL in its loan portfolio.

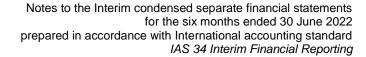
If there is evidence of impairment for any individually significant client of the Bank, such as a breach of contract, problems with repayments or collateral, the Bank transfers such a client to management of the Recovery Department for pursuing collection activities. Such clients exceeding significant thresholds (€ 500 thousand) are considered to be individually impaired. For collective impairment (other than individually significant client), the Bank uses historical evidence of impairment and forward-looking information on a portfolio basis, mainly based on the payment discipline of the clients.

Rules for identification of significant clients and methodology for calculation are set in the Credit Risk Charter or stated in the Provisioning Policy procedure.

The individual assessment of exposures is based on the detailed review and analysis of the borrower's situation, including the critical review of the following sources of information, without limitation to:

- The latest financial statements available (including consolidated ones, if any) accompanied by the report on operations and audit report, if any, as well as previous years' financial statements;
- Information on specific corporate events (e.g. extraordinary transactions);
- The current and forecast financial position and results, analysis of variances between forecasts and actuals;
- For borrowers belonging to economic groups, information on their internal and external relationships (to assess the risk of contamination or its deterioration);
- The list of bank relationships (credit lines/utilisation/transaction status):
- The customer's short- and medium-term plans and strategies supplemented by financial projections (at least three-year), the statement of expected cash flows, product analysis, sector and market studies, etc.;
- Any documentation by third-party experts on the reasons for the borrower's deterioration, and potential actions to reorganise the company and exit from the crisis;
- Updated business profiles from the Chamber of Commerce, Corporate Registry or equivalent, cadastral surveys concerning all debtors and guarantors;
- Nature and validity of the collaterals, appraisal for each asset, presence of mortgage/pledge registrations other than the Bank's;
- Latest and historical Credit Bureau reports.

The individual assessment, formulated analytically for each exposure, shall be based on the detailed and comprehensive review of all elements that are available.





Inputs, assumptions and techniques used for estimating impairment

Calculation of ECL on a collective basis is based on particular regulatory segment, exposure at default ('EAD'), probability of default ('PD'), loss given default ('LGD'), credit conversion factor ('CCF'). For each segment were developed models for such risk parameters. These models are regularly reviewed by development function, Department Internal Validation and Controls and Department Internal Audit.

The Bank identified the following portfolios: Retail – Consumer Loans, Retail – Overdrafts, Retail – Credit cards, Corporate – Small and Medium Enterprises ('SME'), Mortgage Loans, SME Retail, Large corporate above € 500 million turnover, Large corporate up to € 500 million turnover, Non-Banking Financial Institutions, Banks, Municipalities, Sovereigns and Public Sector Entities, Slotting models (for Special Purpose Vehicles ('SPV') and Real Estate Development ('RED')), Group of flat owners a models for former VUB subsidiaries (CFH Mortgage Loans, CFH Credit Cards, CFH Retail Other).

The methodology of risk parameters used by ECL calculation is compliant with the ISP Group methodology provided by Parent Company.

For PD models of the portfolios where the Bank uses internal models, the advanced approach is used. The modelling approach consists of the following steps:

- Creation of migration matrices using the internal ratings;
- Removal of macroeconomic effect from the migration matrices using the Merton formula;
- Creation of Through-the-cycle ('TTC') matrix computed as the average of the annual migration matrices
  obtained after the removal of the macroeconomic effect;
- Creation of the future Point-in-Time ('PIT') matrices obtained by conditioning the TTC matrix using Merton formula and forward looking information;
- Obtaining the final Lifetime PD vectors by multiplying the predicted PIT and TTC matrices adjusted by add-on for incorporation of various economic scenarios.

For LGD models of the portfolios where the Bank uses internal models, the modelling approach consists of the following steps:

- Calculation of nominal LGD values;
- Incorporation of forward looking information using coefficients calculated based on Path-generator issued by the European Banking Authority ('EBA');
- Obtaining the final LGD values by discounting the recovery rates using effective interest rate and average time to recovery.

For the portfolios, where it is unable to follow this approach (unavailability of internal model, low number of observations, low number of defaults, unavailability of macroeconomic model for the portfolio) the Bank follows a simplified approach, e.g. final values provided from the Parent Company, notching criteria, using the country rating and LGD, etc.

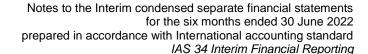
The counterparties with low number of observations and with low numbers of observed defaults, where it was unable to create reliable migration matrices or develop the macroeconomic satellite models for prediction of default rate, were defined as the Low default portfolio. The parameters for these portfolios are obtained from parent company.

EAD is calculated separately for amortizing and non-amortizing products. EAD for amortizing products is based on the repayment plans, while EAD for non-amortizing products is calculated using Credit Conversion Factor (CCF). Currently, the Bank uses CCF models only for Retail - Credit Cards and Retail - Overdrafts. For all other segments regulatory CCF values are used.

Days past due ('DPD') methodology

The Bank follows Guidelines on the application of the definition of default EBA/GL/2016/07 Days past due and default methodology and it is on obligor level. For the purpose of assessing the materiality of past-due credit obligations, the bank takes into account any amount of principal, interest or fee that has not been paid at the date it was due. In case of modifications of the schedule of credit obligations, the counting of days past due is based on the modified schedule of payments.

Where the credit arrangement explicitly allows the obligor to change the schedule, suspend or postpone the payments under certain conditions and the obligor acts within the rights granted in the contract, the bank does not consider changed, suspended or postponed instalments as past due and bases the counting of days past due on the new schedule once it is specified.





When the obligor changes due to an event such as a merger or acquisition of the obligor or any other similar transaction, the counting of days past due starts from the moment a different person or entity becomes obliged to pay the obligation. The counting of days past due is, instead, unaffected by a change in the obligor's name.

The assessment of the materiality of past due credit obligations is performed daily. The information about the days past due and default is up-to-date whenever it is being used for decision making, internal risk management, internal or external reporting and the own funds requirements calculation processes.

The calculation of days past due starts at the moment when the obligor-level overdue exposure breaches both absolute and relative thresholds. Materiality threshold is composed of both an absolute and a relative component according to the Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing the 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 absolute threshold is exceeded when:

## overdue exposure > absolute threshold

The absolute threshold refers to the sum of all past due amounts related to the credit obligations of the borrower towards the Bank. The absolute threshold is set to € 100 for retail exposures and € 500 for non-retail exposures.

The relative threshold is exceeded when:

overdue exposure/total obligor's on-balance sheet exposure > relative threshold

The relative threshold is defined as a percentage of a credit obligation past due in relation to the total on-balance-sheet exposures to the obligor excluding equity exposures. The relative threshold is set at the level of 1% for both retail and non-retail exposures.

# Staging methodology

According to the IFRS 9, paragraph 5.5.9 "At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument".

IFRS 9 introduced the three-stage approach based on changes in credit quality since initial recognition:

- Stage 1 includes financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date.

The Bank implemented internal rules using significant days past due, significant increase of PD, forbearance measures, early warning system, proactive credit management ('PCM') process, non-performing categories to assess correct stage for expected loss calculation. These indicators are described in more detail below.

The Bank's classification of exposures into the stages is based on the following criteria:

STAGE 1	STAGE 2	STAGE 3
Performing exposures with DPD less	Performing non-defaulted contracts	Non-performing Past Due
than 30	with more than 30 days past due	
	Forborne performing exposures	Non-performing Unlikely to Pay
	Performing exposures showing Early warning signals and PCM	Non-performing Doubtful
	Performing exposures with	
	significant increase in PD	



In general following rules are applied:

- At origination financial instruments are classified in Stage 1, except instruments which are credit-impaired at the date of acquisition, which are classified in the relevant stage;
- If there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

As at 30 June 2022 and 30 June 2021 the Bank did not classify any financial assets as Purchased or Originated Credit Impaired ('POCI').

# Stage 2 criterion: Performing exposures with more than 30 past due days

According to IFRS 9 Principle par. 5.5.11: '...there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.' To comply with this requirement the Bank adopts a days past due criterion according to the Days past due methodology described above.

# Stage 2 criterion: Forborne performing exposures

Forborne status for performing exposures is identified as another criterion of credit deterioration since it represents concessions towards a client facing or about to face difficulties in meeting its financial commitments. Forborne performing exposures represent Forborne performing (originally) and Forborne performing stemming from Non-performing. The minimum probation period for these contracts is 24 months, after this period the contract might migrate to Stage 1 if it meets exit criteria from Forborne classification (for example there is not more than 30 DPD, contract is Performing or counterparty has repaid more than significant amount of its debt since entering to Forborne).

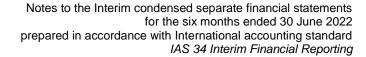
## Stage 2 criterion: Performing exposures showing early warning signals and proactive credit management

Exposures with active Early Warning Signals ('EWS') and clients reported on PCM are classified in Stage 2 since they can be considered as exposures that have deteriorated significantly in credit quality since their recognition. Similarly to forborne status, identification and application of EWS follow the rules defined by the Bank. For IFRS 9 purposes, exposures with orange, red, light blue and dark blue EWS should be classified into Stage 2.

Early warning system performs regular monitoring of corporate clients portfolio; their risk assessment based on predefined criteria, grouped into 6 particular triggers families (Asset Quality Review Fatal indicators, Additional Asset Quality Review indicators, Client Missing Payments, Handling Account, Balance Sheet, and Client Management). Level of the riskiness for every particular detected case is expressed by the final EWS "traffic lights" as follows:

Traffic light	Meaning	Related action
Dark blue	Harder severity signals	Classification to NPL
	Fast Track activation	
Light blue	Very high intensity signals	Impairment proposal
	Fast Track activation	Classification proposal
Red	High intensity signals	Proactive management
Orange	Medium intensity signals	Proactive management
Dark green	Low intensity signals	Anomaly check
-		(e.g. rating update)
Light Green	No negative signals	-

Once the counterparty is detected automatically by EWS or manually by the Proactive credit management ('PCM') team with risk severity HIGH and the respective deliberative body decides about inclusion of the counterparty in the PCM perimeter, the counterparty is flagged as PCM. The flag PCM is deactivated when the counterparty is excluded to full performing portfolio (Stage 1) or non-performing portfolio (Stage 3).





# Stage 2 criterion: Performing exposures with significant increase in PD

A significant increase of PD between origination (or initial recognition) and reporting date is used as indicator of credit quality deterioration according to the IFRS 9 principle par. 5.5.9: 'At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument.' PD at origination is used solely for the purposes of staging.

This criterion is applied for all the portfolios. The thresholds for each portfolio can vary. In order to assess whether credit risk has increased significantly since the origination, it is necessary to compare Lifetime PD between origination and reporting date.

This criterion is set individually for each portfolio however the main features of the methodology are common.

According to the methodology, the comparison should be performed between:

- PD<sub>origination</sub> the lifetime PD over the residual maturity related to the rating to which the instrument belonged at the origination (if some other risk drivers e.g. year of life are used in addition to the rating, the values as of the reporting date are taken) and
- PD<sub>reporting</sub> the lifetime PD over the residual maturity related to the rating to which the instrument belongs at the reporting date.

The relative change of the lifetime PD is calculated as  $PD_{reporting}/PD_{origination}$  - 1. If this relative change is greater than the set PD threshold then the exposure should be classified to the stage 2.

The proper setting of PD threshold is the core of this criterion. The Group methodology states the PD threshold could be different based on portfolio/model, residual maturity, rating class or other potential drivers. Indeed, the cumulative PDs and their relative differences (between some two rating grades) are changing very swiftly with increasing residual maturity. That's why the one common threshold for all maturities would not lead to proper staging. The differentiation of thresholds between rating classes is important, too – generally, the worse rating leads to the lower threshold.

# Stage 3 criterion

Stage 3 financial assets are considered credit impaired. It is when one or more events that have a detrimental impact on the estimated future cash flows have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be creditimpaired unless there is evidence that the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.



# Staging criteria for debt securities

Staging process for bonds is performed in parallel to the staging of loans. The criteria used to assess whether the credit quality of the bond has deteriorated significantly since origination is Lifetime PDs comparison.

The following criteria are approved for each stage for debt securities:

STAGE 1	STAGE 2	STAGE 3
Bonds with no significant credit	Bonds with significant increase in PD	Defaulted bonds
quality deterioration	since origination	
Investment grade bonds (Low Credit	-	
Risk Exemption rule valid only for		
FVOCI Bonds for First Time		
Adoption of IFRS 9 ('FTA'))		

In addition to the above-mentioned criteria, the following rules should be followed for Stage Assignment:

- at origination financial instruments are classified in Stage 1;
- if there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

## Staging criteria for Low Default Portfolio and Intragroup exposures

Low Default Portfolio consists of exposures with the following parties:

- Sovereign (Central Banks, Governments, Municipalities, Public Sector Entities);
- Institutions (Banks, and Other Non-banking Financial Institutions);
- Large Corporate (Corporate with turnover more than € 500 million).

Intragroup exposures are exposures with the following parties:

- Parent Company;
- Bank's own subsidiaries;
- Other ISP Group subsidiaries.

Given their particular nature (exposures are within own bank group with low risk profile), intragroup transactions are always classified as Stage 1 with a 12-months ECL.

Since the models for Low Default Portfolio were developed by the Parent Company the staging rules for Low Default Portfolio and Intragroup exposures are set by the Parent Company for loans and bonds and valid at ISP Group level. Exposures are classified to Stage 2 based on the significant increase of the credit risk criterion measured by Lifetime PD comparison. This criterion for Low Default Portfolio is defined based on the specific rating and residual maturity of exposure. Thresholds are provided by the Parent Company. The thresholds are applied in the same way as described above in Stage 2 criterion: Performing exposures with significant increase in PD.

## **Expected credit loss calculation**

Stage 1

The Expected Loss for exposures in Stage 1 is calculated as:

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

where:

- PD<sub>12m</sub> = 1 year prediction PD estimated at time 0 (time 0 is the reporting date);
- LGD<sub>12m</sub> = percentage of loss in case of default, estimated at time 0;
- EAD<sub>12m</sub> = exposure at default, estimated at the beginning of the observation period.

In the calculation of Expected Credit Loss for positions expiring during the first year, in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD can be adjusted as follows:

$$PD_n = 1 - \sqrt[12/n]{1 - PD_{1year}}$$

where n is the number of months to maturity.



For the transactions without a maturity date, it is assumed that they are subjected to annual review and their maturity is assumed to be equal to one year.

#### Stage 2

The formula of Lifetime Expected Loss, calculated considering the residual maturity with respect to the reporting date, is summarized as follows:

For exposures with remaining maturity less than or equal to one year (see Stage 1):

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

For exposures with remaining maturity greater than one year:

$$EL_{lifetime} = \sum_{t=1}^{M} \frac{EAD_t \times (PD_t - PD_{t-1}) \times LGD_t}{(1 + EIR)^{t-1}}$$

#### where:

- PDt is cumulative PD estimated between time 0 and time t (time 0 is the reporting date, time t is the number of years till maturity):
- LGDt is percentage of loss in case of default, estimated at time t,
- EADt is exposure at default, estimated at the beginning of the year t,
- EIR is Effective Interest Rate;
- M is residual maturity in years.

To illustrate the application of formula 2 for ECL calculation for exposures in Stage 2 with residual maturity of three years, the following example is provided:

$$EL_{lifetime} = EAD_{1} \times PD_{1} \times LGD_{1} + \frac{EAD_{2} \times (PD_{2} - PD_{1}) \times LGD_{2}}{(1 + EIR)^{1}} + \frac{EAD_{3} \times (PD_{3} - PD_{2}) \times LGD_{3}}{(1 + EIR)^{2}}$$

## where:

- EAD1, EAD2, EAD3 are exposure at default at the beginning of each residual year;
- PD<sub>1</sub> is probability that exposure enters in default during the first year of residual maturity;
- PD<sub>2</sub> PD<sub>1</sub> is marginal Lifetime PD that represents the probability that exposure enters in default during its second year of residual maturity;
- PD<sub>3</sub> PD<sub>2</sub> is marginal Lifetime PD that represents the probability that exposure enters in default during its third
  year of residual maturity;
- LGD<sub>1</sub>, LGD<sub>2</sub>, LGD<sub>3</sub> is percentage of loss in case of default of each residual year;
- EIR is Effective Interest Rate.

In the calculation of Expected Credit Loss for position expiring during the first year in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD should be adjusted.

For the transactions without a maturity date, it is assumed that they are subjected to annual review and their maturity is assumed to be equal to one year.

Additionally, for cases when residual maturity is a fraction of years, the Bank can choose to use the maturity as follows:

- When the portion of residual maturity that exceeds the year is greater than six months, the maturity will be rounded to the year immediately after;
- When the portion of residual maturity that exceeds the year is equal or lower than six months, the maturity will be rounded to the previous year.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

Stage 3

The Bank decided to determine the provision for Non Performing exposures (transactions in Stage 3) including an Addon, which estimation is based on forward looking elements, increasing the current level of coverage on NPLs.

The calculation of provision on Stage 3 exposures is based on the following formula:

$$EL_{Stage3} = PCBS * (1 + Add-on_{Performing})$$

## where:

- PCBS is the provision calculated based on scenarios determined by the Bank on NPLs;
- Add-on<sub>Performing</sub> is calculated as the average of Add-ons estimated for performing Lifetime LGD obtained with Best, Most-likely and Worst scenarios from scenarios given by EBA coefficients for corresponding segments.

## Incorporation of forward-looking information

The Bank incorporates forward-looking information by using the Base scenario from the internal satellite models or the Baseline stress test coefficients, which are obtained from EBA Path-generator. Other scenarios are incorporated in the form of "add-on". Add-on is calculated as a combination of final PD or LGD values calculated for all three scenarios for 3 upcoming years.

The Bank uses internally developed satellite models for the prediction of default rate for various segments. These models are based on relevant macroeconomic variables such as for instance gross domestic product ('GDP'), unemployment rate ('UR'), consumer prices index, EURIBOR. The development of these models contains the model for the base scenario as well as the models for the other scenarios, which are used to calculate the add-on. This approach is used for most of the PD models.

The Bank uses also the stress test coefficients, which are the result of EBA Path-generator for stress testing. As the result we get the coefficients only for Adverse and Baseline scenario and therefore the Best coefficient is calculated additionally based on these two scenarios. The scenarios are then used for the calculation of the add-on. Using the EBA coefficients is characteristic for LGD models. Moreover, a similar approach is used for the calculation of add-on for the exposures in stage 3.

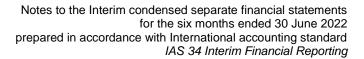
The satellite models for prediction of default rates are also used for other purpose such as stress testing. The base scenario represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out recalibration of the satellite models.

The Bank identified risk drivers which are the main inputs for the models for each portfolio. The relevant drivers were selected to obtain the final models for each portfolio. The economic scenarios used the following ranges of the inputs for the quarters of years 2022, 2023 and 2024 by the satellite model application in 2021. The inputs were updated by parent company and Research department in October 2021.



	•	GDP, stant pric change)	•	(Labou	ployment r Force S urvey, %	ample	(quar	ner prices terly aver change)	age,	_	RIBOR 3	
	Base scena- rio	Best scena- rio	Worst scena- rio	Base scena- rio	Best scena- rio	Worst scena- rio	Base scena- rio	Best scena- rio	Worst scena- rio	Base scena- rio	Best scena- rio	Worst scena- rio
1Q												
2022 2Q	6,20	7,55	4,70	6,80	6,50	7,40	4,30	4,50	3,80	(0,55)	(0,55)	(0,55)
2022 3Q	5,40	6,75	3,90	6,80	6,40	7,30	3,70	3,90	3,20	(0,55)	(0,55)	(0,55)
2022 4Q	4,30	5,65	2,80	6,70	6,40	7,30	3,00	3,20	2,50	(0,54)	(0,54)	(0,54)
2022 1Q	4,20	5,55	2,70	6,70	6,30	7,20	2,60	2,80	2,10	(0,54)	(0,54)	(0,54)
2023 2Q	4,01	5,11	2,71	6,60	6,20	7,10	2,40	2,60	2,10	(0,54)	(0,54)	(0,54)
2023 3Q	3,82	4,92	2,52	6,60	6,20	7,00	2,40	2,60	2,10	(0,53)	(0,53)	(0,53)
2023 4Q	3,90	5,00	2,60	6,50	6,20	7,00	2,60	2,70	2,20	(0,52)	(0,39)	(0,52)
2023 1Q	4,28	5,38	2,98	6,50	6,10	6,90	2,20	2,30	2,00	(0,52)	(0,27)	(0,52)
2024 2Q	2,93	3,73	1,58	6,40	6,00	6,90	2,10	2,20	2,00	(0,49)	(0,24)	(0,49)
2024 3Q	2,24	3,04	0,89	6,40	6,00	6,80	2,10	2,20	2,00	(0,47)	(0,10)	(0,47)
2024 4Q	1,63	2,43	0,28	6,30	6,00	6,70	2,10	2,20	2,00	(0,47)	(0,03)	(0,47)
2024	1,00	1,80	(0,35)	6,20	5,90	6,60	2,00	2,10	2,00	(0,40)	(0,19)	(0,43)

Predicted relationships between the relevant drivers and default rates for various segments have been developed based on analysing historical data over the past seven to thirteen years.





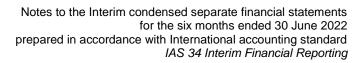
The split of the stage 1 credit portfolio to individually and portfolio assessed is shown below:

	Po	ortfolio assesse	d	Individually assessed		
June 2022 € '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC: Due from other banks Due from customers: Public administration Corporate Retail	1 765 641 202 716 5 731 410 9 901 289 15 835 415	(17) (1 596) (27 463) (20 064) (49 123)	1 765 624 201 120 5 703 947 9 881 225 15 786 292	- - - - -	- - - - -	- - - -
	17 601 056	(49 140)	17 551 916			-
Financial assets at FVOCI – debt securities	1 485 798	(296)	1 485 502	-	-	-
Financial commitments and contingencies	5 673 711	(4 771)	5 668 940	-	-	-



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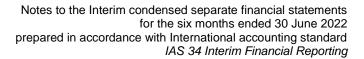
	Po	ortfolio assessed	Individually assessed			
December 2021 € '000	Gross amount	Impairment Iosses	Net amount	Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC:  Due from other banks  Due from customers:	1 818 772	(90)	1 818 682	-	-	-
Public administration	197 988	(1 594)	196 394	-	-	-
Corporate	5 581 214	(27 711)	5 553 503	-	-	-
Retail	9 583 400	(7 492)	9 575 908			
	15 362 602	(36 797)	15 325 805			
	197 988	(1 594)	196 394			
Financial assets at FVOCI – debt securities	1 664 143	(329)	1 663 814	-	-	-
Financial commitments and contingencies	5 428 578	(4 847)	5 423 731	-	-	-





The split of the stage 2 credit portfolio to individually and portfolio assessed is shown below:

	Portfolio assessed				Individually assessed		
June 2022	Gross	Impairment	Net	Gross	Impairment	Net	
€ '000	amount	losses	amount	amount	losses	amount	
Stage 2							
Financial assets at AC: Due from other banks: Due from customers:	80 846	(241)	80 605	-	-	-	
Public administration	6 881	(252)	6 629	-	-	-	
Corporate	596 414	(23 233)	573 181	-	-	-	
Retail	575 381	(34 665)	540 716			-	
	1 178 676	(58 150)	1 120 526		<u>-</u>	-	
	1 259 522	(58 391)	1 201 131			-	
Financial commitments and contingencies	96 141	(4 897)	91 244	-	-	-	
	Po	ortfolio assesseo	1	Indi	vidually assessed	1	
December 2021 € '000	Po Gross amount	ortfolio assessed Impairment Iosses	l Net amount	Indi Gross amount	vidually assessed Impairment losses	d Net amount	
	Gross	Impairment	Net	Gross	Impairment	Net	
€ '000	Gross	Impairment	Net	Gross	Impairment	Net	
€ '000  Stage 2  Financial assets at AC:  Due from other banks:	Gross amount	Impairment losses	Net amount	Gross	Impairment	Net	
€ '000  Stage 2  Financial assets at AC:    Due from other banks:    Due from customers:     Public administration     Corporate	701 7 426 309 594	(19) (288) (11 946)	Net amount 682 7 138 297 648	Gross	Impairment	Net	
€ '000  Stage 2  Financial assets at AC:   Due from other banks:   Due from customers:   Public administration	Gross amount 701 7 426	Impairment losses (19) (288)	Net amount 682 7 138	Gross	Impairment	Net	
€ '000  Stage 2  Financial assets at AC:    Due from other banks:    Due from customers:     Public administration     Corporate	701 7 426 309 594	(19) (288) (11 946)	Net amount 682 7 138 297 648	Gross	Impairment	Net	
€ '000  Stage 2  Financial assets at AC:    Due from other banks:    Due from customers:     Public administration     Corporate	701 7 426 309 594 567 266	(19) (288) (11 946) (32 939)	Net amount 682 7 138 297 648 534 327	Gross	Impairment	Net	





The split of the stage 3 credit portfolio to individually and portfolio assessed is shown below:

June 2022 € '000	Po Gross amount	ortfolio assessed Impairment Iosses	Net amount	Indi Gross amount	ividually assessed Impairment Iosses	Net amount
Stage 3						
Financial assets at AC: Due from customers:	0.407	(5.047)	2.550	74.200	(40,050)	25 745
Corporate Retail	9 467 245 757	(5 917) (182 645)	3 550 63 112	74 368 5 196	(48 653) (3 979)	25 715 1 217
	255 224	(188 562)	66 662	79 564	(52 632)	26 932
	255 224	(188 562)	66 662	79 564	(52 632)	26 932
Financial commitments and contingencies	5 956	(1 912)	4 044	16 051	(4 950)	11 101
	Po	ortfolio assessed		Indi	ividually assessed	
December 2021 € '000	Po Gross amount	ortfolio assessed Impairment Iosses	Net amount	Indi Gross amount	ividually assessed Impairment Iosses	Net amount
	Gross	Impairment		Gross	Impairment	
€ '000  Stage 3  Financial assets at AC:	Gross	Impairment		Gross	Impairment	
€ '000 Stage 3	Gross	Impairment		Gross	Impairment	
€ '000  Stage 3  Financial assets at AC:    Due from customers:    Corporate	Gross amount 5 600	Impairment losses (3 697)	amount 1 903	Gross amount 63 044	Impairment losses (39 940)	amount 23 104
€ '000  Stage 3  Financial assets at AC:    Due from customers:    Corporate	Gross amount 5 600 246 629	(3 697) (180 799)	1 903 65 830	Gross amount 63 044 3 356	(39 940) (2 664)	23 104 692



# 4.1.3. Non-performing loan classification

The Bank considers a financial asset to be in Non-performing status in compliance with the Commission's Implementing Regulation (EU) No 680/2014 and its further amendments (Implementing Technical Standards, 'ITS') when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligations to the Bank.

