ING Bank N.V. Annual report 2022

Translated from the Czech original

Translation note
This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

Management Report on the Bank's Business Results

The year 2022 started with optimism and continuous recovery from the covid pandemic. The outlook soon changed when the invasion of Ukraine started in February, which caused, among others, energy prices spiraling in the whole of Europe. Inflation was pushed up dramatically to the levels not seen for decades and strong response from governments and central banks came promptly to mitigate severe consequences on households and companies and to curb further acceleration of inflation.

In 2022 we kept focused on building a