The Bank uses the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project was driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the ISP Group. The definition of non-performing loans, which comprise three classification categories (past due, unlikely to pay, doubtful), is based on delinquency (days past due) and judgemental criteria for the categories doubtful and unlikely to pay. In case of the past due category, DPD and materiality thresholds of borrower are taken into account.

The description of the classification categories of loans is as follows:

Classification category	Description
Doubtful	Exposures to borrowers being in a state of insolvency (although not yet legally) or in a de facto equivalent status, regardless of any loss forecasts made by the Bank.
Unlikely to pay	Exposures to borrowers assessed as improbable to thoroughly meet their credit obligations without recourse to actions such as the enforcement of guarantees/collateral.
Past due	Exposures other than those classified as doubtful or unlikely to pay that, as at the reporting date, are past due (DPD methodology above) for over 90 days
Performing	All exposures that are not classified as doubtful, unlikely to pay or past due.

For category **Unlikely to pay** are taken into account qualitative indicators such as:

- Borrowers facing difficulties in meeting payment obligations in a timely manner (thus exposed to their creditors' tolerance), despite the confident expectation of positive future operating cash flows;
- Borrowers under negotiations with the Bank for defining an out of Court restructuring/ settlement agreement;
- Borrowers which signed out of Court restructuring/settlement agreements and that are regularly servicing their financial obligations
- Borrowers whose credit quality indicators significantly worsened and where future cash flows are not expected
  to fully service the debt toward the Bank;
- Serious difficulties in borrower's business (additional equity required, liquidity seriously stretched)

For category **Doubtful** are taken into account qualitative indicators such as:

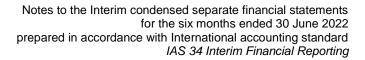
- If the borrower is under voluntary dissolution or under any legally binding liquidation, without possibility to operate on 'going concern basis';
- If the Court already ordered the legal liquidation, even if the borrower's operations are not suspended under the legal procedures;
- If according to any public Registry or by Court order the borrower ceases to exist as legal entity;
- If the borrower has been registered (has to be registered) on the Fraud/Black List;
- Borrowers which expected cash flows will not be generated from the borrowers' operations, but from the enforcement of collateral/ guarantees ('gone concern' approach);
- Borrowers (typically, Individuals) against whom the Bank initiates receivership or enforcement proceedings.

Non-performing status is carried out at borrower level following the united rules of the Parent Company.



The following table describes the Bank's credit portfolio in terms of classification categories:

June 2022 € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from other banks				
	Performing	1 846 487	(258)	1 846 229
Due from customers: Public administration				
	Performing	209 597	(1 848)	207 749
Corporate				
	Performing Past due	6 327 824 3 338	(50 696) (681)	6 277 128 2 657
	Unlikely to pay	40 518	(17 104)	23 414
	Doubtful	39 979	(36 785)	3 194
		6 411 659	(105 266)	6 306 393
Retail				
	Performing	10 476 670	(54 729)	10 421 941
	Past due	41 651	(25 056)	16 595
	Unlikely to pay Doubtful	35 902 173 400	(25 257) (136 311)	10 645 37 089
	Doublidi	10 727 623	(241 353)	10 486 270
		17 348 879	(348 467)	17 000 412
		19 195 366	(348 725)	18 846 641
Financial assets at FVOCI – debt securities				
Financial assets at FVOCI – dept securities	Performing	1 485 798	(296)	1 485 502
Financial commitments and contingencies				
	Performing	5 769 852	(9 668)	5 760 184
	Past due Unlikely to pay	2 767 15 222	(608) (4 200)	2 159 11 022
	Doubtful	4 018	(2 054)	1 964
		5 791 859	(16 530)	5 775 329



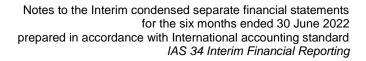


December 2021 € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from other banks	Performing	1 819 473	(109)	1 819 364
	renoming	1019473	(109)	1019304
Due from customers: Public administration	Derferenien	005 444	(4.000)	000 500
	Performing	205 414	(1 882)	203 532
Corporate				
	Performing Past due	5 890 808 179	(39 657)	5 851 151 89
	Unlikely to pay	33 938	(90) (15 293)	18 645
	Doubtful	34 527	(28 254)	6 273
		5 959 452	(83 294)	5 876 158
Retail				
	Performing	10 150 666	(40 431)	10 110 235
	Past due	28 266	(15 426)	12 840
	Unlikely to pay Doubtful	31 266 190 453	(20 974) (147 063)	10 292 43 390
	Doubliui	10 400 651	(223 894)	10 176 757
		16 565 517	(309 070)	16 256 447
		18 384 990	(309 179)	18 075 811
Financial assets at FVOCI – debt securities				
Timanolar assets at 1 voor – debt securities	Performing	1 664 143	(329)	1 663 814
Financial commitments and contingencies				
	Performing	5 614 456	(11 530)	5 602 926
	Past due	1 342	(4)	1 338
	Unlikely to pay	16 500 5 134	(4 266)	12 234
	Doubtful	5 134	(4 435)	699
		5 637 432	(20 235)	5 617 197



The following table shows the Bank's credit portfolio in terms of delinquency of payments:

June 2022 € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from other banks			
No delinquency 1 – 30 days	1 845 531 956	(238) (20)	1 845 293 936
. 33 44,0	1 846 487	(258)	1 846 229
Due from customers: Public administration			
No delinquency 1 – 30 days	209 188 350	(1 847)	207 341 350
31 – 60 days	59	(1)	58
	209 597	(1 848)	207 749
Corporate			
No delinquency	6 332 920	(64 281)	6 268 639
1 – 30 days	29 371	(1 624)	27 747
31 – 60 days 61 – 90 days	4 328 788	(738) (252)	3 590 536
91 – 180 days	6 604	(3 692)	2 912
Over 180 days	37 648	(34 679)	2 969
	6 411 659	(105 266)	6 306 393
Retail			
No delinquency	10 450 646	(72 627)	10 378 019
1 – 30 days	70 123	(10 716)	59 407
31 – 60 days 61 – 90 days	14 307 8 867	(3 618) (2 421)	10 689 6 446
91 – 180 days	24 197	(18 803)	5 394
Over 180 days	159 483	(133 168)	26 315
	10 727 623	(241 353)	10 486 270
	17 348 879	(348 467)	17 000 412
	19 195 366	(348 725)	18 846 641
Financial assets at FVOCI - debt securities		(0.0.7)	
No delinquency	1 485 798	(296)	1 485 502
Financial commitments and contingencies  No delinquency	5 791 859	(16 530)	5 775 329



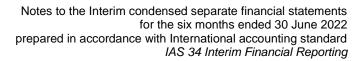


December 2021 € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from other banks No delinquency	1 819 473	(109)	1 819 364
Due from customers: Public administration No delinquency 1 – 30 days 31 – 60 days	204 832 487 95 205 414	(1 881) (1) —————————————————————————————————	202 951 486 95 203 532
Corporate No delinquency 1 – 30 days 31 – 60 days 61 – 90 days 91 – 180 days Over 180 days	5 910 133 11 829 2 109 190 2 490 32 701 5 959 452	(54 366) (38) (212) (97) (2 110) (26 471) (83 294)	5 855 767 11 791 1 897 93 380 6 230 5 876 158
Retail No delinquency 1 – 30 days 31 – 60 days 61 – 90 days 91 – 180 days Over 180 days	10 142 759 53 915 10 363 6 807 15 265 171 542 10 400 651 16 565 517 18 384 990	(57 859) (9 224) (2 675) (1 955) (11 778) (140 403) (223 894) (309 070) (309 179)	10 084 900 44 691 7 688 4 852 3 487 31 139 10 176 757 16 256 447 18 075 811
Financial assets at FVOCI - debt securities No delinquency	1 664 143	(329)	1 663 814
Financial commitments and contingencies No delinquency	5 637 432	(20 235)	5 617 197



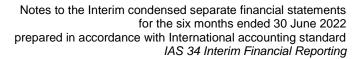
The table below shows the credit quality by class of assets for all financial assets exposed to credit risk. Past due but not individually impaired financial assets are more than one day overdue.

June 2022 € '000	Gross amount	Stage 1 Impairment Iosses	Net amount	Gross amount	Stage 2 Impairment losses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from other banks	1 765 641	(17)	1 765 624	80 846	(241)	80 605	-	-	-
Due from customers: Public administration									
Single Resolution Fund State administration Municipalities	100 240 102 091 385	(731) (864) (1)	99 509 101 227 384	6 881 -	(252) -	6 629 -		-	- -
	202 716	(1 596)	201 120	6 881	(252)	6 629	-	-	-
Corporate									
Large Corporates  Large Corporates –	2 310 492	(1 367)	2 309 125	300 596	(10 927)	289 669	232	(213)	19
debt securities	116 184	(73)	116 111	27 544	(591)	26 953	-	-	-
Specialized Lending	869 284	(23 212)	846 072	30 115	(7 050)	23 065	5 275	(4 473)	802
SME Other Non-banking	1 626 115	(2 576)	1 623 539	222 816	(4 662)	218 154	75 357	(48 731)	26 626
Financial Institutions Other Non-banking Financial Institutions -	426 687	(116)	426 571	2	-	2	-	-	-
debt securities	217 631	(56)	217 575	-	-	-	-	-	-
Public Sector Entities	4 199	(1)	4 198	484	-	484	1	-	1
Factoring	160 818	(62)	<u>160 756</u>	14 857	(3)	14 854	2 970	(1 153)	1 817
	5 731 410	(27 463)	5 703 947	596 414	(23 233)	573 181	83 835	(54 570)	29 265



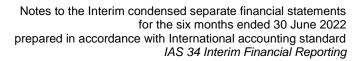


June 2022 € '000	Gross amount	Stage 1 Impairment losses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from customers: Retail									
Small Business Small Business - Leasing Consumer Loans Mortgages Credit Cards Overdrafts Leasing Flat Owners Associations	363 028 29 925 1 006 623 8 346 657 71 875 39 538 4 447 39 195	(8 973) (194) (9 108) (997) (130) (313) (21) (327)	354 055 29 731 997 515 8 345 660 71 745 39 225 4 426 38 868	137 391 9 340 166 926 233 310 8 392 19 919 103	(9 542) (436) (17 141) (5 996) (698) (840) (11)	127 849 8 904 149 785 227 314 7 694 19 079 92	28 876 4 674 127 345 71 799 12 018 6 217 25	(21 236) (3 238) (107 318) (37 655) (11 465) (5 694) (20)	7 640 1 436 20 027 34 144 553 523 5
	9 901 288 15 835 414 17 601 055	(20 063) (49 122) (49 139)	9 881 225 15 786 292 17 551 916	575 381 1 178 676 1 259 522	(34 664) (58 149) (58 390)	540 717 1 120 527 1 201 132	250 954 334 789 334 789	(186 626) (241 196) (241 196)	93 593 93 593
Financial assets at FVOCI – debt securities  Financial commitments and	1 485 798	(296)	1 485 502	-	-	-		-	
contingencies	5 673 711	(4 771)	5 668 940	96 141	(4 897)	91 244	22 007	(6 862)	15 145





December 2021 € '000	Gross amount	Stage 1 Impairment Iosses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment Iosses	Net amount
Financial assets at AC: Due from other banks	1 818 772	(90)	1 818 682	701	(19)	682	_	_	_
Due from customers: Public administration State administration Municipalities	95 147 102 841	(676) (918)	94 471 101 923	- 7 426	_ (288)	- 7 138	<u>-</u>	_ _	_
Walliopalitioo	197 988	(1 594)	196 394	7 426	(288)	7 138	_		
Corporate Large Corporates Large Corporates – debt securities Specialized Lending SME Other Non-banking Financial Institutions Other Non-banking Financial Institutions -	2 507 423 102 402 816 417 1 260 582 565 614	(1 302) (97) (24 139) (1 956) (97)	2 506 121 102 305 792 278 1 258 626 565 517	48 005 - 49 253 208 898 -	(231) - (7 041) (4 668)	47 774 - 42 212 204 230 -	249 - 4 983 60 491 -	(144) - (3 862) (38 504)	105 - 1 121 21 987 -
debt securities Public Sector Entities Factoring	183 154 2 938 142 685 5 581 215	(65) (1) (54) (27 711)	183 089 2 937 142 631 5 553 504	500 2 937 309 593	(6) (11 946)	500 2 931 297 647	2 921 68 644	(1 127) (43 637)	1 794 25 007



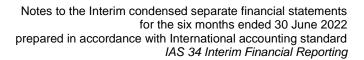


December 2021 € '000	Gross amount	Stage 1 Impairment losses	Net amount	Gross amount	Stage 2 Impairment losses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from customers: Retail									
Small Business	195 070	(1 413)	193 657	104 424	(6 680)	97 744	13 168	(9 982)	3 186
Consumer Loans	957 740	(4 583)	953 157	180 710	(18 557)	162 153	137 497	(112 894)	24 603
Mortgages	8 284 452	(706)	8 283 745	252 409	(6 080)	246 329	77 054	(40 429)	36 625
Credit Cards	67 796	(156)	67 640	9 345	(775)	8 570	15 478	(14 238)	1 240 868
Overdrafts	39 867	(312)	39 554	20 379	(847)	19 532	6 788	(5 920)	000
Flat Owners Associations	38 474	(321)	38 153						
	9 583 399	(7 492)	9 575 907	567 267	(32 939)	534 328	249 985	(183 463)	66 522
	15 362 602	(36 797)	15 325 805	884 286	(45 173)	839 113	318 629	(227 100)	91 529
	17 181 374	(36 887)	17 144 487	884 987	(45 192)	839 795	318 629	(227 100)	91 529
Financial assets at FVOCI – debt securities	1 664 143	(329)	1 663 814	_	_	-	_	_	_
Financial commitments and contingencies	5 428 578	(4 847)	5 423 731	185 878	(6 683)	179 195	22 976	(8 705)	14 271



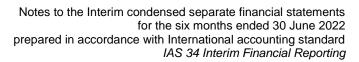
The table below shows the three-stage approach based on changes in credit quality by days past due for all financial assets exposed to credit risk.

June 2022 € '000	Gross amount	Stage 1 Impairment Iosses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from other banks No delinquency	1 764 685	3	1 764 688	80 846	(241)	80 605			
1 – 30 days	956	(20)	936	-	(241)	-	<u> </u>		
	1 765 641	(17)	1 765 624	80 846	(241)	80 605	-	-	-
Due from customers: Public administration									
No delinquency	202 366 350	(1 596)	200 770 350	6 822	(251)	6 571	-	-	-
1 – 30 days 31 – 60 days				59	(1)_	<u>58</u>	<u>-</u>		
	202 716	(1 596)	201 120	6 881	(252)	6 629	-	-	-
Corporate									
No delinquency	5 711 854	(27 353)	5 684 501	584 112	(23 039)	561 073	36 954	(13 889)	23 065
1 – 30 days	18 751	(97)	18 654	8 563	(167)	8 396	2 057	(1 360)	697
31 – 60 days	-	-	-	3 463	(27)	3 436	865	(711)	154
61 – 90 days	-	-	-	276	-	276	512	(252)	260
91 – 180 days	1	· •	1	-	-	-	6 603	(3 692)	2 911
Over 180 days	804	(13)	791				36 844	(34 666)	2 178
	5 731 410	(27 463)	5 703 947	596 414	(23 233)	573 181	83 835	(54 570)	29 265



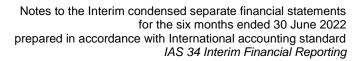


June 2022 € '000	Gross amount	Stage 1 Impairment losses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from customers: Retail									
No delinquency	9 881 117	(19 345)	9 861 772	520 965	(27 348)	493 617	48 564	(25 934)	22 630
1 – 30 days	20 169	(718)	19 451	38 002	(4 551)	33 451	11 952	(5 447)	6 505
31 – 60 days	-	-	-	9 891	(1 605)	8 286	4 416	(2 013)	2 403
61 – 90 days	_	-	-	6 523	(1 160)	5 363	2 344	(1 261)	1 083
91 – 180 days	2	-	2	-	-	-	24 195	(18 803)	5 392
Over 180 days	-						159 483	(133 168)	26 315
	9 901 288	(20 063)	9 881 225	575 381	(34 664)	540 717	250 954	(186 626)	64 328
	15 835 414	(49 122)	15 786 292	1 178 676	(58 149)	1 120 527	334 789	(241 196)	93 593
	17 601 055	(49 139)	<u>17 551 916</u>	1 259 522	(58 390)	1 201 132	334 789	(241 196)	93 593
Financial assets at FVOCI – debt securities No delinquency	1 485 798	(296)	1 485 502	-	-	-	-	-	_
Financial commitments and contingencies		·			(4)			<b>(</b> )	
No delinquency	5 673 711	(4 771)	5 668 940	96 141	(4 897)	91 244	22 007	(6 862)	15 145





December 2021 € '000	Gross amount	Stage 1 Impairment Iosses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment losses	Net amount
Financial assets at AC: Due from other banks No delinquency	1 818 772	(90)	1 818 682	701	(19)	682	-	-	-
Due from customers: Public administration									
No delinquency	197 501	(1 593)	195 908	7 331	(288)	7 043	_	_	_
1 – 30 days	487	(1)	486	_	_	_	_	_	_
31 – 60 days			<u> </u>	95		95			
	197 988	(1 594)	196 394	7 426	(288)	7 138	_	_	_
Corporate									
No delinquency	5 571 934	(27 700)	5 544 234	305 477	(11 897)	293 580	32 722	(14 769)	17 953
1 – 30 days	8 679	(8)	8 671	3 150	(30)	3 120	-	-	-
31 – 60 days	2	_	2	966	(19)	947	1 141	(193)	948
61 – 90 days	-	_	_	_	_	_	190	(97)	93
91 – 180 days	-	_	_	_	_	_	2 490	(2 110)	380
Over 180 days	600	(3)	597			<u> </u>	32 101	(26 468)	5 633
	5 581 215	(27 711)	5 553 504	309 593	(11 946)	297 647	68 644	(43 637)	25 007





December 2021 € '000	Gross amount	Stage 1 Impairment losses	Net amount	Gross amount	Stage 2 Impairment Iosses	Net amount	Gross amount	Stage 3 Impairment Iosses	Net amount
Financial assets at AC: Due from customers: Retail									
No delinquency	9 573 304	(7 245)	9 566 059	522 118	(26 498)	495 620	47 337	(24 116)	23 221
1 – 30 days	10 095	(247)	9 848	33 424	(4 333)	29 091	10 396	(4 644)	5 752
31 – 60 days 61 – 90 days	-	-	-	7 168 4 557	(1 213) (895)	5 955 3 662	3 195 2 250	(1 462) (1 060)	1 733 1 190
91 – 180 days	-	-	-	- 557	(033)	-	15 265	(1 778)	3 487
Over 180 days	<u> </u>						171 542	(140 403)	31 139
	9 583 399	(7 492)	9 575 907	567 267	(32 939)	534 328	249 985	(183 463)	66 522
	15 362 602	(36 797)	15 325 805	884 286	(45 173)	839 113	318 629	(227 100)	91 529
	17 181 374	(36 887)	17 144 487	884 987	(45 192)	839 795	318 629	(227 100)	91 529
Financial assets at FVOCI – debt securities No delinquency	1 664 143	(329)	1 663 814	_	_	_	_	_	_
Financial commitments and contingencies	E 420 E70	(4.047)	E 400 704	105.070	(6,692)	470 405	22.076	(0.705)	44.074
No delinquency	5 428 578	(4 847)	5 423 731	185 878	(6 683)	179 195	22 976	(8 705)	14 271



## 4.1.4. Loans with renegotiated terms and forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially. The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. The Bank implements a forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, an exposure is identified as forborne if both of these two conditions are satisfied:

- The Bank has identified financial difficulties that the debtor is facing or is about to face;
- The exposure has been subject to renegotiation or refinancing, granted in relation to the borrower's current financial difficulties or financial difficulties that would have occurred in the absence of the renegotiation or refinancing measures.

The bank follows rules in ECB Guidance to banks on non-performing loans issued in March 2017.

Forborne exposures are those falling into the "Non-performing exposures with forbearance measures" and "Performing Forborne exposures" categories.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Forbearance measures entail:

- favorable contractual modifications granted to the debtor solely in consideration of its financial difficulties (modification);
- the granting, in favor of a debtor in financial difficulties, of a new loan to allow the fulfilment of the pre-existing obligation (refinancing);
- contractual modifications which may be requested by a debtor within the scope of a contract already subscribed and granted by the Bank in the knowledge that the debtor is in financial difficulties (so-called "embedded forbearance clauses").

Therefore, the definition of forborne exposure excludes the renegotiations made for commercial reasons/practices. The qualification of "Forborne Exposure" refers to the individual transactions subject to renegotiation and/or refinancing and should not be extended to the entire counterparty. The financial difficulty, however, shall be assessed at a debtor level.

During approval process it should be consider if a client in financial distress if:

- Light Blue or Red EWS synthetic indicator
- presence of 30 days past due (or greater) on the credit line (without considering compensation or materiality threshold) in the last 3 months and at least one of the following conditions is met:
  - rating worsened in the last 3 months to a "high-risk" class;
  - if rating and EWS are unavailable, the presence of at least one facility classified as Stage 2 according to IFRS9 standard should be checked instead.

The above list of presumptions is not exhaustive, and they are "relative" in their nature: contrary evidence is therefore admitted. As a consequence, it is allowed not to flag as forborne an exposure submitted to a modification/refinancing referred to a borrower who fulfils at least one of the above-mentioned conditions; in that case, however, it shall be mandatory to justify such a decision within the proposal/decision-making credit process.

Absence of financial distress requires a case by case assessment to analyze the borrower risk profile in order to establish whether the measure should be considered forborne.

The financial distress is always assumed if the counterparty is classified as non-performing (absolute presumption).

The aim of forborne exposures is to prevent potential financial difficulties of the debtor or to allow the return of the exposure to a situation of sustainable repayment. In case of performing borrowers, such a measure should not be used to delay the reclassification to non-performing statuses of a borrower whose financial conditions already justify a downgrade of its risk classification.



The extension of Forbearance Measures does not automatically lead to the classification of the forborne exposures as Non-Performing. Instead, a net present value (NPV) test is performed by Finevare to identify whether a forbearance measure leads to a diminished financial obligation according to:

$$DO = \frac{NPV_0 - NPV_1}{NPV_0}$$

where:

- DO is diminished financial obligation;
- NPV0 is net present value of cash flows (including unpaid interest and fees) expected under contractual
  obligations before the changes in terms and conditions of the contract discounted using the customer's original
  effective interest rate;
- NPV1 is net present value of the cash flows expected based on the new arrangement discounted using the customer's original effective interest rate.

Then, if the diminished financial obligation is higher than the threshold of 1%, the exposure is classified as Non-performing, otherwise it is Performing.

In order to identify forborne exposures, the European regulation envisages a distinction between **absolute presumptions** and **relative presumptions** (**rebuttable**). Absolute presumptions refer to circumstances which always fall within the concept of forborne, and don't admit contrary evidence. Relative presumptions refer to circumstances that fall within the concept of forborne until proven otherwise. Exclusively on the basis of specific analyses the Bank can prove that a certain circumstance does not give rise to a forbearance measure.

Listed below are some examples of the most common forms of contractual modifications which may be qualified as forbearance measures, when referred to counterparties in "financial difficulties" (the list is not exhaustive):

- Short term credit facilities subject to debt consolidation/debt rescheduling plan;
- Medium/long-term loans subject to:
  - restructuring of the amortization plan with reductions or temporary suspensions of the instalments;
  - extension of the maturity;
  - extension of the pre-amortization period;
  - · conversion of the repayment terms from instalments into bullet repayment at maturity
  - · consolidation.
- Contractual modification/renegotiation resulting from the breach of financial covenants (waiver, amendment, cancellation) refinancing;
- Restructuring of performing exposures, or past due exposures not yet classified as non-performing, involving a pool of banks
- Contractual modification of the economic conditions i.e. granting a borrower a new, more favorable interest rate ("off-market conditions");
- Refinancing of exposure, even short-term, with new financing that allow the debtor to postpone repayment to the bank;
- Conversion of Debt to Equity;
- In case of the Sale and Repurchase Agreements (REPOs), the capitalization of outflows when mark to market is negative.

Furthermore, according to the European regulation, the following cases have to be recognized as forborne exposures (they therefore represent "absolute" presumptions):

- Contractual modifications that imply partial or total write-off of exposure;
- The exercise of clauses which, when enforced at the discretion of the debtor, enable him to change the terms of the contract ("embedded forbearance clauses");
- Providing new financing to the debtor simultaneously (or almost) to the payment of principal and/or interest on another exposure;



Both retail and corporate customers are subject to the forbearance policy:

June 2022 € '000	Gross amount	erforming forbor Impairment Iosses	rne Net amount	Non-p Gross amount	performing forbo Impairment Iosses	orne Net amount
Financial assets at AC:						
Due from banks Due from customers:	80 141	(221)	79 920	-	-	-
Corporate Retail	72 216 94 897	(5 872) (4 283)	66 344 90 614	46 667 26 891	(20 729) (20 729)	25 938 6 162
	247 254	(10 376)	236 878	73 558	(41 458)	32 100
Financial commitments and contin-						
gencies	4 426	(11)	4 415	1 289	(447)	842
•		,			\ /	
S	Р	erforming forbor		-	erforming forbo	
December 2021 € '000	P Gross amount	` ,	rne Net amount	Non-p Gross amount	,	orne Net amount
	Gross	erforming forbor Impairment	Net	Gross	performing forbo Impairment	Net
€ '000 Financial assets at AC:	Gross	erforming forbor Impairment	Net	Gross	performing forbo Impairment	Net
€ '000  Financial assets at AC:  Due from customers: Corporate	Gross amount 64 193	erforming forbor Impairment Iosses (3 344)	Net amount 60 849	Gross amount 32 984	performing forbound impairment losses	Net amount
€ '000  Financial assets at AC:  Due from customers: Corporate	Gross amount 64 193 92 876	erforming forbor Impairment losses (3 344) (4 832)	Net amount 60 849 88 044	Gross amount 32 984 20 687	performing forbound in pairment losses (22 766) (15 254)	Net amount 10 218 5 433

# 4.1.5. Write-off Policy

The Bank writes off a loan or security balance when it determines that the loans or securities are uncollectible. In principle, the Bank considers the credit balances to be uncollectible based on the past due days (1 080 days past due). Credit balances may be written off only if the collateral has already been realized. Receivables subject to write-off are being collected by external collection agencies until they qualify for write-off.

The credit balance can be written off earlier than defined in the conditions described above if there is evidence that the receivable cannot be collected. The write-off of such receivables is subject to the approval of the Credit Risk Officer.

Financial assets that are written-off are subject of continuous enforcement process. The majority of such assets are subject of sale to third parties for the best offered prices.

The amount of loans written off during the year that are still subject to enforcement activity is € 13 512 thousand (31 December 2021: € 34 146 thousand).



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

# 4.1.6. Collateral Policy

The Bank's collateral policy is an integral and indispensable part of the credit risk management and credit risk mitigation for VUB Bank. Collateral is used primarily to provide the Bank with the means for repayment of an exposure in the event of the default of the borrower. The principal objective of the policy is to clearly set up rules for a common and standard set of collateral types used by the Bank in its lending activities. The rules, as the minimum, describe and state:

- Conditions for legal enforceability;
- Conditions for the process of valuation and the maximum values accepted by the Bank at the origination for specific types of collaterals; and
- Conditions for the process of revaluation.

However, collateral management has a wider meaning than the simple taking of collateral in order to secure the repayment of the Bank's exposures. This includes the following:

- The establishment and maintenance of a collateral policy defining the types of collateral taken by the Bank, the legal documentation used by the Bank to secure its right to this collateral in the event of default and the valuation of this collateral at origination. These aspects of collateral management are addressed in the internal policy document;
- The relevant and proper implementation and registration of collateral to secure the Bank's right to collateral in the event of default by the borrower;
- The regular monitoring and re-valuation of collateral held by the Bank during the life of the exposure;
- The analysis, monitoring and review of realization rates achieved by Recovery Department activities in order to assess the effectiveness of the collateral policy as a risk mitigant.

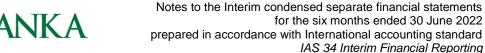
The Banks's decisions on the enforcement of collateral is individual and depends on factors such as the actual amount of the receivable, the current condition and value of the collateral, the length of the collateral realization period or collection related costs. The relevant competent body of the Bank decides which collateral instrument will be used.

The Bank mainly uses the following means of enforcement of collateral:

- Voluntary auction,
- Foreclosure procedure,
- Realization of the collateral for the receivable in a bankruptcy procedure,
- Sale of receivables including collateral.

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The collateral against loans and advances to customers is held in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and the Bank updates the fair value on a regular basis.

The Bank mitigates the credit risk of derivatives, reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are either transacted on an exchange or entered into under International Swaps and Derivatives Association ('ISDA') master netting agreements. Under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.





# 4.1.7. Offsetting financial assets and financial liabilities

Offsetting financial assets and financial liabilities relates to financial assets and financial liabilities that are:

- · Offset in the statement of financial position; or
- Subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In general, the similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Bank receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives.
- Sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA Credit Support Annex and Global Master Repurchase Agreement ('GMRA'). This means that securities received or given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.



# 4.1.8. Concentrations of credit risk

The Bank monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below.

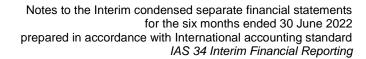
June 2022 € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC: Due from customers: Public administration Corporate Retail	170 948 3 816 187 10 563 576 14 550 711	(1 133) (89 373) (238 408) (328 914)	169 815 3 726 814 10 325 168 14 221 797
Financial assets at FVOCI - debt securities	582 052	(83)	581 969
Financial commitments and contingencies	3 799 679	(15 675)	3 784 004
Czech republic			
Financial assets at AC: Due from customers: Corporate Retail	1 025 248 21 236 1 046 484	(6 898) (2 002) (8 900)	1 018 350 19 234 1 037 584
Financial commitments and contingencies	1 314 204	(585)	1 313 619
Other European countries  Financial assets at AC:			
Due from other banks Due from customers:	1 754 990	(35)	1 754 955
Corporate Retail	1 473 195 123 630	(8 982) (814)	1 464 213 122 816
	1 596 825	(9 796)	1 587 029
	3 351 815	(9 831)	3 341 984
Financial assets at FVOCI - debt securities	809 472	(212)	809 260
Financial commitments and contingencies	602 721	(190)	602 531



June 2022 € '000	Gross amount	Impairment losses/ provisions	Net amount
North America			
Financial assets at AC: Due from customers: Corporate Retail	68 2 538	(2)	68 2 536
	2 606	(2)	2 604
Financial assets at FVOCI - debt securities	94 275	(2)	94 273
Financial commitments and contingencies	168	-	168
Asia			
Financial assets at AC: Due from other banks Due from customers: Corporate Retail	11 543 96 796 13 543 110 339	(2) (13) (70) (83)	11 541 96 783 13 473 110 256
	121 882	(85)	121 797
Financial commitments and contingencies	74 639	(80)	74 559
Rest of the World			
Financial assets at AC: Due from other banks Due from customers: Public administration Corporate Retail	79 954  38 649 165 3 100 41 914 121 868	(221) (715) - (57) (772) (993)	79 733 37 934 165 3 043 41 142 120 875
Financial commitments and contingencies	448	-	448

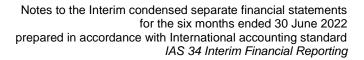


December 2021 € '000	Gross amount	Impairment losses/ provisions	Net amount	
Slovakia				
Financial assets at AC: Due from customers: Public administration Corporate Retail	169 949 3 611 992 10 250 338 14 032 279	(1 226) (80 868) (221 012) (303 106)	168 723 3 531 124 10 029 326 13 729 173	
Financial assets at FVOCI - debt securities	863 375	(122)	863 253	
Financial commitments and contingencies	3 668 776	(18 703)	3 650 073	
Czech republic				
Financial assets at AC: Due from customers: Corporate Retail	1 043 522 20 466 1 063 988	(1 830) (2 131) (3 961)	1 041 692 18 335 1 060 027	
Financial commitments and contingencies	1 320 873	(1 271)	1 319 602	
Other European countries				
Financial assets at AC: Due from other banks Due from customers: Corporate Retail	1 734 191 1 206 779 112 420 1 319 199 3 053 390	(34) (574) (667) (1 241) (1 275)	1 734 157 1 206 205 111 753 1 317 958 3 052 115	
Financial assets at FVOCI - debt securities	701 336	(197)	701 139	
Financial commitments and contingencies	595 399	(234)	595 165	
(Table continues on the next page)				





December 2021 € '000	Gross amount	Impairment losses/ provisions	Net amount	
North America				
Financial assets at AC: Due from customers: Corporate Retail	8 838 2 212 11 050	(3) (2) (5)	8 835 2 210 11 045	
Financial assets at FVOCI - debt securities	99 432	(10)	99 422	
Financial commitments and contingencies	820	-	820	
Asia				
Financial assets at AC:  Due from other banks  Due from customers:	5 095	(1)	5 094	
Corporate Retail	88 300 11 850	(20) (50)	88 280 11 800	
	100 150	(70)	100 080	
	105 245	<u>(71)</u>	105 174	
Financial commitments and contingencies	50 427	(27)	50 400	
Rest of the World				
Financial assets at AC:  Due from other banks	80 187	(74)	80 113	
Due from customers: Public administration Corporate	35 465 21	(656)	34 809 21	
Retail	3 365	(32)	3 333	
	38 851	(688)	38 163	
	119 038	(762)	118 276	
Financial commitments and contingencies	1 137	_	1 137	



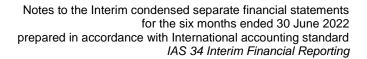


An analysis of exposures based on the carrying amounts by industry sector is shown in the table below.

J١	une	2021
€	'000	)

Agriculture, forestry and fishing
Mining and quarrying
Manufacturing
Electricity, gas, steam and air conditioning supply
Water supply
Construction
Wholesale and retail trade
Transport and storage
Accommodation and food service activities
Information and communication
Financial and insurance activities**
Real estate activities
Professional, scientific and technical activities
Administrative and support service activities
Public administration and defense, compulsory social security
Education
Human health services and social work activities
Arts, entertainment and recreation
Other services
Consumer Loans
Mortgage Loans

				Financial assets at FVOCI - debt	Financial commit- ments and contin-
	Financial as	sets at AC:		securities	gencies
	Public admini-				
Banks	stration	Corporate	Retail*		
_	59	178 639	26 673	_	112 144
_	-	51 229	439	<u>-</u>	61 125
_	_	1 017 837	40 866	<del>-</del>	873 787
_	-	628 899	1 059	-	629 645
-	-	58 925	2 968	-	28 859
-	-	317 822	46 349	-	619 141
-	-	1 098 288	124 791	-	500 691
-	310	642 657	151 208	-	264 264
-	-	30 520	13 690	-	4 268
-	9	134 527	9 250	-	114 300
1 846 229	-	644 811	491	290 177	754 273
-	-	654 135	59 256	-	202 704
-	10	214 308	37 766	-	187 620
-	-	112 986	13 094	-	44 874
-	207 341	698	181	1 195 325	206 330
-	-	3 556	1 156	-	949
-	-	17 223	27 919	-	14 390
-	20	18 023	10 759	-	1 289
-	-	481 310	5 091	-	93 942
-	-	-	1 306 146	-	296 996
-			8 607 118		763 738
1 846 229	207 749	6 306 393	10 486 270	1 485 502	5 775 329





December 2021					Financial assets at FVOCI - debt	Financial commit- ments and contin-
€ '000	Financial assets at AC:				securities	gencies
		Public admini-				
	Banks	stration	Corporate	Retail*		
Agriculture, forestry and fishing	-	-	170 302	21 748	_	103 034
Mining and quarrying	-	-	49 359	146	_	37 680
Manufacturing	-	-	848 606	34 409	_	845 091
Electricity, gas, steam and air conditioning supply	-	-	790 966	925	_	464 699
Water supply	-	-	64 180	2 345	_	29 348
Construction	-	-	243 879	35 469	_	623 002
Wholesale and retail trade	-	-	992 153	79 333	_	492 619
Transport and storage	-	-	389 342	16 741	_	322 070
Accommodation and food service activities	-	-	32 218	12 815	_	3 295
Information and communication	-	-	118 078	7 656	_	75 103
Financial and insurance activities**	1 819 364	-	763 087	386	316 044	901 152
Real estate activities	-	-	561 939	54 965	_	367 244
Professional, scientific and technical activities	-	-	194 405	25 596	_	163 497
Administrative and support service activities	-	-	117 094	9 145	_	28 329
Public administration and defense, compulsory social security	-	203 531	774	128	1 347 770	191 905
Education	-	1	2 279	844	_	815
Human health services and social work activities	-	-	13 231	24 870	_	7 615
Arts, entertainment and recreation	-	-	25 156	1 174	_	1 112
Other services	-	-	499 110	4 044	_	64 899
Consumer Loans	-	-	_	1 277 319	_	300 808
Mortgage Loans	<u> </u>	-		8 566 699		593 880
	1 819 364	203 532	5 876 158	10 176 757	1 663 814	5 617 197

<sup>\* &#</sup>x27;Retail' includes Small Business and Flat Owners Associations.

<sup>\*\* &#</sup>x27;Financial and insurance activities' involves financial services, leasing and insurance.



# 4.1.9. Internal and external ratings

The overview of the internal rating scales according to the risk profile applicable for the corporate exposures, the public sector exposures and the retail exposures from small business and flat owners associations is shown below.

Risk Profile	Description
Very Low	Good quality of assets, strong market penetration, steady activity, proven distinctive managerial skills, broad debt coverage capacity.
Low	Satisfactory quality and chargeability of assets, market penetration and managerial quality on the average; well set solvency, capital structure and debt composition; above average debt coverage capacity.
Lower – Intermediate	Acceptable quality and chargeability of available assets, even if with a not negligible degree of risk; well-balanced solvency, capital structure and debt composition with slight liquidity surplus and weaker debt coverage capacity.
Intermediate	Acceptable quality and chargeability of available assets even if with a significant degree of risk; vulnerable margin at times, capital structure and debt composition that show worsening signals; low level of liquidity and short debt coverage margin.
Upper – Intermediate	Still acceptable asset quality even if with possible liquidity stress; high level of gearing; managerial weakness, little market penetration and positioning; margins and competitiveness under pressure.
High	In addition to riskiness features for Upper – Intermediate profile, there are evident difficulties as well as problematic debt management.
Default	<ul> <li>A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:</li> <li>the obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank, the Parent Company undertaking or any of its subsidiaries;</li> <li>the Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).</li> </ul>

Specialized Lending comprises of rating segments SPV and RED. For Specialized Lending the Slotting approach is used by the Bank. Clients are assigned into five slotting categories based on a qualitative valuation and information about the risk of default. Risk weights and expected loss used for the capital requirement calculation are also defined for each category. Categories are predefined by the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms ('CRR') and internally, the categories used are as follows:

# Specialized Lending - SPV and RED

- Strong
- Good
- Satisfactory
- Weak
- Default



For mortgages and unsecured retail, the retail segment incorporates many individually insignificant exposures with various characteristics, therefore the description of ratings correlates with these risk profiles.

Risk Profile	Description
Very Low	High level of client's socio-demographic information and financial discipline.
Low	Above average level of client's socio-demographic information and financial discipline.
Lower – Intermediate	Acceptable level of client's socio-demographic information and financial discipline.
Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there are some signals of worsening credit quality.
Upper – Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there is worsening credit quality.
High	Acceptable level of client's socio-demographic information and financial discipline, but there is negative credit behaviour.
Default	<ul> <li>A default is considered to have occurred with regard to a particular mortgage/obligor when either or both of the two following events have taken place:</li> <li>The obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank (absolute threshold is set according to NBS directive);</li> <li>The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).</li> </ul>

In the segments of the Single Resolution Fund, public sector entities and factoring, the bank does not assign an internal rating to the client.

### Capital requirement calculation

The Bank generally uses the standardised approach for the calculation of the capital requirements. However, for the calculation of the credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority NBS, uses the Advanced IRB approach for its portfolio of residential mortgages from July 2012 and for the Corporate segment, Small and Medium size enterprises (SME) and for Retail Small Business from June 2014. The Foundation IRB approach is used for corporate exposures where a LGD is not available, but they are assigned according to regulation. Simple IRB approach is used for equity exposures and methodology for this capital requirement is in line with Article 155 of the CRR Regulation. The Bank is also proceeding with the development of rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope to subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.



The following table shows the quality of the Bank's **stage 1** credit portfolio in terms of internal ratings:

June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC: Due from other banks				
	Very Low Low	8 808 50 023	(1) (15)	8 807 50 008
	Lower-Intermediate Unrated	2 736 1 704 074	(1)	2 735 1 704 074
		1 765 641	(17)	1 765 624
Due from customers: Public administration				
T ubite administration	Very Low Low Intermediate Upper-Intermediate High	58 184 56 398 45 389 14 256 389	(10) (25) (721) (62) (15)	58 174 56 373 44 668 14 194 374
	Unrated	28 100 202 716	(763) (1 596)	27 337 201 120
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring		_0	(1 333)	
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	811 807 1 533 200 1 085 373 754 814 306 232 27 026 343 673	(110) (421) (720) (1 219) (1 132) (547) (102)	811 697 1 532 779 1 084 653 753 595 305 100 26 479 343 571
Specialized Lending - SPV, RED	Strong	289 402	(2.016)	287 386
	Strong Good Satisfactory Weak	289 402 262 138 271 938 45 807 5 731 410	(2 016) (3 299) (12 995) (4 902) (27 463)	258 839 258 943 40 905 5 703 947



June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC: Due from customers: Retail Small Business, Flat Owners Associations				
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	22 012 34 782 107 808 191 016 74 115 2 123 4 741	(10) (47) (7 066) (1 043) (1 067) (259) (21)	22 002 34 735 100 742 189 973 73 048 1 864 4 720
Mortgages	Very Low Lower-Intermediate Intermediate High Unrated	7 738 256 571 692 25 149 6 362 5 198	(319) (320) (146) (211) (1)	7 737 937 571 372 25 003 6 151 5 197
Unsecured Retail	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	355 055 112 990 464 837 82 187 39 750 5 934 57 282 9 901 289 15 835 415	(274) (174) (2 504) (1 207) (1 945) (1 103) (2 347) (20 064) (49 123)	354 781 112 816 462 333 80 980 37 805 4 831 54 935 9 881 225 15 786 292
Financial assets at FVOCI - debt securities	Unrated	1 485 798	(296)	1 485 502



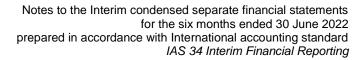
Corporate   Large, SME, Other Non-banking Financial and Public Corporates and Factoring   Septiment   Lower-Intermediate   Lower-Inte	June 2022 € '000	Risk Profile	Gross amount	Provisions	Net amount
Lower-Intermediate Unrated   261 038	Stage 1				
Due from customers:   Public administration	and contingencies:				
Due from customers:   Public administration				(16) 	
Public administration    Very Low Low Low 34 163 (10) 34 153     Intermediate 61 969 (5) 61 964     Upper-Intermediate 61 969 (5) 61 964     Upper-Intermediate 61 969 (6) 61 964     Upper-Intermediate 61 969 (6) 61 964     Upper-Intermediate 61 969 (13) 4 563     High 20			270 950	(16)	270 934
Low   34 163   (10)   34 153   (10)   61 964     Intermediate   Upper-Intermediate   Upper-					
Intermediate   61 969   (5)   61 964   4583   458		-			
Upper-Intermediate High 20 - 20					
Corporate   Large, SME, Other Non-banking   Financial and Public Corporates and Factoring   Very Low   1 238 943   (89)   1 238 854   Lower-Intermediate   458 438   (255)   458 183   (149)   1 212 338   (255)   458 183   (255)			4 596		4 583
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low				-	
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low Low 1 212 488 (149) 1 212 339 Lower-Intermediate Intermediate High Unrated 488 641 (255) 458 183 (265) 458 183 (276) 488 390  Retail  Retail  Very Low 41 783 40 68 909 41 783 40 68 909 41 783 41 785 41 785 42 699 41 785 41 785 41 785 41 785 42 699 41 785 41 785 41 785 41 785 41 785 42 699 43 184 669 41 785 41 785 41 785 42 699 43 184 669 41 785 41 785 41 785 42 699 43 184 669 44 785 482 783 482 783 483 783 485 783 486 783 486 783 487 783 487 783 488 788 488 788 488 788		Omateu			
Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 1 238 943 (89) 1 238 854 Low 1 212 488 (149) 1 212 339 Lower-Intermediate 458 438 (255) 458 183 Intermediate 361 087 (542) 360 545 Upper-Intermediate 78 391 (209) 78 182 High 5 667 (154) 5 513 Unrated 488 641 (251) 488 390  Specialized Lending - SPV, RED  Strong 134 460 (699) 133 761 Good 55 066 (578) 54 488 Satisfactory 35 708 (915) 34 793 Unrated 20 - 20 4 068 909 (3 841) 4 065 068  Retail  Very Low 854 270 (73) 854 197 Low 41 783 (24) 41 759 Lower-Intermediate 184 948 (279) 184 669 Intermediate 32 338 (151) 32 187 Upper-Intermediate 5 894 (82) 5 812 High 6 542 (269) 6 273 Unrated 2 060 (4) 2 056  1 127 835 (882) 1 126 953			200 017	(32)	200 000
Very Low	Large, SME, Other Non-banking Financial and Public Corporates and				
Lower-Intermediate Intermediate Intermediate Intermediate Upper-Intermediate Upper-Intermediate High Source Intermediate Internediate Intermediate Internediate Intermediate Intermediate Intermediate Intermediate Internediate Internediate Internediate Internediate Internediate	9	-			
Intermediate Upper-Intermediate Upper-Intermediate Upper-Intermediate Upper-Intermediate Upper-Intermediate High Unrated 488 641 (209) 78 182					
High Unrated   488 641   (251)   488 390				, ,	
Specialized Lending - SPV, RED   Strong   134 460   (699)   133 761				, ,	
Specialized Lending - SPV, RED  Strong Good 55 066 (578) 54 488 Satisfactory 35 708 (915) 34 793 Unrated 20 - 20  4 068 909 (3 841) 4 065 068  Retail  Very Low 854 270 (73) 854 197 Low 41 783 (24) 41 759 Lower-Intermediate 184 948 (279) 184 669 Intermediate 32 338 (151) 32 187 Upper-Intermediate 5 894 (82) 5 812 High 6 542 (269) 6 273 Unrated 2 060 (4) 2 056  1 127 835 (882) 1 126 953					
Retail  Very Low 41 783 (24) 41 759 Lower-Intermediate 184 948 (279) 184 669 Intermediate 32 338 (151) 32 187 Upper-Intermediate 5 894 (82) 5 812 High 6 542 (269) 6 273 Unrated 2 060 (4) 2 056  1 127 835 (882) 1 126 953	Specialized Lending - SPV, RED			( - /	
Satisfactory Unrated 20 - 20 - 20					
Very Low					
Retail  Very Low 854 270 (73) 854 197  Low 41 783 (24) 41 759  Lower-Intermediate 184 948 (279) 184 669  Intermediate 32 338 (151) 32 187  Upper-Intermediate 5 894 (82) 5 812  High 6 542 (269) 6 273  Unrated 2 060 (4) 2 056  1 127 835 (882) 1 126 953		<del>_</del>		(915)	
Very Low Low       854 270       (73)       854 197         Low       41 783       (24)       41 759         Lower-Intermediate Intermediate Intermediate Upper-Intermediate High       32 338       (151)       32 187         Upper-Intermediate High       6 542       (269)       6 273         Unrated       2 060       (4)       2 056         1 127 835       (882)       1 126 953			4 068 909	(3 841)	4 065 068
Low       41 783       (24)       41 759         Lower-Intermediate Intermediate Intermediate Upper-Intermediate High       184 948       (279)       184 669         Upper-Intermediate High       5 894       (82)       5 812         Unrated       2 060       (4)       2 056         1 127 835       (882)       1 126 953	Retail				
Lower-Intermediate Intermediate					
Intermediate   32 338   (151)   32 187					
Upper-Intermediate High       5 894       (82)       5 812         Upper-Intermediate High       6 542       (269)       6 273         Unrated       2 060       (4)       2 056         1 127 835       (882)       1 126 953					32 187
Unrated         2 060         (4)         2 056           1 127 835         (882)         1 126 953				(82)	
<u> 1 127 835</u> <u> (882)</u> <u> 1 126 953</u>					
		Ullialed		·	
0 10 <u>2</u> 101 111001 0 000			5 402 761	(4 755)	5 398 006



December 2021 € '000	Risk Profile	Gross amount	Impairment Iosses	Net amount
Stage 1				
Financial assets at AC: Due from other banks				
	Very Low	2 938	_	2 938
	Low Lower-Intermediate	132 684	(87)	132 597
	Unrated	1 683 150	(3)	(3) 1 683 150
	Omatod	1 818 772	(90)	1 818 682
Due from customers:				
Public administration				
	Very low	146 893	(1 572)	145 321
	Low	13 059	(4)	13 055
	Upper-Intermediate High	24 218 7 461	(12) (6)	24 206 7 455
	Unrated	6 357	(0)	6 357
	oa.oa	197 988	(1 594)	196 394
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
ractoring	Very Low	547 288	(72)	547 216
	Low	1 934 700	(5 <sup>22</sup> )	1 934 178
	Lower-Intermediate	1 150 500	(629)	1 149 871
	Intermediate	567 884	(993)	566 891
	Upper-Intermediate High	251 867 22 258	(912) (345)	250 955 21 913
	Unrated	290 300	(99)	290 201
Specialized Lending - SPV, RED				
,	Strong	167 549	(1 183)	166 366
	Good	355 334	(4 892)	350 442
	Satisfactory	253 408	(12 519)	240 889
	Weak	40 126 816 417	(5 545) (24 139)	34 581 792 278
		5 581 214	(27 711)	5 553 503



December 2021 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC: Due from customers: Retail Small Business, Flat Owners Associations				
	Very Low	13 732	(9)	13 723
	Low	26 235	(36)	26 199
L	ower-Intermediate	38 806	(128)	38 678
	Intermediate	110 611	(1 033)	109 578
L	Jpper-Intermediate	43 299	(375)	42 924
	High	865	(153)	712
Mortgages				
	Very Low	7 708 853	(315)	7 708 538
L	ower-Intermediate	567 707	(296)	567 411
	Intermediate	4 900	(18)	4 882
	High	2 650	(73)	2 577
	Unrated	342	(4)	338
Unsecured Retail				
Chicocan Ca i Notan	Very Low	345 009	(268)	344 741
	Low	109 372	(167)	109 205
L	ower-Intermediate	435 077	(1 557)	433 520
	Intermediate	68 806	(1 006)	67 800
L	Jpper-Intermediate	27 068	(1 418)	25 650
	High	3 797	(650)	3 147
	Unrated	76 271	14	76 285
		9 583 400	(7 492)	9 575 908
		15 362 602	(36 797)	15 325 805
Financial assets at FVOCI - debt securities	Unrated	1 664 142	(329)	1 663 814





December 2021 € '000	Risk Profile	Gross amount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:  Due from other banks				
	Very Low Lower-Intermediate	5 706 249 912	(1) (17)	5 705 249 895
	Lower-intermediate	255 618	(18)	255 600
		255 016	(16)	255 000
Due from customers: Public administration				
	Very Low	163 505	(14)	163 491
	Low Intermediate	952 4 296	- (1)	952 4 295
I	Intermediate  Jpper - Intermediate	4 296 22 265	(1) (6)	4 295 22 259
	High	1 152	-	1 152
	Unrated	53		53
		192 223	(21)	192 202
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
and a determing	Very Low	1 340 399	(85)	1 340 314
	Low	1 296 584	(208)	1 296 376
	Lower-Intermediate Intermediate	589 250 284 668	(208) (529)	589 042 284 139
L	Jpper - Intermediate	88 611	(343)	88 268
	High	3 871	`(55)	3 816
	Unrated	194 038	(258)	193 780
Specialized Lending - SPV, RED				
- , · · · · · · · · · · · · · · · · · ·	Strong	129 600	(685)	128 915
	Good	52 154	(535)	51 619
	Satisfactory Weak	38 328 1 450	(1 201) (155)	37 127 1 295
	Unrated	20	-	20
		4 018 973	(4 262)	4 014 711
Retail				
	Very Low	749 561	(68)	749 493
	Low	31 992	(16)	31 976
	Lower-Intermediate Intermediate	146 165 22 572	(161) (87)	146 004 22 485
	Upper-Intermediate	6 223	(82)	6 141
	High	782	(110)	672
	Unrated	4 469	(22)	4 447
		961 764	(546)	961 218
		5 172 960	(4 829)	5 168 131



The following table shows the quality of the Bank's stage 2 credit portfolio in terms of internal ratings:

June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC: Due from other banks	High	80 846	(241)	80 605
Due from customers: Public administration	9	30 0 10	(= /	
	Intermediate Upper-Intermediate High Unrated	421 5 752 639 69	(2) (199) (46) (5)	419 5 553 593 64
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring		6 881	(252)	6 629
racioning	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	424 1 901 21 714 179 545 198 985 148 391 15 340	(2) (118) (3 202) (6 285) (6 572) (4)	424 1 899 21 596 176 343 192 700 141 819 15 336
Specialized Lending - SPV, RED	Satisfactory Weak	13 099 17 015 596 414	(1 694) (5 356) (23 233)	11 405 11 659 573 181



June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC: Due from customers: Retail Small Business, Flat Owners Associations				
riat Owners / tooodiations	Very Low	161	-	161
	Low	1 136	(4)	1 132
	Lower-Intermediate	16 330	(1 817)	14 513
	Intermediate	36 113	(990)	35 123
	Upper-Intermediate	76 755	(4 711)	72 044
	High	16 235	(2 458)	13 777
	Unrated	103	(11)	92
Mortgages				
mongagoo	Very Low	34 516	(169)	34 347
	Lower-Intermediate	110 550	(1 250)	109 300
	Intermediate	43 587	(932)	42 655
	High	44 657	(3 645)	41 012
15.4				
Unsecured Retail	Very Low	1 822	(0)	1 813
	Low	1 151	(9) (10)	1 141
	Lower-Intermediate	50 290	(1 175)	49 115
	Intermediate	48 616	(2 110)	46 506
	Upper-Intermediate	46 625	(4 417)	42 208
	High	46 729	(10 957)	35 772
	Unrated	5	<u> </u>	5
		575 381	(34 665)	540 716
		1 178 676	(58 150)	1 120 526



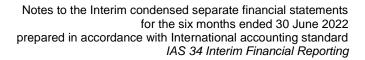
June 2022 € '000	Risk profile	Gross amount	Provisions	Net amount
Stage 2 Financial commitments and contingencies:				
Financial assets at AC:  Due from other banks	Lower-Intermediate	50	-	50
Due from customers: Public administration	Upper-Intermediate	42	(1)	41
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	576 2 870 3 661 22 334 17 135 5 211 25 096	(1) (85) (127) (326) (191) (2 857)	576 2 869 3 576 22 207 16 809 5 020 22 239
Specialized Lending - SPV, RED	Satisfactory Weak	1 23 76 907	(6) (3 593)	1 17 73 314
Retail	Very Low Low	1 022 69	(23)	999 69
	Lower-Intermediate Intermediate Upper-Intermediate High Unrated	5 097 4 790 5 588 2 413 163	(75) (269) (351) (566) (19)	5 022 4 521 5 237 1 847 144
	Omatou	19 142 96 091	(1 303) (4 897)	17 839 91 194



December 2021 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC: Due from banks				
	Lower -			
	Intermediate	701	(19)	682
		701	(19)	682
Due from customers: Public administration				
	Very Low	6 967	(286)	6 681
	Low	459	(2)	457
		7 426	(288)	7 138
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	27	-	27
	Low	1 373	- (404)	1 373
	Lower-Intermediate	38 776	(184)	38 592
	Intermediate Upper-Intermediate	19 135 144 493	(187) (2 614)	18 948 141 879
	High	54 667	(1 919)	52 748
	Unrated	1 869	-	1 869
Specialized Lending - SPV, RED				
	Good	13 825	(693)	13 132
	Satisfactory	11 990	(1 715)	10 275
	Weak	23 439	(4 634)	18 805
		309 594	(11 946)	297 648



December 2021 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC: Due from customers: Retail Small Business, Flat Owners Associations				
	Lower-Intermediate	3 498	(51)	3 447
	Intermediate	33 771	(1 030)	32 741
	Upper - Intermediate	58 563	(3 838)	54 725
	High	8 281	(1 506)	6 775
	Default	308	(255)	53
Mortgages				
	Very Low	32 550	(170)	32 380
	Lower-Intermediate	120 648	(1 349)	119 299
	Intermediate	52 039	(1 178)	50 861
	High	47 161	(3 384)	43 777
	Unrated	11	-	11
Unsecured Retail				
	Very Low	1 656	(9)	1 647
	Low	1 069	(10)	1 059
	Lower-Intermediate	52 245	(1 123)	51 122
	Intermediate	52 340	(2 349)	49 991
	Upper-Intermediate	52 146	(4 763)	47 383
	High	50 980	(11 924)	39 056
		567 266	(32 939)	534 327
		884 286	(45 173)	839 113



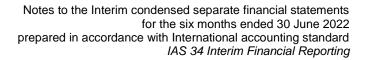


December 2021 € '000	Risk profile	Gross amount	Provisions	Net amount
Stage 2				
Financial commitments and contingencies: Due from customers: Public administration	High	<u>309</u> 309	<u>(4)</u> (4)	<u>305</u> 305
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	73 2 380 1 179 97 019 29 637 7 720 15 753	(2) (2) (1 057) (649) (350) (1 478)	73 2 378 1 177 95 962 28 988 7 370 14 275
Specialized Lending - SPV, RED	Satisfactory Week	3 244 11 157 016	(539) (3) (4 080)	2 705 8 152 936
Retail	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Unrated	425 16 4 637 4 361 6 748 2 366 10 000 28 553 185 878	(7) (70) (211) (341) (540) (1 430) (2 599) (6 683)	418 16 4 567 4 150 6 407 1 826 8 570 25 954 179 195



The following table shows the quality of the Bank's stage 3 credit portfolio in terms of internal ratings:

June 2022 € '000	Risk Profile	Gross amount	Impairment losses/ provisions	Net amount
Stage 3				
Financial assets at AC: Due from customers: Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
-	Default	78 560	(50 097)	28 463
Specialized Lending - SPV, RED	Default	5 275 83 835	(4 473) (54 570)	802 29 265
Retail Small Business, Flat Owners Associations				
	Default	33 574	(24 494)	9 080
Mortgages	Default	71 799	(37 655)	34 144
Unsecured Retail	Default	145 580	(124 475)	21 105
		250 953 334 788	(186 624) (241 194)	93 594
Financial commitments and contingencies: Due from customers: Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring	Default	17 151	(5 266)	11 885
Retail			. ,	
	Default	4 856	(1 596)	3 260
		22 007	(6 862)	15 145





December 2021 € '000	Risk Profile	Gross amount	Impairment losses/ provisions	Net amount
Stage 3	NISK I TOTILO	amount	provisions	amount
Financial assets at AC: Due from customers: Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring	Default	63 662	(39 776)	23 886
Specialized Lending - SPV, RED			, ,	
Specialized Lending - SF V, NED	Default	4 982	(3 861)	1 121
		68 644	(43 637)	25 007
Retail Small Business, Flat Owners Associations	Default	13 167	(9 982)	3 185
Mortgages				
	Default	77 054	(40 429)	36 625
Unsecured Retail	Default	159 764	(133 052)	26 712
		249 985	(183 463)	66 522
		318 629	(227 100)	91 529
Financial commitments and contingencies: Due from customers: Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
·	Default	18 480	(6 152)	12 328
Retail	Default	4 496	(2 553)	1 943
		22 976	(8 705)	14 271



The following table shows the quality of the Bank's total credit portfolio in terms of internal ratings:

Financial assets at AC:     Due from other banks     Very Low	June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Low Lower-Intermediate 2 736 (1) 2 735 (1) 2 7					
Lower-Intermediate High   Ro 846   (241)   Ro 605					
High Unrated High Unrated 1704 074 - 1704 074  1 846 487 (258) 1 846 229  Due from customers: Public administration  Very Low 58 184 (10) 58 174 Low 56 398 (25) 56 373 Intermediate 45 810 (723) 45 087 Upper-Intermediate 20 008 (261) 19 747 High 1028 (61) 967 Unrated 28 169 (768) 27 401  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High Default 78 560 (50 097) 28 463					
Due from customers: Public administration  Very Low Low 58 184 Low 56 398 (25) 56 373 Intermediate Upper-Intermediate High Unrated Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low Low 1 812 231 Low 1 535 101 Low 1 535 101 Low 1 535 101 Low 1 535 101 Upper-Intermediate 1 107 087 Upper-Intermediate 1 175 417 Upper-Intermediate		High			
Due from customers: Public administration  Very Low Low 56 398 (25) 56 373 Intermediate 45 810 (723) 45 087 Upper-Intermediate 20 008 (261) 19 747 High 1 028 (61) 967 Unrated 28 169 (768) 27 401  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 (4 421) 107 807 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463		Unrated		(050)	
Public administration  Very Low 58 184 (10) 58 174 Low 56 398 (25) 56 373 Intermediate 45 810 (723) 45 087 Upper-Intermediate 20 008 (261) 19 747 High 1 028 (61) 967 Unrated 28 169 (768) 27 401  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463			1 846 487	(258)	1 846 229
Low 156 398 (25) 56 373 Intermediate 45 810 (723) 45 087 Upper-Intermediate 20 008 (261) 19 747 High 1 028 (61) 967 Unrated 28 169 (768) 27 401  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463					
Intermediate   45 810   (723)   45 087					
Upper-Intermediate High High 1 028 (61) 967 (768) 27 401 (1 848) 207 749  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463		=*			
Unrated 28 169 (768) 27 401  209 597 (1 848) 207 749  Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463					
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low 1 535 101 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 (838) 1 106 249 Intermediate 934 359 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463					
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring  Very Low Low 1 535 101 Low 1 535 101 (423) 1 534 678 Lower-Intermediate 1 107 087 Rose 1 106 249 Intermediate 934 359 Upper-Intermediate 505 217 Fig. 17 417 Fig. 17 497 800 High Default 78 560 Financial Rose 1 100 Rose 1		Offialed		<del></del>	
Financial and Public Corporates and Factoring  Very Low 812 231 (110) 812 121  Low 1 535 101 (423) 1 534 678  Lower-Intermediate 1 107 087 (838) 1 106 249  Intermediate 934 359 (4 421) 929 938  Upper-Intermediate 505 217 (7 417) 497 800  High 175 417 (7 119) 168 298  Default 78 560 (50 097) 28 463			209 391	(1040)	201 149
Very Low       812 231       (110)       812 121         Low       1 535 101       (423)       1 534 678         Lower-Intermediate       1 107 087       (838)       1 106 249         Intermediate       934 359       (4 421)       929 938         Upper-Intermediate       505 217       (7 417)       497 800         High       175 417       (7 119)       168 298         Default       78 560       (50 097)       28 463	Financial and Public Corporates and				
Low1 535 101(423)1 534 678Lower-Intermediate1 107 087(838)1 106 249Intermediate934 359(4 421)929 938Upper-Intermediate505 217(7 417)497 800High175 417(7 119)168 298Default78 560(50 097)28 463	Factoring	Very Low	812 231	(110)	812 121
Intermediate 934 359 (4 421) 929 938 Upper-Intermediate 505 217 (7 417) 497 800 High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463		-			-
Upper-Intermediate       505 217       (7 417)       497 800         High       175 417       (7 119)       168 298         Default       78 560       (50 097)       28 463					
High 175 417 (7 119) 168 298 Default 78 560 (50 097) 28 463					
· · ·		High	175 417	(7 119)	168 298
Official 355 015 (100) 350 507					
		Officied	333 013	(100)	330 301
Specialized Lending - SPV, RED Strong 289 402 (2 016) 287 386	Specialized Lending - SPV, RED	Strong	280 402	(2.016)	287 386
Good 262 138 (3 299) 258 839					
Satisfactory 285 037 (14 689) 270 348		-			
Weak 62 822 (10 258) 52 564 Default 5 275 (4 473) 802					
6 411 659 (105 266) 6 306 393				<del></del>	



June 2022 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from customers: Retail Small Business, Flat Owners Associations				
	Very Low	22 173	(10)	22 163
	Low	35 918	(51)	35 867
	Lower-Intermediate Intermediate	124 138 227 129	(8 883) (2 033)	115 255 225 096
	Upper-Intermediate	150 870	(5 778)	145 092
	High	18 358	(2 717)	15 641
	Default	33 574	(24 494)	9 080
	Unrated	4 844	(32)	4 812
Mortgages				
engagee	Very Low	7 772 772	(488)	7 772 284
	Lower-Intermediate	682 242	(1 <sup>`</sup> 570)	680 672
	Intermediate	68 736	(1 078)	67 658
	High	51 019	(3 856)	47 163
	Default Unrated	71 798 5 199	(37 655) (1)	34 143 5 198
	Offiated	3 199	(1)	3 190
Unsecured Retail				
	Very Low	356 877	(283)	356 594
	Low	114 141	(184)	113 957
	Lower-Intermediate Intermediate	515 127 130 803	(3 679) (3 317)	511 448 127 486
	Upper-Intermediate	86 375	(6 362)	80 013
	High	52 663	(12 060)	40 603
	Default	145 580	(124 475)	21 105
	Unrated	57 287	(2 347)	54 940
		10 727 623	(241 353)	10 486 270
		17 348 879	(348 467)	17 000 412
5				
Financial assets at FVOCI - debt securities	Unrated	1 485 798	(296)	1 485 502
	Offialed	1 400 / 90	(230)	1 400 002



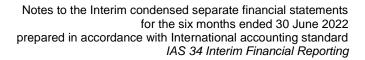
June 2022 € '000	Risk Profile	Gross amount	Provisions	Net amount
Financial commitments and contingencies:  Due from other banks				
	Lower-Intermediate Unrated	261 088 9 912	(16)	261 072 9 912
		271 000	(16)	270 984
Due from customers: Public administration				
	Very Low Low Intermediate	105 216 34 163 61 969	(4) (10) (5)	105 212 34 153 61 964
	Upper-Intermediate High Unrated	4 638 20 53	(14) - -	4 624 20 53
		206 059	(33)	206 026
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low Low Lower-Intermediate	1 239 519 1 215 358 462 099	(89) (150) (340)	1 239 430 1 215 208 461 759
	Intermediate Upper-Intermediate	383 421 95 526	(669) (535)	382 752 94 991
	High Default Unrated	10 878 17 151 513 737	(345) (5 266) (3 108)	10 533 11 885 510 629
Specialized Lending - SPV, RED				
	Strong Good Satisfactory Weak Unrated	134 460 55 066 35 709 23 20	(699) (578) (915) (6)	133 761 54 488 34 794 17 20
		4 162 967	(12 700)	4 150 267
Retail	Vondlow	955 202	(06)	0EE 106
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate	855 292 41 852 190 045 37 128 11 482	(96) (24) (354) (420) (433)	855 196 41 828 189 691 36 708 11 049
	High Default	8 955 4 856	(835) (1 596)	8 120 3 260
	Unrated	2 223	(23)	2 200
		1 151 833	(3 781)	1 148 052
		5 520 859	(16 514)	5 504 345



December 2021 € '000	Risk Profile	Gross amount	Impairment Iosses	Net amount
Financial assets at AC: Due from other banks				
	Very Low Low Lower-Intermediate Unrated	2 938 132 684 701 1 683 150	(87) (22) 	2 938 132 597 679 1 683 150
		1 819 473	(109)	1 819 364
Due from customers: Public administration				
	Very Low Low Upper-Intermediate High Unrated	153 860 13 518 24 218 7 461 6 357	(1 858) (6) (12) (6)	152 002 13 512 24 206 7 455 6 357
		205 414	(1 882)	203 532
Corporate Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low Low Lower-Intermediate Intermediate Upper-Intermediate High Default Unrated	547 315 1 936 073 1 189 276 587 019 396 360 76 925 63 662 292 169	(72) (522) (813) (1 180) (3 526) (2 264) (39 776) (99)	547 243 1 935 551 1 188 463 585 839 392 834 74 661 23 886 292 070
Specialized Lending - SPV, RED	Strong	167 549	(1 183)	166 366
	Good Satisfactory Weak Default	369 159 265 398 63 565 4 982	(5 585) (14 234) (10 179) (3 861)	363 574 251 164 53 386 1 121
		5 959 452	(83 294)	5 876 158



December 2021 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC: Due from customers: Retail Small Business,				
Flat Owners Associations	\/	40.700	(0)	40.700
	Very Low Low	13 732 26 235	(9) (36)	13 723 26 199
	Lower-Intermediate	42 304	(179)	42 125
	Intermediate	144 382	(2 063)	142 319
	Upper-Intermediate	101 862	(4 213)	97 649
	High	9 146	(1 659)	7 487
	Default	13 475	(10 237)	3 238
Mortgages				
Mortgagoo	Very Low	7 741 403	(485)	7 740 918
	Lower-Intermediate	688 355	(1 645)	686 710
	Intermediate	56 939	(1 196)	55 743
	High	49 811	(3 457)	46 354
	Default	77 054	(40 429)	36 625
	Unrated	353	(4)	349
Unsecured Retail				
	Very Low	346 665	(277)	346 388
	Low	110 441	(177)	110 264
	Lower-Intermediate	487 322	(2 680)	484 642
	Intermediate	121 146	(3 355)	117 791
	Upper-Intermediate	79 214	(6 181)	73 033
	High	54 777	(12 574)	42 203
	Default	159 764	(133 052)	26 712
	Unrated	76 271	14_	76 285
		10 400 651	(223 894)	10 176 757
		16 565 517	(309 070)	16 256 447
Financial assets at FVOCI - debt securities				
i mandiai assets at F v OOi - debt secunites	Unrated	1 664 143	(329)	1 663 814





December 2021 € '000	Risk Profile	Gross amount	Provisions	Net amount
Financial commitments and contingencies:  Due from other banks				
	Very Low Lower-Intermediate	5 706 249 912	(1) (17)	5 705 249 895
	Lower intermediate	255 618	(18)	255 600
Due from customers: Public administration			,	
	Very low	163 505 952	(14)	163 491 952
	Low Intermediate	4 296	(1)	4 295
	Upper-Intermediate	22 265	(6)	22 259
	High Unrated	1 461 53	(4)	1 457 53
	Officied	192 532	(25)	192 507
Corporate Large, SME, Other Non-banking		102 002	(20)	132 307
Financial and Public Corporates and Factoring		4 0 40 470	(0.5)	4.0.40.007
	Very Low Low	1 340 472 1 298 964	(85) (210)	1 340 387 1 298 754
	Lower-Intermediate	590 429	(210)	590 219
	Intermediate	381 687	(1 586)	380 101
	Upper-Intermediate High	118 248 11 591	(992) (405)	117 256 11 186
	Default	18 480	(6 152)	12 328
	Unrated	209 791	(1 736)	208 055
Specialized Lending - SPV, RED	•		(227)	
	Strong Good	129 600 52 154	(685) (535)	128 915 51 619
	Satisfactory	41 572	(1 740)	39 832
	Weak Unrated	1 461 20	(158)	1 303
	Offiated	4 194 469	(14 494)	4 179 975
		1 10 1 100	(1.1.0.1)	1110010
Retail	Very Low	749 986	(75)	749 911
	Low	32 008	(16)	31 992
	Lower-Intermediate	150 802	(231)	150 571
	Intermediate Upper-Intermediate	26 933 12 971	(298) (423)	26 635 12 548
	High	3 148	(650)	2 498
	Default	4 496	(2 553)	1 943
	Unrated	14 469	(1 452)	13 017
		994 813	(5 698)	989 115
		5 381 814	(20 217)	5 361 597



For some portfolios, information from external credit reference agencies is also used. The credit quality for financial assets at amortised cost: due from other banks is in the rating scale from Aaa to Baa3 (31 December 2021: Aaa to Caa1). The following table sets out the credit quality of FVOCI debt securities. The analysis has been based on Moody's ratings.

June 2022 € '000	External rating	Gross amount	Impairment losses	Net amount
Financial assets at FVOCI - debt securities				
	Aaa	210 694	(11)	210 683
	Aa1	79 497	(2)	79 495
	Aa2	4 997		4 997
	Aa3	-		-
	A2	527 844	(82)	527 763
	Baa1	169 044	(12)	169 032
	Baa2	94 071	(62)	94 010
	Baa3	399 651	(128)	399 523
		1 485 798	(296)	1 485 502
December 2021		Gross	Impairment	Net
€ '000	External rating	amount	losses	amount
Financial assets at FVOCI - debt securities				<u></u>
Financial assets at FVOCI - debt securities	Aaa	224 319	(23)	224 297
Financial assets at FVOCI - debt securities	Aaa Aa1	224 319 91 781		
Financial assets at FVOCI - debt securities	Aa1 Aa2		(23)	224 297
Financial assets at FVOCI - debt securities	Aa1	91 781	(23) (35) (0) (118)	224 297 91 747 5 038 805 077
Financial assets at FVOCI - debt securities	Aa1 Aa2	91 781 5 038	(23) (35) (0)	224 297 91 747 5 038
Financial assets at FVOCI - debt securities	Aa1 Aa2 A2	91 781 5 038 805 195	(23) (35) (0) (118)	224 297 91 747 5 038 805 077
Financial assets at FVOCI - debt securities	Aa1 Aa2 A2 Baa1	91 781 5 038 805 195 169 254	(23) (35) (0) (118) (11)	224 297 91 747 5 038 805 077 169 244



#### 4.1.12. Credit risk of financial derivatives

Credit exposure (or the replacement cost) of derivative financial instruments represents the Bank's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Bank assesses the credit risk of all financial instruments on a daily basis.

With regard to IFRS 13 which contains a clarification in reference to non-performance risk in determining the fair value of over-the-counter derivatives, the Bank uses the bilateral Credit Value Adjustment model ('bCVA'). It takes fully into account the effects of changes in counterparty credit ratings as well as the changes in own credit rating. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment ('CVA') and Debit Value Adjustment ('DVA'):

- The CVA (negative) takes into account scenarios whereby the counterparty fails before the Bank that has a
  positive exposure to the counterparty. In these scenarios the Bank suffers a loss equal to the cost of
  replacing/closing the derivative constract,
- The DVA (positive) takes into account scenarios whereby the Bank fails before the counterparty and has a
  negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of
  replacing/closing the derivative contract.

The bCVA depends on the exposure, probability of default and the loss given default of the counterparties. The Bank is selective in its choice of counterparties and sets limits for transactions with customers. The Bank takes its own and its counterparties' credit risk into consideration to the extent it believes the market participants would do so.

The table below shows the maximum amount of credit risk of derivative financial instruments. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	June 2022	December 2021
Financial assets Financial assets at fair value through profit or loss: Financial assets held for trading:		
Derivative financial instruments	64 958	47 277
Derivatives – Hedge accounting	254 255	107 954
	319 213	155 231



## 4.1.13. The impact of the COVID-19 pandemic

On 4 April 2020, Act no. 67/2020 Coll. on certain emergency financial measures in relation to the spread of dangerous contagious human disease COVID-19 entered into force (amended several times), which includes, inter alia, financial market measures that directly affect the Bank's activities, such as measures in the field of financial assistance, financial market supervision, measures to defer loan repayments and measures in the field of contactless payments. The Bank complies with valid legislation and applies the prudential framework published by the European Banking Authority in relation to default, forbearance and IFRS 9 in relation to measures related to the COVID-19 pandemic.

As at 12 December 2020 EBA amended Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), which contains rules for the assessment of clients who requested deferral of payments during a pandemic and extended its valid until 31 March 2021. Under the specified conditions, the bank will not worsen the creditworthiness of the client in deferred loan repayments approved until 31 March 2021.

The Bank updated its IFRS 9 PD and LGD models by the new economic predictions. The last update is from November 2021 and it is linked to actual economic forecast. The outcome is creation of additional ECL in amount of € 7 million. The additional part of ECL was created in the form of post-model adjustments/managerial overlay as a reaction of the senior management on potential negative economic outlooks. The managerial overlay at 31 December 2021 increased the ECL by € 19 million in segment of retail. Another important factor is the deterioration of credit quality as indicated by rating downgrade, i.e. some portion of portfolios has been re-classified to stage 2, with additional impact on level of ECL in the amount of € 1,5 million, mainly in small business segment and to some extent consumer loans. Common drivers for stage 2 reclassification are: significant rating downgrade, 30 days past due, forbearance flag and monitoring of client in proactive credit risk regime. However, the primary driver observed throughout the year was the significant rating downgrade which triggers migration from Stage 1 to Stage 2. Finally, the migration to stage 3 was observed mainly for clients without legal moratorium, driven dominantly by consumer loans.

During the pandemic period, the borrower may request the Bank to defer payments for a period not exceeding nine months. The Bank is obliged to allow deferral of installments if the legal requirements are met. By allowing deferred payments, the effects of the debtor's delay do not occur to the extent of deferred fulfillment. Deferral of repayments does not affect the flag of default and does not worsen the credit quality of the borrower. The debtor does not lose the obligation to pay interest for the period of deferred payments and interest is accrued even during the duration of deferred payments.

Till 31 December 2021 the Bank received 23 452 requests for deferral of repayments of corporate and retail loans, of which 21 394 was granted in the total gross amount of € 1 012 865 thousand. Out of these, expired € 1 012 860 thousand. Due to immateriality, this indicator is no longer followed by the Bank in 2022 for the purposes of financial statements.

December 2021 € '000	Gross amount	Performing Impairment losses	Net amount	Gross amount	lon-performing Impairment Iosses	Net amount
Financial assets at AC:						
Retail	5		5			
	5		5			



The Bank has joined the SIH Anti-Corona Guarantee 1 and SIH Anti-Corona Guarantee 2 programs, under which it, in cooperation with Slovak Investment Holding ('SIH'), provided assistance to companies to bridge income shortfalls during crisis measures against the spread of coronavirus. SIH assistance consisted of a portfolio guarantee for a loan provided by the Bank and, under the SIH anti-corona guarantee 1 under the conditions of maintaining employment in small and medium-sized enterprises, as well as an interest subsidy of up to 4%. Loans were provided for a maximum of four years up to the amount of € 1 180 thousand with a 12-month deferral of repayment of principal and interest. Under the SIH anti-corona guarantee 2, the SIH guarantee represented 90% of the principal and loans with a maturity of two to six years were provided in a maximum amount of € 2 000 thousand with deferral of principal and interest payments for 12 months with the possibility of waiving the guarantee fee if the conditions are met. Interest rates were limited for micro-enterprises at 3.9% p. a. and for other enterprises 1.9% p. a.

The Bank also participated in the program of financial assistance for Slovak companies to mitigate the effects of the COVID-19 pandemic, launched by EXIMBANKA SR. The aid consisted of a guarantee of 80% of the principal and loans were provided with a maturity of two to six years in the amount of € 2 to 20 million with deferral of principal and interest payments for 12 months with the possibility of waiving the guarantee fee if the conditions are met. The interest rate was limited to 1.9% p. a.

The loans were provided under market conditions and the programs in which the Bank participated are not government grants.

Till 30 June 2022 the Bank provided 1 821 newly originated loans subject to public guarantee schemes in the context of the COVID-19 crisis to enterprises in the total gross amount of € 261 370 thousand.

June 2022 € '000	Gross amount	Performing Impairment Iosses	Net amount	Gross amount	Non-performing Impairment Iosses	Net amount
Financial assets at AC:						
Corporate	204 938	(1 201)	203 737	2 079	(411)	1 668
Retail	53 386	(1 328)	52 058	967	(497)	470
	258 324	(2 529)	255 795	3 046	(908)	2 138

		Performing		Non-performing				
December 2021 € '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount		
Financial assets at AC:								
Corporate	186 399	(943)	185 456	2 238	(457)	1 781		
Retail	58 163	(1 229)	56 934	160	(89)	71		
	244 562	(2 172)	242 390	2 398	(546)	1 852		

#### 4.2. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

### 4.2.1. Management of market risk

The Bank separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading sub-department and Sales sub-department include positions arising from market-making and proprietary position taking. All foreign exchange risk within the Bank is transferred each day to the Trading sub-department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the sub-department Asset Liability Management ('ALM'), and include all positions which are not intended for trading.

Trading portfolios includes derivative financial instruments used for both trading and hedging and debt securities classified as financial assets held for trading. All other financial instruments are part of the banking book.



Overall authority for market risk is vested in ALCO. The Enterprise Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for their implementation and day-to-day market risk monitoring and reporting.

In the normal course of business, the Bank enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Bank also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The Bank operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to these limits on a daily basis.

### 4.2.2. Exposure to market risk - trading portfolios

The principal tool used to measure and control market risk exposures within the Bank's trading portfolio is Value at Risk ('VaR'). A derivation of VaR is the stress VaR ('sVaR'), which represents maximal VaR of a selected one year period generating the highest value of VaR during a period of at least the last ten years. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99% confidence level and assumes a one-day holding period.

The VaR and sVaR models used are based on historical simulations. Taking into account market data from the previous year and in case of sVaR a one year scenario from at least the last ten years of history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements evaluated in the model. The VaR model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

The Bank uses VaR limits for total market risk in the trading book, foreign exchange risk and interest rate risk. The overall structure of VaR and sVaR limits is subject to review and approval by ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilisation of VaR and sVaR limits are submitted to the trading unit, the head of the Division Risk Management and the head of the Department Treasury and ALM. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

A summary of the VaR and sVaR position of the Bank's trading portfolios:

		June 2022			December 2021			
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	134	80	195	12	68	49	125	12
Interest rate risk	511	329	546	73	109	88	251	35
Total VaŔ	581	371	650	71	96	109	278	39
Total sVaR	624	477	977	153	338	498	1 466	195

Although VaR is a popular and widely used risk management tool, there are known limitations, among which the following are the most important ones:

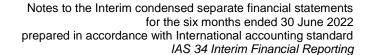
- VaR does not measure the worst case loss, since a 99% confidence interval means that in 1% of cases the loss is expected to be greater than the VaR amount;
- VaR calculated using a one day holding period assumes hedge or disposal of a position within one day, which
  might not be realistic in the case of a longer illiquid situation on the market;

These limitations are recognized, by supplementing VaR limits with other structure position limits. In addition, the Bank uses a wide range of stress tests, to model the financial impact of a variety of exceptional market scenarios on the Bank's position. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of the limitation of using historical series and possibly omitting scenarios of an extraordinary nature.

#### 4.2.3. Exposure to interest rate risk

Interest rate risk comprises of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and of the risk that the maturities of interest earning assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the interest rate is fixed on a financial instrument therefore indicates the extent to which it is exposed to interest rate risk.

All the assumptions, methodologies and responsibilities are described in internal documents 'Guidelines on the Governance of Interest Rate Risk in the Banking Book' ('IRRBB') and 'Rules on the Measurement and Control of IRRBB in VÚB Group' which are approved by the Management Board and are consistent with ISP Group IRRBB Guidelines and Rules.





The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. Interest rate risk is managed mainly through the monitoring of interest rate gaps. Financial instruments are mapped to repricing time buckets either by maturity for fixed rate instruments, or by next re-pricing date for floating rate instruments. Assets and liabilities that do not have a contractual maturity date are mapped according to internal models based on behavioural assumptions.

The Risk Management division is responsible for monitoring and reporting of interest rate gaps at least on a monthly basis. The management of interest rate risk is measured by shift sensitivity of fair value analysis (change in present value). In line with the ISP Group methodology, the shift sensitivity analysis is done through baseline, internal stress and regulatory scenarios. Baseline scenarios are defined as a parallel and instantaneous shift of +/- 100 basis points of the yield curve. Internal stress scenarios have been introduced in 2017, measuring the shift sensitivity through parallel and instantaneous shift of +/-200 basis points, and non-parallel steepening and flattening scenarios as well as short rates up and down scenarios. Six regulatory scenarios, according to the Interest Rate Risk in the Banking Book Guidelines published by Basel Committee on Banking Supervision, have been introduced in 2017. All scenarios are applied on monthly basis as from September 2019.

The sensitivity of the interest margin is also measured with a set of scenarios similar to shift sensitivity analysis – baseline, internal stress and regulatory scenarios. The baseline scenario is represented by parallel and instantaneous +/-50 bps shocks in the yield curve, in a period of the following 12 months. Furthermore, additional internal stress and regulatory scenarios are applied: +/-100, +/-200 and six stress scenarios according to the Interest Rate Risk in the Banking Book Guidelines published by the Basel Committee on Banking Supervision.

Overall banking book interest rate risk positions are managed by the Treasury and ALM Department, which uses different on balance and off balance sheet instruments to manage the overall positions arising from the banking book activities.

### Models applied for the interest rate risk ('IRR') calculation

Each financial and non-financial instrument is allocated to the time bucket based on its contractual or behavioural repricing date:

# Contractual category

This category includes instruments where the Bank knows exactly when the maturity or next re-pricing takes place. This treatment is applied mainly to: bought and issued securities, received loans and term deposits.

# Behavioural category

These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). There are also some items where the maturity or re-pricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the behaviour characteristics of these items. The assumptions are based on the detailed analysis of the Bank's historical time series data and statistical models.

# 4.2.4. Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and financial liabilities will fluctuate due to changes in foreign exchange rates. It is the policy of the Bank to manage its exposure to fluctuations in exchange rates through regular monitoring and reporting of open foreign exchange positions and the application of a matrix of position exposure in single currencies and overall position limit.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

#### 4.2.5. Interest rate benchmark reform

The Interbank offered rate ('IBOR') replacement represents one of the major undertakings for the financial services industry. For the Bank the impact is not expected to be material and can be split into three main categories:

- Replacement of Euro OverNight Index Average ('EONIA');
- Change of Euro Interbank Offered Rate ('EURIBOR') calculation;
- Replacement of London Interbank Offered Rate ('LIBOR').

The biggest impact on the internal IT systems is coming from the discontinuation of the LIBOR rates, which will be replaced by different type of rates as well as a different calculation logic. Currently a project is underway at the bank to address the adjustments of the systems and the implementation is planned during the second half of 2022.

# 4.3. Liquidity risk

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit.

The Guidelines for Liquidity Risk Management adopted by the Bank outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Bank to develop prudent approaches to liquidity management, making it possible to maintain the overall risk profile at low levels.

The basic principles underpinning the Liquidity Policy of the Bank are:

- The existence of an operating structure that works within set of limits and of a control structure that is independent from the operating structure;
- A prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and
  off-balance sheet items, especially those without a contractual maturity;
- An assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time:
- The maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary
  operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Bank's liquidity
  or system liquidity.

The Bank is regularly stress testing its liquidity position in order to simulate potential stress scenarios. The level of unencumbered highly liquid assets are kept at levels that, should support the bank also in case of these extraordinary events. The bank is also able to seek short term funding from the parent company or interbank market in order to support its liquidity position. There are no specific lines of credit for liquidity stress situations.

The departments of the Bank responsible for ensuring the correct application of the Guidelines are the Treasury and ALM Department. These Guidelines are broken down into three macro areas: 'Short term Liquidity Policy', 'Structural Liquidity Policy' and 'Contingency Liquidity Plan', and constitute an integral part of the Internal Liquidity Adequacy Assessment Process. ALM Department is responsible for liquidity management and the Enterprise Risk Management Department responsible for monitoring indicators and verifying the observation of limits.

The Short term Liquidity Policy includes a set of parameters, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management. The main regulatory indicator used for monitoring and managing short term liquidity is the Liquidity coverage ratio. It is required by the CRR Regulation, more precisely defined in Delegated Regulation (EU) 2015/61. Main content of the Liquidity coverage ratio: Institutions shall hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. During times of stress, institutions may use their liquid assets to cover their net liquidity outflows.

The Structural Liquidity Policy of the Bank incorporates a set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.



Together with the Short term and Structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan sets the objectives of safeguarding the Bank's capital and, at the same time, guarantees the continuity of operations under conditions of extreme liquidity emergency. It also ensures the identification of the pre-warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and intervention measures for the resolution of emergencies. The pre-warning indices, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

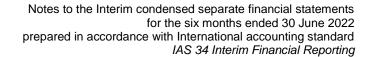
The liquidity position of the Bank is regularly presented by Enterprise Risk Management Department and discussed during the ALCO meetings.

The table below shows an analysis of assets and liabilities (discounted cash flow basis) according to when they are expected to be recovered or settled:

June 2022 € '000	Less than 12 months	Over 12 months	Total
Assets Cash and cash equivalents Financial assets at FVTPL Derivatives – Hedge accounting Financial assets at FVOCI Financial assets at AC:    Due from other banks    Due from customers	3 115 522 11 974 3 906 413 349 1 724 478 3 396 080	41 907 191 363 1 079 680 121 751 13 604 332	3 115 522 53 881 195 269 1 493 029 1 846 229 17 000 412
Fair value changes of the hedged items in portfolio hedge of IRR Investments in subsidiaries, joint ventures and associates Property and equipment Intangible assets Goodwill Current income tax assets Deferred income tax assets Other assets Non-current assets and disposal groups classified as held for sale	52 - 24 296 5 946 8 695 604	(47 456) 20 175 101 060 127 689 29 305 - 57 156 - - 15 326 961	(47 456) 20 175 101 060 127 689 29 305 52 57 156 24 296 5 946 24 022 565
Liabilities Financial liabilities at FVTPL Derivatives – Hedge accounting Financial liabilities measured at AC: Due to banks Due to customers Lease liabilities Subordinated debt Debt securities in issue Fair value changes of the hedged items in portfolio hedge of IRR Current income tax liabilities Provisions Other liabilities	(16 040) (4 162) (256 721) (2 110 709) (6 319) (152) (409 244) - (19 577) - (81 349) (2 904 273)	(30 265) (190 971) - (3 115 930) (12 036 946) (14 338) (200 000) (3 741 991) 11 420 - (20 675) (5 009) (19 344 705)	(46 305) (195 133) (3 372 651) (14 147 655) (20 657) (200 152) (4 151 235) 11 420 (19 577) (20 675) (86 358) (22 248 978)
Net position	5 791 331	(4 017 744)	1 773 587



December 2021 € '000	Less than 12 months	Over 12 months	Total
Assets Cash and cash equivalents	2 612 785	-	2 612 785
Financial assets at FVTPL Derivatives – Hedge accounting Financial assets at FVOCI	4 789	32 591	37 380
	2 368	53 206	55 574
	574 713	1 096 690	1 671 403
Financial assets at AC: Due from other banks Due from customers	1 703 049	116 315	1 819 364
	3 105 836	13 150 611	16 256 447
Fair value changes of the hedged items in portfolio hedge of IRR Investments in subsidiaries, joint ventures and associates Property and equipment	_	3 301	3 301
	_	69 656	69 656
	_	110 087	110 087
Intangible assets Goodwill Current income tax assets	_ _	130 848 18 871 –	130 848 18 871
Deferred income tax assets Other assets Non-current assets and disposal groups classified as held for sale	21 108 515	53 880 -	53 880 21 108 515
Non-current assets and disposal groups classified as field for sale	8 025 163	14 836 056	22 861 219
<b>Liabilities</b> Financial liabilities at FVTPL Derivatives – Hedge accounting	(8 596)	(22 267)	(30 863)
	(1 310)	(30 200)	(31 510)
Financial liabilities measured at AC:  Due to banks  Due to customers	(129 597)	(2 834 466)	(2 964 063)
	(1 933 561)	(12 019 203)	(13 952 764)
Lease liabilities	(6 391)	(14 083)	(20 474)
Subordinated debt	(150)	(200 000)	(200 150)
Debt securities in issue	(354 265)	(3 474 791)	(3 829 056)
Fair value changes of the hedged items in portfolio hedge of IRR Current income tax liabilities Provisions	(12 018) —	(2 816) - (21 597)	(2 816) (12 018) (21 597)
Other liabilities	(81 177)	(5 009)	(86 186)
	(2 527 065)	(18 624 432)	(21 151 497)
Net position	5 498 098	(3 788 376)	1 709 722





### 4.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk, model risk, information and communication technology risk and financial reporting risk; strategic and reputational risk are not included. Operational risk can arise from legal and regulatory requirements, non-compliance with generally accepted standards of corporate behaviour and from all of the Bank's operations.

### 4.4.1. Operational risk management strategies and processes

The Bank, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a VUB Group policy and organisational process for measuring, managing and controlling operational risk.

The control of operational risk was attributed to the Operational Risk Committee, which identifies risk management policies. The Supervisory and Management Boards of the Bank ensures the functionality, efficiency and effectiveness of the risk management and controls system.

The Operational Risk Committee (composed of the heads of the areas of the governance centre (Chief Executive Officer, Deputy Chief Executive Officer) and of the business areas more involved in operational risk management (voting members: Head of Risk Management Division, Chief Financial Officer, Chief Operating Officer, Head of Compliance Department, Head of Anti-Money Laundering Department; permanent invitees without voting rights: Head of Corporate & SME Division, Head of Retail Division, Head of Enterprise Risk Management Department, Head of Legal Department, Head of Human Resources & Organization Department, Head of Information Security subdepartment), has the task of periodically reviewing the VUB Group's overall operational risk profile, authorising any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk transfer strategies.

### 4.4.2. Organisational structure of the associated risk management function

For some time, the Bank has had a centralised function within the Risk Management Division for the management of the Bank's operational risks. This function is responsible, in coordination with the Parent Company, for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior Management. In compliance with current requirements, the individual organisational units participate in the process and each of them is responsible for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment, including information and communication technology risk. The Risk Management Division carries out second level monitoring of these activities.

# 4.4.3. Scope of application and characteristics of the risk measurement and reporting system

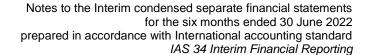
In February 2010 upon a VUB Group request, the Bank as part of the VUB Group received, from the relevant Supervisory authorities an approval for usage and thus adopted the Advanced Measurement Approach ('AMA'), for Operational Risk management and measurement. In June 2013, the Bank as part of the VUB Group received an approval for usage and thus adopted the AMA for the subsidiary VUB Leasing, a. s. Part of this decision has been an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage.

For the use of the AMA, the Bank has set up, in addition to the corporate governance mechanisms required by the Supervisory regulations, a system for the management of operational risk certified by the process of annual self-assessment carried out by the Bank and the subsidiary VUB Leasing, a. s. that fall within the scope of AMA. This process is verified by the Internal Audit Department and submitted to the relevant Bank's Committee for the annual certification of compliance with the requirements established by the regulation.

Under the AMA approach, the capital requirement is calculated by an internal model, which combines all elements stipulated in Supervisory regulation, allowing to measure the exposure in a more risk-sensitive way. Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

# 4.4.4. Policies for hedging and mitigating risk

The Bank, in coordination with its Parent Company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does include the benefit from this transfer of operational risk through insurance policies, which contributes to reducing the risk capital calculated through the internal models.





### 5. Estimated fair value of financial assets and financial liabilities

See accounting policy in note 3.4.7.

The Bank uses the following fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the Bank as at the measurement date;
- Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and
- Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 2) and the lowest priority to unobservable inputs (level 3). Following this hierarchy, where available, fair value estimates made by the Bank are based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, fair value is estimated using discounted cash flow models or other pricing models as appropriate.

Under level 2, the principal valuation technique used by the Bank for debt instruments involves the method of discounting future cash flows. The calculation takes into account the time value of money (risk-free rate of interest) and the credit risk expressed in the form of credit spreads applied to the bonds' yield and representing the risk premium the investor claims against a risk free investment. In the case of derivative financial instruments the Bank uses standard fair value calculation models based on the principal net present value using the yield curve to discount all future cash flows from derivatives for all relevant currencies. The principal input parameters used by the models comprise interest rate curves, volatility curves, spot and forward prices and the correlation between underlying assets. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. The Bank also considers its own and counterparty's credit risk.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument. The Bank monitors the occurrence of these changes and accordingly reassesses the classification into the fair value hierarchy. For determining the timing of the transfers between the levels, the Bank uses the end of the reporting period as the day when the transfer is deemed to have occurred.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

### (a) Cash and cash equivalents

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

# (b) Due from other banks

The fair value of due from other banks balances with maturities more than one year is estimated using discounted cash flow analyses, based upon the risk free interest rate curve. For maturities up to one year and not significant balances, the carrying amounts of amounts due from other banks approximates their fair value. Impairment losses are taken into consideration when calculating fair values.



Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

### (c) Due from customers

The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk free interest rate curve and risk reflecting credit-worthiness of the counterparty. Impairment losses are taken into consideration when calculating fair values.

## (d) Purchased debt securities and equities

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

### (e) Due to banks and Due to customers

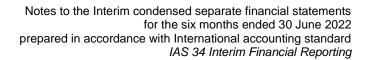
The carrying amounts of due to banks approximates their fair value. The fair value of due to customers is estimated by discounting their future expected cash flows using the risk free interest rate curve.

### (f) Subordinated debt

The fair value of subordinated debt is discounted using the risk free interest rate curve and own credit risk.

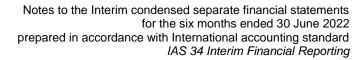
#### (g) Debt securities in issue

The fair value of debt securities issued by the Bank is based on quoted market prices. Where no market prices are available, the fair value was calculated by discounting future cash flows using the risk free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the issuer.





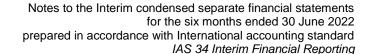
		C:	arrying amount		Fair value			
June 2022 € '000	Note	amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	7	3 115 522	-	3 115 522	-	3 115 522	-	3 115 522
Financial assets at FVTPL	8	-	53 881	53 881	985	52 896	-	53 881
Financial assets held for trading			47 119	47 119	894	46 225		47 119
Non-trading financial assets at FVTPL			6 762	6 762	91	6 671		6 762
Derivatives – Hedge accounting	9	-	195 269	195 269	-	195 269	-	195 269
Financial assets at FVOCI	10	-	1 493 029	1 493 029	1 433 599	59 429	-	1 493 028
Financial assets at AC:	11							
Due from other banks		1 846 229	-	1 846 229	-	1 846 229	-	1 846 229
Due from customers		17 000 412		17 000 412		148 213	17 832 818	17 981 031
		21 962 163	1 742 179	23 704 342	1 434 584	5 417 558	17 832 818	24 684 960
					· ·			
Financial liabilities								
Financial liabilities at FVTPL	8							
Financial assets held for trading			46 305	46 305		46 305		46 305
Derivatives – Hedge accounting	9	-	195 133	195 133	-	195 133	-	195 133
Financial liabilities at AC:	11							
Due to banks		3 372 651	-	3 372 651	-	3 372 651	-	3 372 651
Due to customers		14 147 655	-	14 147 655	-	14 142 152	-	14 142 152
Lease liabilities		20 657	=	20 657	-	20 657	-	20 657
Subordinated debt		200 152	-	200 152	-	225 553	-	225 553
Debt securities in issue		4 151 235		4 151 235		4 052 264		4 052 264
		21 892 350	241 438	22 133 788	-	22 054 715	-	22 054 715





		Carrying amount At Total			Fair value			
December 2021 € '000	Note	amortised cost	At fair value	carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets Cash and cash equivalents Financial assets at FVTPL Derivatives – Hedge accounting Financial assets at FVOCI Financial assets at AC: Due from other banks Due from customers	7 8 9 10 11	2 612 785 - - - 1 819 364 16 256 447 20 688 596	37 380 55 574 1 671 403 — — — 1 764 357	2 612 785 37 380 55 574 1 671 403 1 819 364 16 256 447 22 452 953	3 528 - 1 610 549 - - 1 614 077	2 612 784 33 852 55 574 60 855 1 819 364 152 485 4 734 914	- - - 17 930 469 17 930 469	2 612 784 37 380 55 574 1 671 404 1 819 364 18 082 954 24 279 460
Financial liabilities Financial liabilities at FVTPL Derivatives – Hedge accounting Financial liabilities at AC: Due to banks Due to customers Lease liabilities Subordinated debt Debt securities in issue	8 9 11	2 964 063 13 952 764 20 474 200 150 3 829 056 20 966 507	30 863 31 510 - - - - - - 62 373	30 863 31 510 2 964 063 13 952 764 20 474 200 150 3 829 056 21 028 880	- - - - - - -	30 863 31 510 2 964 063 13 953 979 20 474 228 948 3 858 052 21 087 889	- - - - - - - -	30 863 31 510 2 964 063 13 953 979 20 474 228 948 3 858 052 21 087 889

There were no other transfers of financial instruments among the levels during 2022 and 2021.





## 6. Segment reporting

The Bank reports financial and descriptive information about its operating segments in the financial statements. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Bank operates in three operating segments – Retail Banking, Corporate Banking and Central Treasury. Each segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

For all segments the Bank reports a measure of segment assets and liabilities and income and expense items, a reconciliation of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the financial statements.

Most of the transactions of the Bank are related to the Slovak market. Due to the market size, the Bank operates as a single geographical segment unit.

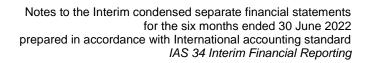
Operating segments pay and receive interest to and from the Central Treasury on an arm's length basis in order to reflect the costs of funding.

Retail Banking includes loans, deposits and other transactions and balances with households, sole traders and small business segment.

Corporate Banking comprises SME, the Corporate Customer Desk ('CCD'), Municipalities and Public Sector Entities. SME includes complex loan structures, deposits and other transactions and balances with SME (company revenue up to € 50 million; if revenue information is not available, bank account turnover is used). The CCD includes complex loan structures, deposits and other transactions and balances with large corporate customers (company revenue over € 50 million).

Central Treasury undertakes the Bank's funding, issues of debt securities as well as trading book.

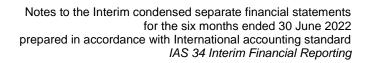
The Bank reported within Other a Central Governance Centre that manages the Bank's premises, equity investments and own equity funds as well as Risk Management that operates the workout loan portfolio. Unclassified items are also reported within this column.





June 2022 € '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
	20	249	1100001.	cogilionic	<b>G</b>	70141
External revenue:						
Interest and similar income	93 832	75 967	(3 865)	165 934	16 620	182 554
Interest and similar expense	(2 479)	(10 419)	(3 698)	(16 596)	(18 371)	(34 967)
Inter-segment revenue	(3 574)	(10 639)	16 099	1 886	(1 886)	
Net interest income	87 779	54 909	8 536	151 224	(3 637)	147 587
Net fee and commission income (note 25)	63 322	20 800	297	84 419	(1 796)	82 623
Dividend income	- 0.004	0.050	(450)	-	8 003	8 003
Net trading result	3 004	3 952	(450)	6 506	200	6 706
Other operating income Other operating expense	(1 799) (15 749)	142	-	(1 657) (15 749)	2 994 (4 828)	1 337 (20 577)
Special levy of selected financial institutions*	(15749)		-	(15749)	(4 020)	(20 377)
Salaries and employee benefits	(22 258)	(5 939)	(332)	(28 529)	(31 102)	(59 631)
Other administrative expenses*	-	-	-	(======================================	(37 360)	(37 360)
Amortisation	(3 469)	(274)	-	(3 743)	(5 276)	(9 019)
Depreciation	(1 621)	(45)	(1)	(1 667)	(4 500)	(6 167)
Profit before provisions, impairment and tax	109 209	73 545	8 050	190 804	(77 302)	113 502
Net modification gains or losses*	-	-	-	-	(17)	(17)
Provisions*	-	-	-	-	(63)	(63)
Impairment losses	(23 020)	(7 542)	(113)	(30 675)	145	(30 530)
Net (loss)/gain arising from the derecognition of financial assets						
at amortised cost	8 015	(480)	<u> </u>	7 535	13	7 548
Profit before tax	94 204	65 523	7 937	167 664	(77 224)	90 440
Segment assets	10 173 634	7 001 620	6 295 618	23 470 872	551 693	24 022 565
Segment liabilities	8 933 113	4 726 588	8 225 272	21 884 973	364 005	22 248 978

<sup>\*</sup> The Bank does not allocate these items to the individual segments.





June 2021 € '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	101 927	49 883	(8 318)	143 492	2 832	146 324
Interest and similar expense	(3 145)	(925)	(7 533)	(11 603)	(3 111)	(14 714)
Inter-segment revenue	(3 043)	(4 728)	8 306	535	(535)	
Net interest income	95 739	44 230	(7 545)	132 424	(814)	131 610
Net fee and commission income (note 25)	52 598	16 608	1 015	70 221	(1 730)	68 491
Dividend income	-	-	-	-	3 002	3 002
Net trading result	1 306	1 899	9 831	13 036	36	13 072
Other operating income	(968)	3	-	(965)	1 968	1 003
Other operating expense	(14 422)	-	-	(14 422)	(2 416)	(16 838)
Special levy of selected financial institutions*	(00,000)	(F. 000)	(000)	(07.450)	(04.000)	(50,004)
Salaries and employee benefits	(22 062)	(5 066)	(330)	(27 458)	(31 223)	(58 681)
Other administrative expenses* Amortisation	(3 190)	- (141)	-	(3 331)	(34 460) (4 671)	(34 460) (8 002)
Depreciation	(3 190)	(32)	(2)	(3 331)	(5 317)	(6 730)
Profit before provisions, impairment and tax						
	107 622	57 501	2 969	168 092	(75 625)	92 467
Net modification gains or losses*	-	-	-	-	(46)	(46)
Provisions*	-	-	-	-	`(9)	`(9)
Impairment losses	1 263	(18 744)	248	(17 233)	985	(16 248)
Net (loss)/gain arising from the derecognition of financial assets						
at amortised cost	(2 282)	739		(1 543)	(8)	(1 551)
Profit before tax	106 603	39 496	3 217	149 316	(74 703)	74 613
December 2021 € '000						
Segment assets	10 135 873	6 088 556	6 084 618	22 309 047	552 172	22 861 219
Segment liabilities	8 913 870	4 889 742	7 009 438	20 813 050	338 447	21 151 497

<sup>\*</sup> The Bank does not allocate these items to the individual segments.



## 7. Cash and cash equivalents

'Cash and cash equivalents' comprise the following balances:

€ '000	June 2022	December 2021
Cash in hand	216 392	175 674
Balances at central banks:		
Compulsory minimum reserves	2 471 698	2 109 981
Current accounts	7	2
Term deposits	32 342	96 548
Loans and advances	355 982	213 304
	2 860 029	2 419 835
Due from other banks:		
Current accounts	39 101	17 276
	3 115 522	2 612 785

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and Česká národní banka ('ČNB'). The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the Bank and the amount of issued bonds, both with a maturity of up to two years. The rate for the calculation of the compulsory minimum reserve is 1% for the reserves held at the NBS and 2% for the reserves held at ČNB. The required balance is calculated as the total of individual items multiplied by the valid rate.

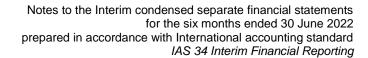
The daily balance of the compulsory minimum reserve can vary significantly based on the amount of incoming and outgoing payments. The Bank's ability to withdraw the compulsory minimum reserve is restricted by local legislation. The compliance with the compulsory minimum reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period.

## 8. Financial assets and financial liabilities at fair value through profit or loss

€ '0000	June 2022	December 2021
Financial assets held for trading: Trading derivatives Equity instruments	46 225	27 158
Government debt securities of European Union countries	894	2 906
	47 119	30 064
Non-trading financial assets at fair value through profit or loss: Equity instruments	6 762	7 316
Financial liabilities held for trading: Trading derivatives	46 305	30 863

On the line 'Equity instruments' in 'Financial assets held for trading' is recognized the fair value of the Visa Inc. Series C Preferred Stock that were reclassified as at 1 January 2020 from FVOCI (note 10) to FVTPL portfolio.

Equities in 'Non-trading financial assets at fair value through profit or loss' are represented by shares of Intesa Sanpaolo S. p. A. and Visa Inc. Series C Preferred Stock. The ISP shares form the part of the incentive plan introduced by the Parent Company in line with the Capital Directive 'CRD III' (i.e. Directive 2010/76/EU amending the Capital Requirements Directives). As at 1 January 2021, Visa Inc. Series C Preferred Stock were reclassified from 'Financial assets held for trading' to 'Non-trading financial assets at fair value through profit or loss'. The Bank did not elect at initial recognition the option to present these shares at FVOCI.





€ '000	June	December	June	December
	2022	2021	2022	2021
	Assets	Assets	Liabilities	Liabilities
Trading derivatives – Fair values Interest rate instruments: Forwards and swaps	32 825	16 173	31 647	17 744
Foreign currency instruments:	7 189	5 232	8 450	7 398
Forwards and swaps	109	103	119	103
Options	7 298	5 335	8 569	7 501
Equity and commodity instruments: Commodity forwards and swaps	6 102	5 650	6 089	5 618
	46 225	27 158	46 305	30 863
€ '000	June	December	June	December
	2022	2021	2022	2021
	Assets	Assets	Liabilities	Liabilities
Trading derivatives – Notional values Interest rate instruments: Forwards and swaps Futures	5 272 763	1 848 175	5 272 763	1 848 175
	43 544	-	43 544	1 957 740
	5 316 307	1 957 740	5 316 307	1 848 175
Foreign currency instruments: Forwards and swaps Options	847 825	721 750	855 570	726 204
	8 061	5 211	8 033	5 211
	855 886	726 961	863 603	731 415
Equity and commodity instruments:	2 631	6 867	2 631	6 867
Commodity forwards and swaps	6 174 824	2 691 568	6 182 541	2 696 022



### 9. Derivatives - Hedge accounting

€ '000	June 2022	December 2021	June 2022	December 2021
	Assets	Assets	Liabilities	Liabilities
Fair value hedges of interest rate, foreign currency and inflation risk	195 269	55 574	195 133	31 510

#### 9.1. Fair value hedges of interest rate, foreign currency and inflation risk

The Bank used 17 interest rate swaps to hedge the interest rate risk of a pool of mortgage loans. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the mortgage loans in relation to changes of interest rates.

The Bank used 27 interest rate swaps to hedge the interest rate risk of a pool of current accounts. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the current accounts in relation to changes of interest rates.

The Bank used 34 interest rate swaps to hedge the interest rate risk of 10 fixed rate state bonds from the FVOCI portfolio. The changes in fair value of these swaps substantially offset the changes in fair value of FVOCI portfolio bonds in relation to changes of interest rates.

The Bank used 17 interest rate swaps to hedge the interest rate risk of 15 fixed rate financial institutions bonds from the FVOCI portfolio. The changes in fair value of these swaps substantially offset the changes in fair value of FVOCI portfolio bonds in relation to changes of interest rates.

The Bank used 8 interest rate swaps hedge the interest rate risk of 8 corporate loans denominated in EUR. The changes in fair value of these swaps substantially offset the changes in fair value of the loans in relation to changes of interest rates.

The Bank used 2 cross currency swaps to hedge the interest rate and foreign currency risk of 2 corporate loans denominated in GBP and USD. The changes in fair value of these swaps substantially offset the changes in fair value of the loans in relation to changes of both interest rates and foreign exchange rates.

The Bank used 1 interest rate swap to hedge the interest rate risk of 1 loan received from European Investment Bank ('EIB'). The changes in fair value of this interest rate swap substantially offset the changes in fair value of this loan in relation to changes of interest rates.

The Bank used 34 interest rate swaps to hedge the interest rate risk arising from the issuance of 17 fixed rate covered bonds. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the covered bonds in relation to changes of interest rates.

The Bank used 2 interest rate swaps to hedge the interest rate risk arising from the issuance of 1 loan in form of reverse repo deal with INTESA SANPAOLO. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the covered bonds in relation to changes of interest rates.

The Bank used 10 interest rate swaps to hedge the interest rate risk of 10 internal loans to VÚB Branch Prague. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of this loans in relation to changes of interest rates.



June 2022 € '000	Assets Fair values	Liabilities Fair values	Assets  Notional values	Liabilities  Notional values	Change in fair value used for calculating hedge ineffective -ness	Ineffectiv- ness recogni- sed in profit or loss
Micro hedges Interest rate instruments: Swaps Hedge of						
debt securities at FVOCI Hedge of corporate loans Hedge of	79 970 24 009	18 081 183	1 288 100 433 404	1 288 100 433 404	58 017 18 197	(44)
loans received from EIB Hedge of covered bonds	40 934	4 020 153 483	50 000 2 992 400	50 000 2 992 400	(3 419) (133 384)	8 -
Foreign currency instruments: Swaps	62	5 865	87 606	02.007	E 070	
Macro hedges Interest rate instruments: Swaps	62	5 005	67 000	93 887	5 879	
Hedge of mortgage loans Hedge of current accounts Hedge of reverse REPO	50 294 - -	486 12 249 766	2 636 400 506 500 1 650 000	2 636 400 506 500 1 650 000	50 292 (14 113) (616)	(184) 122 70



Fair values Fai	Notio ir values valu		used for calculating hedge ineffective -ness	Ineffectiv- ness recogni- sed in profit or loss
edges				
rate instruments:				
ot securities at FVOCI 6 178	1 873 1 138 1	100 1 138 100	23 164	-
ge of corporate loans 7 415	1 981 399 7	770 399 770	8 427	-
•	584 50.0	000 50 000	(1 124)	15
ge of covered bonds 29 859	11 409 2 192 4		(44 194)	-
currency instruments:				
ge of corporate loans -	7 714 87 6	89 868	5 200	-
edges rate instruments:				
ge of mortgage loans 5 845	6 972 2 290 0	2 290 000	14 566	(29)
ge of current accounts 4 012	977 506 5 - 1 650 0		(4 102) (150)	73 (230)
edges rate instruments: ge of bit securities at FVOCI 6 178 ge of corporate loans 7 415 ge of ins received from EIB - ge of covered bonds 29 859 currency instruments: ge of corporate loans - ledges rate instruments: ge of mortgage loans 5 845	1 873	100 1 138 100 770 399 770 000 50 000 400 2 192 400 606 89 868	hedge ineffective -ness 23 164 8 427 (1 124) (44 194) 5 200	sec profi l



The amounts relating to items designated as hedged items were as follows:

June 2022 € '000	Line item in SOFP	Carrying amount	Accumu- lated amount of fair value adjust- ments included in carrying amount	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI Corporate loans	Financial assets at FVOCI Financial assets at AC:	911 949	-	(58 017)	258
Corporate loans	Due from customers	521 010	(31 361)	(24 120)	65
Loans received from EIB	Financial assets at AC:  Due to banks	50 000	(3 791)	(3 427)	
Covered bonds	Financial liabilities at AC:	30 000	(3791)	(3 421)	_
	Debt securities in issue	1 831 879	(114 809)	(133 384)	10 636
Macro hedges					
Mortgage loans	Financial assets at AC:				
Current accounts	Due from customers Financial liabilities at AC:	2 636 400	(48 606)	(50 476)	384
Current accounts	Due to customers	506 500	(11 420)	(14 235)	-
Reverse REPO	Financial assets at AC:		,	,	
	Loans and advances to banks	1 650 000	766	686	-

<sup>\*</sup> Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the Bank changed in a way, which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the Bank.



December 2021 € '000	Line item in SOFP	Carrying amount	Accumu- lated amount of fair value adjust- ments included in carrying amount	Change in fair value used for calculating hedge ineffecti- veness	Accumulated amount of fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI Corporate loans	Financial assets at FVOCI Financial assets at AC:	1 114 512	-	(23 164)	(113)
•	Due from customers	397 119	7 240	(13 627)	131
Loans received from EIB	Financial assets at AC:  Due to banks	50 000	(544)	(1 139)	_
Covered bonds	Financial liabilities at AC:	00 000	(011)	(1.100)	
	Debt securities in issue	1 582 705	17 611	(44 194)	40 572
Macro hedges					
Mortgage loans	Financial assets at AC:				
Current accounts	Due from customers Financial liabilities at AC:	1 975 000	1 869	(14 595)	1 352
Current accounts	Due to customers	452 500	2 816	(4 175)	_
Reverse REPO	Financial assets at AC:			, -,	
	Loans and advances to banks	1 650 248	80	(80)	-

<sup>\*</sup> Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the Bank changed in a way, which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the Bank.



## 10. Financial assets at fair value through other comprehensive income

€ '000	June 2022	December 2021
Government debt securities of European Union countries of which Italian government debt securities  Bank debt securities  Other instructions	1 195 325 399 523 259 919 30 258	1 347 770 301 022 283 081 32 962
Equity instruments: Visa Inc. Series A Preferred Stock Intesa Sanpaolo S.p.A. S.W.I.F.T.	7 393 32 102	7 462 43 85
	7 527	7 590
	1 493 029	1 671 403

As at 30 June 2022, the bonds in the total nominal amount of € 1 651 100 thousand were pledged by the Bank to secure collateralized transactions (31 December 2021: € 1 516 100 thousand). These bonds were pledged in favor of the ECB within the pool of assets which can be immediately used as collateral for received funds needed for liquidity management purposes.

The Visa Inc. Series C Preferred Stock are convertible in shares of Class A Common Stock or Series A Preferred Stock on a conversion rate based on a periodic conservative assessment of the ongoing risk of liability pursuant to covered claims in the Visa Europe territory. These assessments are undertaken by Visa Inc., in consultation with the Litigation Management Committee comprising the former Visa Europe member representative, on predetermined anniversaries of the closing of acquisition of Visa Europe Limited by Visa Inc. On the twelfth anniversary of the Closing, each share of Preferred Stock will be converted into shares of Class A Common Stock or Series A Preferred Stock.



## 11. Financial assets and financial liabilities at amortised cost

## 11.1. Due from other banks

€ '000	Note	June 2022	December 2021
Term deposits: With contractual maturity over 90 days		(1)	-
Loans and advances: With contractual maturity over 90 days		1 795 652	1 786 002
Cash collateral Impairment losses	21	50 836 (258)	33 471 (109)
		1 846 229	1 819 392

## 11.2. Due from customers

June 2022 € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Public Administration State administration Municipalities Municipalities - Leasing	100 240	(731)	99 509
	108 972	(1 116)	107 856
	385	(1)	384
	209 597	(1 848)	207 749
Corporate Large Corporates Large Corporates – debt securities Specialized Lending SME Other Non-banking Financial Institutions Other Non-banking Financial Institutions - Debt securities Public Sector Entities Factoring	2 611 320	(12 507)	2 598 813
	143 728	(664)	143 064
	904 674	(34 735)	869 939
	1 924 288	(55 969)	1 868 319
	426 689	(116)	426 573
	217 631	(56)	217 575
	4 684	(1)	4 683
	178 645	(1 218)	177 427
	6 411 659	(105 266)	6 306 393
Retail Small Business Small Business – Leasing Consumer Loans Mortgages Credit Cards Overdrafts Leasing Flat Owners Associations	529 295	(39 751)	489 544
	43 939	(3 868)	40 071
	1 300 894	(133 567)	1 167 327
	8 651 766	(44 648)	8 607 118
	92 285	(12 293)	79 992
	65 674	(6 847)	58 827
	4 575	(52)	4 523
	39 195	(327)	38 868
	10 727 623	(241 353)	10 486 270
	17 348 879	(348 467)	17 000 412



December 2021 € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Public Administration Single Resolution Fund State administration Municipalities	95 147	(676)	94 471
	110 267	(1 206)	109 061
	205 414	(1 882)	203 532
Corporate Large Corporates Large Corporates – debt securities Specialized Lending SME Other Non-banking Financial Institutions Other Non-banking Financial Institutions - Debt securities Public Sector Entities Factoring	2 555 677	(1 677)	2 554 000
	102 402	(97)	102 305
	870 653	(35 042)	835 611
	1 529 971	(45 128)	1 484 843
	565 614	(97)	565 517
	183 154	(65)	183 089
	3 438	(1)	3 437
	148 543	(1 187)	147 356
	5 959 452	(83 294)	5 876 158
Retail Small Business Consumer Loans Mortgages Credit Cards Overdrafts Flat Owners Associations	312 662	(18 075)	294 587
	1 275 947	(136 034)	1 139 913
	8 613 915	(47 216)	8 566 699
	92 619	(15 169)	77 450
	67 034	(7 079)	59 955
	38 474	(321)	38 153
	10 400 651	(223 894)	10 176 757
	16 565 517	(309 070)	16 256 447

## 11.3. Due to banks

€ '000	June 2022	December 2021
Due to central banks:		
Current accounts	768	913
Loans received from central banks	2 478 451	2 490 778
	2 479 219	2 491 691
Due to other banks:		
Current accounts	86 101	89 915
Term deposits	6 664	5 862
Loans received from other banks	794 247	348 939
Revaluation of fair value hedged loans received	(3 971)	(544)
Cash collateral received	10 391	28 200
	893 432	472 372
	3 372 651	2 964 063



#### 11.4. Due to customers

€ '000	June 2022	December 2021
Current accounts	10 579 136	10 508 477
Term deposits	2 171 377	2 345 852
Government and municipal deposits	947 732	772 184
Savings accounts	190 280	212 319
Other deposits	259 130	113 932
	14 147 655	13 952 764

#### 11.5. Lease liabilities

€ '000	2022	2021
Lease liabilities	20 657	20 474

#### 11.6. Subordinated debt

€ '000	2022	2021
Subordinated debt	200 152	200 150

As at 30 June 2022, the balance of subordinated debt comprised of one ten-year loan in the nominal amount of € 200 000 thousand (31 December 2021: € 200 000 thousand) from Intesa Sanpaolo Holding International S. A. Maturity is in 2026. In accordance with the loan agreement, the loan as an unsecured obligation, can be used for the settlement of the debts of the Bank and shall not be repaid prior to repayment of all claims of the Bank's non-subordinated creditors.

### 11.7. Debt securities in issue

€ '000	June 2022	December 2021
Covered bonds Covered bonds subject to fair value hedges	2 423 489 1 831 879	2 584 897 1 185 975
	4 255 368	3 770 872
Revaluation of fair value hedged covered bonds Unamortized part of revaluation related to terminated fair value hedges	(114 809) 10 676	17 611 40 573
	4 151 235	3 829 056

The repayment of covered bonds is funded by the mortgage loans denominated in euro provided to customers of the Bank (note 11.2.) and debt securities in FVOCI portfolio (note 10).



### 12. Fair value changes of the hedged items in portfolio hedge of interest rate risk

€ '000	June 2022	December 2021
Financial assets at AC:		
Due from the other banks:  Loans and advances	766	80
Due from customers: Retail		
Mortgages	(48 222)	3 221
Financial liabilities at AC: Due to customers	(11 420)	2 816

## 13. Investments in subsidiaries, joint ventures and associates

June 2022 € '000	Share	Cost	Impairment losses (note 21)	Carrying amount
Monilogi, s.r.o.	30,00%	75	-	75
VÚB Operating Leasing, a. s.	100,00%	3 499	-	3 499
VÚB Generali d. s. s., a. s.	50,00%	16 598	-	16 598
Slovak Banking Credit Bureau, s. r. o.	33,33% _	3		3
		20 175		20 175
December 2021			Impairment	Carrying

December 2021 € '000	Share	Cost	Impairment losses (note 21)	Carrying amount
VÚB Leasing, a. s.	100,00%	74 410	(21 381)	53 029
VÚB Operating Leasing, a. s.	100,00%	27	-	27
VÚB Generali d. s. s., a. s.	50,00%	16 597	-	16 597
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	<u> </u>	3
		91 037	(21 381)	69 656

A subsidiary of VÚB Leasing, a. s. (ID: 31318045), ceased its activities as of 31.12.2021 and on this date the company is removed from the list of active companies in the Business Register of the Slovak Republic. Financial leasing activities were transferred to the bank and activities related to operating leasing to VÚB Operating Leasing, a. s. (ID: 54108128), which is also a subsidiary of the Bank.

VÚB Leasing, a. s. was and VÚB Generali d. s. s., a. s. and Slovak Banking Credit Bureau, s. r. o. are incorporated in the Slovak Republic.

On 10 May 2022, Monilogi, s.r.o., in which VÚB has a 30 % shareholding, was registered in the Business Register of the Slovak Republic. This is a joint venture of the five banks that created this company to outsource cash processing operations and cost optimisation.

Investments in subsidiaries, joint ventures and associates are tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. No impairment losses were created during 2021 a 2020.

The Bank uses CAPM for impairment testing, using cash flow projections based on the most recent financial budgets approved by senior management covering a budgeted five-year period. The discount rates applied to future cash flow projections beyond the five year period are adjusted by the projected growth rate. Both discount rates and growth rates are determined on ISP Group level specifically for the Slovak market.



## 14. Property and equipment and Non-current assets classified as held for sale

June 2022 € '000			Owned	Right-of-use	Total
Buildings and land Equipment			74 676 5 943	16 712 -	91 388 5 943
Other tangibles Assets in progress			1 058 4 939	3 678 	4 736 4 939
			86 616	20 390	107 006
December 2021 € '000			Owned	Right-of-use	Total
Buildings and land			76 596	16 718	93 314
Equipment Other tangibles			6 119 1 185	3 514	6 119 4 699
Assets in progress			90 370	20 232	6 470 110 602
				20 232	110 602
2022 € '000	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost or fair value			_		
As at 1 January	113 201	46 036	27 657	6 470	193 364
Revaulation Additions from merger		- 37		-	- 37
Additions	3 161	- (0.407)	755 (750)	- (0.44)	3 916
Disposals Transfers	(1 889) 62	(3 127) 626	(750) 32	(811) (720)	(6 577)
Exchange differences	2	1			3
As at 30 June	114 537	43 573	27 694	4 939	190 743
Accumulated depreciation					
As at 1 January	(19 561)	(39 917)	(22 958)	-	(82 436)
Addition from merger Depreciation for the period	(4 609)	(23) (824)	(734)	-	(23) (6 167)
Disposals	1 270	3 135	735	-	5 140
Exchange differences	<u>-</u>	(1)	(1)	<u> </u>	(2)
As at 30 June	(22 900)	(37 630)	(22 958)	-	(83 488)
Impairment losses (note 21)					
As at 1 January Creation	(326) 77	<u>-</u>			(326) 77
As at 30 June	(249)	-	-	-	(249)
Carrying amount					
As at 1 January	93 314	6 119	4 699	6 470	110 602
As at 30 June	91 388	5 943	4 736	4 939	107 006



## 15. Intangible assets

2022 € '000	Software	Other intangible assets	Assets in progress	Total
Cost				
As at 1 January Additions from merger Additions Disposals Transfers Exchange differences As at 31 June	305 778 1 965 - (1 115) 6 250 4 312 882	10 729 - - - - 1 10 730	61 575 178 4 931 - (6 250) - 60 434	378 082 2 143 4 931 (1 115) - 5 384 046
Accumulated depreciation				
As at 1 January Additions from merger Depreciation for the period/year Disposals Exchange differences As at 30 June	(236 760) (1 215) (9 006) 1 115 (3) (245 869)	(10 474) - (13) - (1) (10 488)	- - - - -	(247 234) (1 215) (9 019) 1 115 (4) (256 357)
Carrying amount	(243 609)	(10 400)		(230 331)
As at 1 January	69 018	255	61 575	130 848
As at 30 June	67 013	242	60 434	127 689

## 16. Goodwill

€ '000	2022	2021
Retail Banking	29 305	18 871

The Bank identified three cash generating units—Retail Banking, Corporate Banking and Central Treasury, which also representing the operating segment considered for segment reporting (note 6). VÚB Leasing, a. s., was part of the corporate banking operating segment. Each of them constitutes the smallest group of assets generating independent incoming cash flows and also the minimum level set by the Bank for planning and reporting processes.

Goodwill is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. No impairment losses on goodwill were recognized during 2022 and 2021. The calculation is based on the same procedures as for the impairment testing of the investments in subsidiaries, joint ventures and associates (note 13).

The merger of Consumer Finance Holding, a. s. into the Bank in 2018 led to the recognition of goodwill previously held by Consumer Finance Holding, a. s. The Bank allocated this goodwill to cash generating unit Retail Banking, as Consumer Finance Holding, a. s. was operating in the area of consumer loans.

During the split of VÚB Leasing, a.s. (note 2.3), goodwill was transferred from VÚB Leasing to the Bank. This goodwill is further assessed within the Corporate Banking segment.



## 17. Current and deferred income tax assets and liabilities

€ '000	June 2022	December 2021
Current income tax assets Deferred income tax assets	52 57 156	53 880
Current income tax liabilities	19 577	12 018

Deferred income taxes are calculated on all temporary differences using a tax rate of 21% (31 December 2021: 21%) as follows:

€ '000	June 2022	Profit/ (loss) (note 33)	Equity	FTA/ VUBL Merger	Exchange difference s	December 2021
Financial assets at FVOCI Financial assets at AC:	4 893	-	5 105	1 684	-	(1 896)
Due from other banks	53	31	-	-	-	22
Due from customers	48 188	(342)	-	-	2	48 528
Property and equipment	(12 333)	(110)	-	-	-	(12 223)
Other assets	7	-	-	-	-	7
Financial liabilities at AC:						
Lease liabilities	4 332	36	-	-	-	4 296
Provisions	3 284	(625)	-	-	-	3 909
Other liabilities	8 743	(1 054)	-	-	-	9 797
Other	(11)	(1 458)	7			1 440
	57 156	(3 522)	5 112	1 684	2	53 880

## 18. Other assets

€ '000	Note	June 2022	December 2021
Operating receivables and advances		15 644	11 797
Prepayments and accrued income		4 830	10 471
Inventories		1 596	401
Other tax receivables		3 797	964
Settlement of operations with financial instruments		1 302	7
Other		74	104
Impairment losses	21	(2 947)	(2 636)
		24 296	21 108



#### 19. Provisions

€ '000	Note	June 2021	December 2021
Financial guarantees and commitments Restructuring provision Litigation	21 23	16 530 3 777 368	20 235 900 462
Litigation	23	20 675	21 597

June 2022 € '000	Note.	31 Dec. 2021	Merger VÚB Leasing	1 January	Čistá tvorba	Použitie	Exchange difference	30 June
Litigation Restructuring	23, 31	462	3 253	3 715	66	(3)	(1)	3 777
provision	31	900		900		(532)		368
		1 362	3 253	4 615	66	(535)	(1)	4 145

#### 20. Other liabilities

€ '000	June 2022	December 2021
Various creditors	43 404	43 079
Settlement with employees Severance and Jubilee benefits	26 463 5 009	27 231 5 009
Settlement of operations with financial instruments	3 835	4 108
VAT payable and other tax payables	3 229	1 338
Accruals and deferred income	2 196	1 888
Settlement with shareholders	686	846
Investment certificates	359	526
Share remuneration scheme	91	622
Other	1 086	1 539
	86 358	86 186

At 30 June 2022 and 31 December 2021 there were no overdue balances within 'Other liabilities'.

Severance and Jubilee benefits are discounted to determine their present value. The discount rate is determined by reference to yield curve on Slovak government bonds with a fifteen years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the Projected Unit Credit Method. For the calculation the Bank used an average turnover rate which is based on historical data on employees' turnover at the Bank for the last three years. The average age-specific turnover rate is calculated as the ratio of number of terminations and the average number of employees. All employees are covered by the retirement and jubilee employee benefits program.

2022

The calculation for the respective program takes into account the following parameters:

	Jubilee benefits	Retirement benefits		
Discount rate	0,32 %	(0,48) %		
Growth of wages*	-	0,00 %		
Future growth of wages*	2 %	3 %		
Turnover rate (based on age)	4,6 % - 42,6 %	4,6 % - 42,6 %		
Retirement age Based on valid legislation				
Mortality	Based on mortality to Statistical Office of the	,		

<sup>\*</sup> Growth of wages and Future growth of wages is not part of calculation for Jubilee benefits.



## 21. Movements in impairment losses and provisions for financial guarantees and commitments

2022 € '000	Note	31 Dec. 2021	FTA/ Merger at beginning of the year	1 January	Merger during the year	Net creation/ (release) (note 32)	Assets written- off/sold	Exchange difference	Other*	30 June
Financial assets at FVOCI		329	-	329	-	(32)	-	(1)	-	296
Financial assets at AC:	11					-				
Due from other banks		109	-	109	-	148	-	1	-	258
Due from customers		309 071	36 149	345 220		35 116	(31 471)	(398)		348 467
Impairment losses according to IFRS 9		309 509	36 149	345 658	-	35 232	(31 471)	(398)	-	349 021
Financial guarantees and commitments	19	20 236	212	20 448	_	(4 556)	-	638	_	16 530
Impairment losses and provisions according to IFRS 9		329 745	36 361	366 106	-	30 676	(31 471)	240		365 551
Investments in subsidiaries, joint ventures and associates Property and equipment and Non-current assets classified as held	13	21 381	-	21 381	(21 381)	-	-	-	-	-
for sale	14	326	-	326	-	-	(77)	-	-	249
Other assets	18	2 636	457	3 093	-	(146)	-	-	-	2 947
Total impairment losses and provisions for financial guarantees and					<b>(24.22.</b> )	, ,	<b>/_ / _ /</b> - / - /			
commitments		354 088	36 818	390 906	(21 381)	30 530	(31 548)	240	-	368 747

<sup>\* &#</sup>x27;Other' represents:

<sup>•</sup> the interest portion (unwinding of interest).



## 22. Equity

€ '000	June 2022	December 2021
Share capital - authorised, issued and fully paid: 89 ordinary shares of € 3 319 391.89 each, not traded	295 426	295 426
4 078 108 ordinary shares of € 33.2 each, publicly traded	135 393	135 393
	430 819	430 819
Share premium	13 719	13 719
Reserves	92 876	112 200
Retained earnings (excluding net profit for the period)	1 166 445	1 051 998
	1 703 859	1 608 736

In accordance with the law and statutes of the Bank, the Bank is obliged to contribute at least 10% of its annual net profit to the 'Legal reserve fund' until it reaches 20% of the share capital. Usage of the 'Legal reserve fund' is restricted by the law and the fund can be used for the coverage of the losses of the Bank.

	June 2022	June 2021
Net profit for the period attributable to shareholders in € '000	69 728	100 986
Divided by the weighted average number of ordinary shares, calculated as follows:		
89 ordinary shares of € 3 319 391.89 each in €	295 425 878	295 425 878
4 078 108 ordinary shares of € 33.2 each in €	135 393 186	135 393 186
4 076 106 ordinary shares of € 33.2 each in €	133 393 100	133 393 100
	430 819 064	430 819 064
Divided by the value of one ordinary share of € 33.2		
The weighted average number of ordinary shares of € 33.2 each	12 976 478	12 976 478
Basic and diluted earnings per € 33.2 share in €	5,37	7,78

The rights and responsibilities of shareholders are set out in the legal regulations and the Articles of Association of the Bank. The right of a shareholder to participate in the management of the Bank, the right to a share of the profits and the right to a share of the liquidation balance, in the event of the winding up of the Bank with liquidation, are attached to a registered share. Each shareholder is entitled to attend the General Meeting, to vote, to request information and seek explanations and submit proposals. The number of votes allocated to each shareholder is determined by the ratio of the nominal value of its share to the amount of registered capital. A shareholder may exercise the shareholder rights attached to book-entered shares at the General Meeting if the shareholder is entitled to exercise these rights as of the decisive date specified in the invitation to the General Meeting. The exercise of a shareholder's voting rights may only be restricted or suspended by the law. The shares are freely transferable by registration of transfer in line with relevant regulation. The General Meeting of the Bank as the main decision making body of the Bank is entitled to decide on share issues or on the acquisition of the Bank's own shares.

The structure of shareholders is as follows:

€ '000	2022	2021
Intesa Sanpaolo Holding International S. A.	100,00%	100,00 %
	100,00%	100,00%

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The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made in the objectives, policies and processes from the previous years.

The Bank's regulatory capital position was determined based on the rules for capital adequacy calculation set by the CRR Regulation:

€ '000			June 2022	December 2021
Tier 1 capital Share capital Share premium Retained earnings* Profit or loss eligible Other reserves Accumulated other comprehensive income (-) Value adjustments due to the requirements for prudent valuation Other transitional adjustments to CET1 Capital CET1 capital elements or deductions — other Less goodwill and intangible assets (-) Insufficient coverage for non-performing exposures			430 819 13 719 1 157 981 - 95 956 5 384 (92) 10 337 (6 400) (135 723) (1 001) 1 570 980	430 819 13 719 1 043 534 90 440 95 959 24 707 (48) 20 674 (6 400) (126 844) (95)
Tier 2 capital				
IRB excess of provisions over expected losses eligible Subordinated debt Other transitional adjustments to T2 Capital			2 829 179 831 (2 570) 180 090	14 502 200 000 (5 141)
Total named tame and tal				209 361 1 795 826
Total regulatory capital  * Excluding net profit for the period, profit in approval	and other capi	tal funds.	1 751 069	1 793 820
€ '000				December 2021
Retained earnings Net profit for the period/year Other capital funds			1 236 172 (69 727) (8 464)	1 152 984 (100 986) (8 464)
			1 157 981	1 043 534
€ '000	June 2022	December 2021	June 2022 Required	December 2021 Required
Tier 1 capital Tier 2 capital	1 570 980 180 090	1 586 465 209 361	775 896 180 090	718 363 209 361
Total regulatory capital	1 751 069	1 795 826	775 896	718 363
Total Risk Weighted Assets	9 698 703	8 979 534	9 698 703	8 979 534
CET 1 capital ratio Total capital ratio	16,20% 18,05%	17,67% 20,00%	11,84% 16,00%	11,84 % 15,00 %



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Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings without profit for the current year, accumulated other comprehensive income, foreign currency translation and reserves. The deducted amounts in Tier 1 capital are goodwill, intangible assets and irrevocable payment commitments (contribution to Single Resolution Fund) and IRB shortfall. Certain adjustments are made to IFRSs-based results and reserves, as prescribed by the CRR Regulation. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt and IRB excess of provisions over expected losses.

Own Funds, risk-weighted assets and the capital ratios as at 30 June 2021 and 31 December 2020 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU ('CRD IV') and in the CRR Regulation of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws.

Following the Supervisory Review and Evaluation Process ('SREP'), the ECB annually makes a final decision on the capital requirement that the Bank must comply with on sub-consolidated and individual level. Starting from 1 January 2020, the overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 10.5%. This is the result:

- the SREP requirement comprising a minimum Pillar 1 capital requirement of 4.5% and an additional Pillar 2 capital requirement of 1.5%, entirely of Common Equity Tier 1 ratio;
- additional requirements, made up entirely of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 2.5%, and an Other Systemically Important Institutions Buffer ('O-SII Buffer') of 1% and Systemic Risk Buffer ('SRB') of 1%.

For the sake of completeness, please note that CRD IV establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer ('CCyB') starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Slovakia by National Bank of Slovakia in relevant regulation, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the National Bank of Slovakia decided to set the countercyclical ratio (relating to the exposures towards Slovak counterparties).

Due to COVID-19 pandemic situation, NBS has decreased countercyclical buffer to 1% since 1 August 2020 (previously 1.5%). On 12 March 2020, ECB announced relaxation of the capital requirements in relation to COVID-19 pandemic, by allowing the banks to fully release the P2CG (1%) and allow banks to operate temporarily below the level of capital defined by the capital conservation buffer (CCB) (2.5%), meaning in total effect of 3.5%. Moreover, requirement on P2R composition based on CRD V rules has been updated to 75% Tier 1, out of which 75% should represent CET 1 (56.25% of P2R). These changes represent from 1 January 2021 capital requirement for CET 1 of 11.84% and capital requirement for Tier 1 of 13.63%.

The Overall Capital Requirement was at the Bank level, as of 1 January 2020 set at 16.5% and from 1 August 2020 at 16% and cosists of:

- capital requirement for Pillar 1 (8%),
- capital requirement for Pillar 2 (SREP add on 1.5% and Pillar 2 Capital Guidance 1%),
- capital requirement for a combined buffer (6%), consisting of Capital Conservation Buffer of 2.5%, and Other Systemically Important Institutions Buffer of 1% and Systemic Risk Buffer of 1% and a CounterCyclical Buffer 1.5%.

Since November 2014, the Bank has been under the supervision of the European Central Bank.

Internally, within its Risk Appetite framework, the Bank has set internal limits for both OCR and CET1, managing the regulatory capital requirements additionally with an internal management buffer.



#### Impact of the introduction of IFRS 9 on own funds

In December 2017, the European Parliament and the European Council issued Regulation (EU) No 2017/2395 amending the CRR Regulation as regard transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, integrating the CRR Regulation with Article 473 "Introduction of IFRS 9". The new Article allows Banks to re-introduce in their Common Equity Tier 1 ('CET 1') a decreasing quota of the impact of IFRS 9 in a five-year transitional period (2018 – 2022). That amount shall be determined using the static approach which will be adopted by the Bank. It refers only to the impact of FTA resulting from the comparison of IAS 39 impairments as at 31 December 2017 and IFRS 9 impairments as at 1 January 2018 – including both performing loans classified in Stages 1 and 2 and adjustments to non-performing loans (Stage 3) – to which is applied a decreasing factor (95% for 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022) to set the amount to be included in CET 1.

The static transitional approach is not applicable to the changes in valuation reserves deriving from re-classification of financial instruments during FTA (impact resulting from classification and measurement).

€ '000	2018	2019	2020	2021	2022
Decreasing factor	95%	85%	70%	50%	25%
Impact to CET 1	39 281	35 146	28 944	20 674	10 337

Furthermore, under paragraph 7 of Article 473 of the CRR Regulation, ISP Group companies adopting the transitional approach shall update calculation of the following components relevant to the determination of supervisory capital requirements, so as to avoid inappropriate benefits:

- Deferred tax assets deducted from CET 1 relating to Standard and Internal ratings-based ('IRB') exposures;
- Determination of Exposure At Default using the scaling factor to assess the Risk Weighted Assets of Standard exposures;
- Tier 2 elements relating to IRB weighted exposures.

The impact on own funds of the first-time adoption of IFRS 9 and the adoption of the "static" approach during the transitional period (2018 – 2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios (with and without applying the transitional provisions for IFRS 9) following:

- the reduction of CET 1, due to the FTA impact linked to the first-time adoption of IFRS 9,
- the increase in CET 1 due to the re-inclusion of the gradually decreasing transitional component as a result of the adoption of the adjustment introduced by the aforementioned Regulation, aimed at mitigating the impact of FTA;
- the increase in the excess reserve, based on the provisions of the aforementioned Regulation, may be added
  to the Tier 2 capital, up to the amount of 0.6% of IRB RWA, solely for the part in excess of the amount reincluded in CET 1 as a result of the adoption of said transitional adjustment;
- the reduction of the risk-weighted assets (RWA) on standard exposures as at 1 January 2018, which as a result
  of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
- the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395 in line with static transitional approach.

Regulation (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) No 2019/876 as regards certain adjustments in response to the COVID-19 pandemic meaning amendments of the transitional arrangements for adoption of IFRS 9 (Art. 473a of CRR) the Bank continues to apply the static approach as defined for the first-time adoption of IFRS 9 in relation to own funds calculation, which is in line with ISP Group approach. Moreover, the Bank has decided not to adopt temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (Art. 468).

### The prudential treatment of software assets

The Bank has adopted prudential treatment of software assets based on the Final Report "Draft Regulatory Technical Standards on the prudential treatment of software assets under Article 36 of Regulation (EU) No 575/2013 (CRR)", EBA/RTS/2020/07, regarding updated version of the Capital Requirements Regulation 2019/876 and Directive 2019/878 (CRR II/CRD V) published in June 2019 concerning the modified version of article 36(1)b (CRR II) with regard to own funds requirements for institutions. The Bank has adopted the prudential amortization approach for software assets for the calculation of CET1 at individual and consolidated level starting from December 2020 based on EBA/RTS/2020/07 methodology, which is in line with ISP Group Approach.



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The prudential amortization allows the banks not to deduct from CET1 software assets that are prudentially valued (i.e. when the value of software assets is not negatively affected by status of resolution, insolvency or liquidation of the bank). The residual portion of the carrying amount of software is risk-weighted (100%), in accordance with the current CRR provisions. This treatment has also been established by Commission delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

## 23. Financial commitments and contingencies

## 23.1. Issued guarantees and commitments and undrawn credit facilities

€ '000	June 2022	December 2021
Issued guarantees Commitments and undrawn credit facilities of which revocable	1 051 852 4 740 007 1 720 554	1 003 796 4 633 636 1 743 272
	5 791 859	5 637 432

Issued guarantees represent irrevocable assurances that the Bank will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Bank recognizes provisions for these instruments. (note 19)

The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments and undrawn credit facilities represent undrawn portions of commitments, credit facilities and approved overdraft loans.

#### 23.2. Legal proceedings

In the normal course of business, the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 30 June 2022. Pursuant to this review, management has recorded total provisions of € 3 777 thousand as (31 December 2021: € 3 715 thousand) in respect of such legal proceedings (note 19). The Bank will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of € 31 471 thousand, as at 30 June 2022 (31 December 2021: € 32 516 thousand). This amount represents existing legal proceedings against the Bank that will most probably not result in any payments due by the Bank.



## 24. Net interest income

	June 2022	June 2022	June 2021	June 2021
€ '000	6 months	3 months	6 months	3 months
Interest and similar income				
Financial assets at FVTPL	1	-	18	18
Financial assets at FVOCI Financial assets at AC:	1 033	598	(99)	(164)
Due from other banks	5 296	4 231	1 969	944
Due from customers	169 415	86 073	153 050	75 435
Derivatives - Hedge accounting	(7 295)	(3 114)	(9 223)	(4 504)
Interest income on liabilities	14 104	6 851	609	413
	182 554	94 639	146 324	72 142
Interest and similar expense				
Financial liabilities at AC:	(0.450)	(4.400)	(400)	(422)
Due to banks Due to customers and Subordinated debt	(2 159) (15 832)	(1 122) (9 891)	(199) (6 234)	(132) (2 953)
Lease liabilities	(108)	(56)	(116)	(56)
Debt securities in issue	(17 <sup>960</sup> )	(10 258)	(11 <sup>`</sup> 436 <sup>′</sup> )	(5 <del>4</del> 90)
Derivatives - Hedge accounting	10 380	5 162	5 052	2 644
Interest expense on assets	(9 288)	(4 147)	(1 781)	(1 269)
	(34 967)	(20 312)	(14 714)	(7 256)
	147 587	74 327	131 610	64 886
	June	June	June	June
	2022	2022	2021	2021
€ '000	6 months	3 months	6 months	3 months
Interest and similar income				
Total interest income calculated				
using the effective interest method	180 395	92 481	146 306	72 124
Other interest income - interest income on financial assets at FVTPL	1	_		
on finance lease	2 158	2 158	18	18
	182 554	94 639	146 324	72 142
	June	June	June	June
£ 1000	2022	2022	2021	2021
€ '000	6 months	3 months	6 months	3 months
Net interest income	4 000	=0=	(22)	(10.1)
Financial assets at FVOCI Financial assets at AC	1 033 163 265	598 83 000	(99) 153 238	(164) 75 110
i inancial assets at AC		83 999		
	164 298	84 597	153 139	74 946
Financial liabilities at AC	(21 847)	(14 420)	(17 376)	(8 218)



## 25. Net fee and commission income

June 2022 6 months € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	19 475	2 403	-	4	21 882
Cards	15 986	361	-	13	16 360
Payments and cash management	7 312	8 415	-	-	15 727
Indirect deposits	12 393	20	-	-	12 413
Loans	10 745	5 355	-	114	16 214
Insurance	6 814	-	-	-	6 814
Trade finance	6	808	788	-	1 602
Structured finance	-	1 055	-	-	1 055
Factoring		1 408		-	1 408
Other	370	991	542	5	1 908
	73 101	20 816	1 330	136	95 383
Fee and commission expense					
Cards	(8 528)	(37)	-	-	(8 565)
Payments and cash management	(980)	(3 188)	-	-	(4 168)
Current accounts	-	-	(501)	(357)	(858)
Insurance	(186)	-	-	-	(186)
Factoring	-	(179)	-	-	(179)
Indirect deposits	-	-	-	-	-
Other	(85)	(1)	(532)	(1 575)	(2 193)
	(9 779)	(3 405)	(1 033)	(1 932)	(16 149)
Net fee and commission income under IFRS 15	63 322	17 411	297	(1 796)	79 234
Income from guarantees		0.000			0.000
under IFRS 9		3 389			3 389
Total net fee and commission income	63 322	20 800	297	(1 796)	82 623



June 2021 6 months € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	18 318	1 780	-	6	20 104
Cards	12 890	104	-	29	13 023
Payments and cash management	6 752	4 031	380	1	11 164
Indirect deposits	10 242	21	-	-	10 263
Loans	5 575	3 717	-	180	9 472
Insurance	6 411	-	-	-	6 411
Trade finance	6	4 052	869	-	4 927
Structured finance	-	878	-	-	878
Factoring	-	720	-	-	720
Other	328	758	285	152	1 523
	60 522	16 061	1 534	368	78 485
Fee and commission expense					
Cards	(6 848)	-	-	-	(6 848)
Payments and cash management	(775)	(2 353)	(271)	(274)	(3 673)
Current accounts	-	-	-	(347)	(347)
Insurance	(213)	-	-	-	(213)
Factoring	-	(145)	-	-	(145)
Indirect deposits	-	1	-	-	1
Other	(88)	(2)	(248)	(1 477)	(1 815)
	(7 924)	(2 499)	(519)	(2 098)	(13 040)
Net fee and commission income	52 598	13 562	1 015	(1 730)	65 445
Income from guarantees					
under IFRS 9	-	3 046	-	_	3 046
Total net fee and					
commission income	52 598	16 608	1 015	(1 730)	68 491



June 2022 3 months € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	9 668	1 142	-	2	10 812
Cards	8 931	210	-	8	9 149
Indirect deposits	3 814	4 679	-	-	8 493
Payments and cash management	6 057	9	-	-	6 066
Loans	6 097	2 842	-	52	8 991
Trade finance	3 501	-	-	-	3 501
Insurance	4	390	373	-	767
Factoring	-	579	-	-	579
Structured finance	-	924	-	-	924
Other	51_	818	181		1 050
	38 123	11 593	554	62	50 332
Fee and commission expense					
Cards	(4 770)	(37)	_	-	(4 807)
Payments and cash management	(553)	(1 902)	-	-	(2 455)
Current accounts	-	-	(45)	(182)	(227)
Insurance	(94)	-	` -	-	(94)
Factoring	` -	(57)	-	-	(57)
Indirect deposits	-	` -	-	-	` -
Other	(49)	(1)	(158)	(821)	(1 029)
	(5 466)	(1 997)	(203)	(1 003)	(8 669)
Net fee and commission income					
under IFRS 15	32 657	9 596	351	(941)	41 663
Income from guarantees					
under IFRS 9	-	1 846	-	-	1 846
Total net fee and					
commission income	32 657	11 442	351	(941)	43 509



June 2021 3 months € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	8 822	893	-	4	9 719
Cards	7 337	55	-	21	7 413
Indirect deposits	5 383	10	-	-	5 393
Payments and cash management	3 681	1 037	240	1	4 959
Loans	2 981	1 875	-	102	4 958
Trade finance	5	3 592	320	-	3 917
Insurance	3 483	(1)	-	-	3 482
Factoring	-	403	-	-	403
Structured finance	-	261	470	400	261
Other	76_	465	179	100	820
	31 768	8 590	739	228	41 325
Fee and commission expense					
Cards	(3 479)	_	_	_	(3 479)
Payments and cash management	(458)	(1 329)	(144)	(144)	(2 075)
Current accounts	-	-	-	(245)	(245)
Insurance	(104)	-	-	(= ,	(104)
Factoring	-	(89)	-	-	(89)
Indirect deposits	-	1	-	-	1
Other	(67)	(2)	(61)	(749)	(879)
	(4 108)	(1 419)	(205)	(1 138)	(6 870)
Net fee and commission income under IFRS 15	27 660	7 171	534	(910)	34 455
Income from guarantees under IFRS 9	<u> </u>	1 563			1 563
Total net fee and commission income	27 660	8 734	534	(910)	36 018



# 26. Net trading result

	June 2022	June 2022	June 2021	June 2021
€ '000	6 months	3 months	6 months	3 months
Customer foreign exchange margins	4 993	2 892	3 485	1 850
Interest rate derivatives	3 154	2 393	733	17
Foreign currency derivatives and transactions	1 910	1 813	5 931	356
Financial assets measured at FVOCI	1 343	898	6 139	27
Other derivatives	114	(64)	70	13
Dividends from equity shares measured at FVOCI	91	59	46	37
Net result from hedging transactions	(28)	(302)	(126)	37
Non-trading financial assets measured at FVTPL	(99)	(51)	135	(14)
Financial assets held for trading - debt securities	(725)	(881)	400	570
Cross currency swaps	(4 047)	(3 177)	(3 741)	1 081
	6 706	3 580	13 072	3 974

## 27. Other operating income

	June 2022	June 2022	June 2021	June 2021
€ '000	6 months	3 months	6 months	3 months
Financial revenues	444	283	440	235
Net profit from sale of fixed assets	396	96	-	-
Služby	5	5	-	-
Other	492	236	563	492
	1 337	620	1 003	727

## 28. Other operating expenses

€ '000	2022 6 months	2022 3 months	2021 6 months	2021 3 months
Contribution to the Single Resolution Fund*	(9 666)	(1 457)	(7 424)	(540)
Contribution to the Deposit Protection Fund**	(6 083)	(141)	(5 267)	` -
Costs of product support – credit cards	(846)	(439)	(700)	(360)
Court fees and expenses and				
out-of-court settlements"	(295)	(91)	(607)	(304)
Other damages	(66)	(27)	(168)	(131)
Net (loss) / gain from sale of fixed assets	-	-	(10)	2
Other	(3 621)	(2 118)	(3 979)	(1 980)
	(20 577)	(4 273)	(16 838)	(2 651)

June

June

June

June

<sup>\*</sup> Starting from 1 January 2015 the Bank Recovery and Resolution Directive No 2014/59/EU ('BRRD') is effective. The Directive was implemented to Slovak legislation by Act No 371/2014 on Resolution. The Directive sets an obligation for banks of the member states participating to the Banking Union to pay an annual contribution depending on the size and the risk profile of a bank to the National Resolution Fund in 2015 and to the Single Resolution Fund from 2016 up to the 2023.

<sup>\*\*</sup> The annual contribution for 2022 was determined by the Deposit Protection Fund under the valid methodology. As at 30 June 2022, the Bank expensed the full amount of such contribution. The quarterly contribution to the Deposit Protection Fund for 2022 was set at 0.0075% p. q. of the amount of protected deposits.



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## 29. Salaries and employee benefits

€ '000

Remuneration Social security costs Social fund Termination benefit

June 2022 6 months	June 2022 3 months	June 2021 6 months	June 2021 3 months
(42 845) (16 668) (650) 532	(21 770) (8 498) (376) 407	(42 120) (15 942) (619)	(20 947) (8 040) (351)
(59 631)	(30 237)	(58 681)	(29 338)

As at 30 June 2022, the total number of employees of the Bank was 3 353 (31 December 2021: 3 334). The average number of employees of the Bank during the period ended 30 June 2022 was 3 356 (31 December 2021: 3 486).

The Bank does not have any pension arrangements separate from the pension system established by law, which requires mandatory contributions of a certain percentage of gross salaries to the State owned social insurance and privately owned pension funds. These contributions are recognised in the period when salaries are earned by employees. No further liabilities are arising to the Bank from the payment of pensions to employees in the future.



## 30. Other administrative expenses

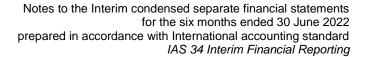
	June 2022	June 2022	June 2021	June 2021
€ '000	6 months	3 months	6 months	3 months
Third parties' services	(10 130)	(3 599)	(9 082)	(4 581)
Information technologies systems maintenance	(7 272)	(3 767)	(6 815)	(3 367)
Maintenance and repairs	(2 943)	(1 595)	(2 706)	(1 261)
Rental of buildings and related expenses	(1 764)	(865)	(1 836)	(947)
Energy costs	(1 764)	(899)	(1 190)	(605)
Advertising and sponsorship	(2 788)	(1 946)	(2 487)	(1 102)
Telephone and telecommunication costs	(1 472)	(771)	(1 589)	(795)
Postage costs	(1 628)	(1 033)	(1 896)	(810)
Forms and office supplies	(1 136)	(557)	(1 112)	(460)
Electronic data processing system leasing	(961)	(463)	(976)	(476)
Cleaning of premises	(681)	(242)	(785)	(370)
Other rentals	(529)	(206)	(416)	(210)
Insurance	(497)	(239)	(541)	(285)
Transport	(777)	(526)	(703)	(359)
Archives and documents	(370)	(247)	(487)	(255)
Security	(541)	(357)	(660)	(342)
Indirect personnel costs and compensation	(819)	(678)	(438)	(257)
Cost of legal services	(305)	(242)	(451)	(267)
Information and research	(74)	(43)	(106)	(34)
Consultations and other fees*	(276)	(269)	(334)	(165)
Other expenses	(873)	(556)	(935)	(401)
Value added tax and other taxes	(45)	(10)	(149)	(130)
Reinvoicing	285	134	1 234	742
	(37 360)	(18 976)	(34 460)	(16 737)

## 31. Provisions

€ '000	Note	June 2022 6 months	June 2022 3 months	June 2021 6 months	June 2021 3 months
Net release and use of provisions for litigations	19	(63)	(38)	(9)	(7)_
		(63)	(38)	(9)	(7)

## 32. Impairment losses and Net loss arising from the derecognition of financial assets at amortised cost

		June 2022	June 2022	June 2021	June 2021
€ '000	Note	6 months	3 months	6 months	3 months
Net creation of impairment losses Net (creation)/release of provisions for financial	21	(35 086)	(17 314)	(16 219)	(10 182)
guarantees and commitments	21	4 556	2 358	(29)	1 727
		(30 530)	(14 956)	(16 248)	(8 455)
Net gain / (loss) arising from the derecognition of financial					
assets at AC		7 548	2 764	(1 551)	(1 016)





# 33. Income tax expense

€ '000	Note	June 2022 6 months	June 2022 3 months	June 2021 6 months	June 2021 3 months
Current income tax Deferred income tax	17 17	(17 191) (3 522)	(8 892) (2 319)	(10 236) (6 712)	(3 086) (5 813)
		(20 713)	(11 211)	(16 948)	(8 899)
Other comprehensive inco	me				

# 34. Other comprehensive income

€ '000	June 2022 6 months	June 2022 3 months	June 2021 6 months	June 2021 3 months
Items that shall not be reclassified to statement of profit or loss in the future				
Change in value of financial assets at FVOCI (equity instruments): Revaluation gains/(losses) arising during the period	(684)	(870)	502	639
Reclassification adjustment for profit on sale of FVOCI equities within equity	(004)	(670)	110	110
	(684)	(870)	612	749
Reversal of deferred income tax on disposed property and equipment				
	(684)	(870)	612	749
Items that may be reclassified to statement of profit or loss in the future				
Change in value of cash flow hedges: Revaluation gains/(losses) arising during the period	-		-	-
Change in value of financial assets at FVOCI (debt instruments):				
Gains/(losses) arising during the period Reclassification adjustment for profit on sale	(27 665)	(15 049)	6 956	361
of FVOCI bonds included in the profit or loss	4 006	2 810	(13 723)	(27)
	(23 659)	(12 239)	(6 767)	334
Exchange difference on translation foreign operation	(92)	(11)	(22)	8
	(23 751)	(12 250)	(6 789)	342
Total other comprehensive income	(24 435)	(13 120)	(6 177)	1 091
Income tax relating to components of other comprehensive income (note 35)	5 112	3 167	1 270	(167)
Other comprehensive income for the three months after tax	(19 323)	(9 953)	(4 907)	924



# 35. Income tax effects relating to other comprehensive income

€ '000	Before tax amount	June 2022 Tax (expense)/ benefit	Net of tax amount	Before tax amount	June 2021 Tax (expense)/ benefit	Net of tax amount
Items that shall not be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI						
(equity instruments)	(684)	143	(541)	612	(152)	460
	(684)	143	(541)	612	(152)	460
Items that may be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI (debt instruments) Exchange differences on translation foreign	(23 659)	4 969	(18 690)	(6 767)	1 422	(5 345)
operations	(92)		(92)	(22)		(22)
	(23 751)	4 969	(18 782)	(6 789)	1 422	(5 367)
	(24 435)	5 112	(19 323)	(6 177)	1 270	(4 907)



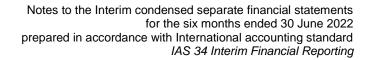
Notes to the Interim condensed separate financial statements for the six months ended 30 June 2022 prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting

### 36. Related parties

Related parties are those counterparties that represent:

- (a) Enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, have a significant influence or are under the common control of the reporting enterprise;
- (b) Associates enterprises in which the Parent Company has significant influence and which are neither a subsidiary nor a joint venture;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

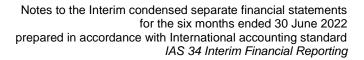
In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The stated transactions have been made under arms-length commercial and banking conditions.





As at 30 June 2022, the outstanding balances with related parties comprised:

€ '000	Key manage- ment personnel ('KMP')	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets Cash and cash equivalents Financial assets at FVTPL:	-	-	-	-	25 598	1 539	27 137
Financial assets held for trading Non-trading financial assets at FVTPL	-	-	-	-	31 279 91	- -	31 279 91
Derivatives - Hedge accounting Financial assets at FVOCI Financial assets at AC:	-	-	-	-	195 206 33	- -	195 206 33
Due from other banks Due from customers Property and equipment	965 -	24 091 686	3	- -	1 695 819 - -	30 005	1 695 819 55 064 686
Other assets	965	50 24 827	3	<u> </u>	108 1 948 134	3 007 34 551	3 165 2 008 480
Liabilities							
Financial liabilities at FVTPL: Financial liabilities held for trading Derivatives - Hedge accounting	:	-	- -		28 545 189 267	237	28 782 189 267
Financial liabilities at AC: Due to banks Due to customers	- 1 298	- -	<u>-</u>	- 272	760 035 -	36 956 9 208	796 991 10 778
Lease liabilities Subordinated debt Provisions	- -	1 098 - 2	- -	- -	- - 9	200 152	1 098 200 152 11
Other liabilities	91 1 389	155 1 255		272	2 993 980 849	246 570	3 256 1 230 335





As at 31 December 2021, the outstanding balances with related parties comprised:

€ '000	Key manage- ment personnel ('KMP')	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets							
Cash and cash equivalents Financial assets at FVTPL:	-	-	-	-	35 165	388	35 553
Financial assets held for trading	-	-	-	-	8 925	7	8 932
Non-trading financial assets at FVTPL	-	-	-	-	622	-	622
Derivatives - Hedge accounting	-	-	-	-	55 574	-	55 574
Financial assets at FVOCI Financial assets at AC:	-	-	-	-	43	-	43
Due from other banks	-	-	-	-	1 649 885	-	1 649 885
Due from customers	312	201 818	3	-	-	19 988	222 121
Property and equipment	-	579	-	-	-	-	579
Other assets	<u> </u>	4			1	1 186	1 191
	312	202 401	3		1 750 215	21 569	1 974 500
Liabilities							
Financial liabilities at FVTPL:							
Financial liabilities held for trading	-	-	-	-	16 317	-	16 317
Derivatives - Hedge accounting Financial liabilities at AC:	-	-	-	-	23 787	-	23 787
Due to banks	-	-	-	-	322 788	33 161	355 949
Due to customers	854	243	-	230	-	3 423	4 507
Lease liabilities	-	1 341	-	-	-	-	1 341
Subordinated debt	-	-	-	-		200 150	200 150
Provisions	-	1	-	-	10	-	11
Other liabilities	622	27	-		1 741		2 390
	1 476	1 369		230	364 643	236 734	604 452

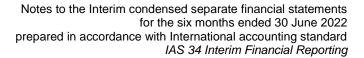


As at 30 June 2022, the outstanding off-balance sheet balances with related parties comprised:

€ '000	Key manage- ment personnel ('KMP')	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	57	15 909	18	-	202 869	-	218 853
Issued guarantees	-	-	-	-	-	118	118
Received guarantees	-	-	-	-	1 700	-	1 700
Derivative transactions (notional amount – receivable)	-	-	-	-	14 579 189	12 593	14 591 782
Derivative transactions (notional amount – payable)	-	-	-	-	14 578 234	12 831	14 591 065

As at 31 December 2021, the outstanding off-balance sheet balances with related parties comprised:

€ '000	Key manage- ment personnel ('KMP')	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	50	349 535	20	-	14	-	349 625
Issued guarantees	-	-	-	-	10 360	85	10 445
Received guarantees	-	-	-	-	10 157	-	10 157
Derivative transactions (notional amount – receivable)	-	-	-	-	8 739 712	5 038	8 744 750
Derivative transactions (notional amount – payable)	-	-	-	-	8 741 454	5 028	8 746 482





For the six months ended 30 June 2022, the outstanding balances with related parties comprised:

€ '000	KMP	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense items Interest and similar income	3	9	-	-	68	163	243
Interest and similar expense	(1)	(25)	-	-	(5 801)	(2 766)	(8 593)
Fee and commission income	-	1	-	1	89	10 445	10 536
Fee and commission expense	-	-	-	-	(267)	(3)	(270)
Dividend income	-	-	8 003	-	-	-	8 003
Net trading result	-	-	-	-	(25 710)	491	(25 219)
Other operating income	-	103	-	-	250	53	406
Other operating expenses	-	-	-	-	(283)	-	(283)
Other administrative expenses	-	(335)	-	-	(2 301)	(5 328)	(7 964)
Depreciation	-	(367)	-	-	-	-	(367)
Impairment losses	-	(2)					(2)
	2	(616)	8 003	1	(33 955)	3 055	(23 510)

For the six months ended 30 June 2021, the outstanding balances with related parties comprised:

€ '000	КМР	Sub- sidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense items							
Interest and similar income	2	45	-	1	1	19	68
Interest and similar expense	(1)	(37)	-	-	(3)	(2 718)	(2 759)
Fee and commission income	-	8	-	-	48	8 328	8 384
Fee and commission expense	-	-	-	-	(280)	(4)	(284)
Dividend income	-	-	3 002	-	28	-	3 030
Net trading result	-	-	-	-	5 967	(38)	5 929
Other operating income	-	-	-	-	2	16	18
Other operating expenses	-	-	-	-	(198)	-	(198)
Other administrative expenses	-	347	-	-	(4 415)	(713)	(4 781)
Depreciation	-	(359)	-	-	-	-	(359)
Impairment losses		25			16		41
	1	29	3 002	1	1 166	4 890	9 089



### 37. Profit distribution

Following the decision of the sole shareholder of 31.3. 2022, the following profit distribution for 2021 was approved:

#### € '000

Dividends to shareholders (€ 0,81 per € 33.2 share)	10 534
Retained earnings	90 450
	100 984

## 38. Events after the end of the reporting period

The geopolitical situation in Eastern Europe intensified on February 24 with the Russian invasion of Ukraine, and the war between the two countries continues to develop with advancing military activity. Significant sanctions were imposed by the international community as a direct response to this invasion. These sanctions also include restrictions on any payments and suspension of trading in derivatives with exposure to the Russian ruble (RUB). The ECB has suspended publication of the euro/ruble exchange rate.

In accordance with the parent company's approach, the bank created additional provisions for exposures that are affected by the war in Ukraine. Additional adjustment items do not have a significant impact on the bank's operations.

The Bank continues to monitor the development of the situation in Ukraine and takes measures to mitigate related risks.

From June 30, 2022 until the date of approval of these financial statements, no other events have been identified that would require adjustment or reporting in these financial statements.

From 30 June 2022, up to the date when these financial statements were authorised for issue, there were no further events identified that would require adjustments to or disclosure in these financial statements.

These financial statements were authorised for issue on 28 July 2022.

Peter Magala

Member of the Management Board

Paolo Vivona

Member of the Management Board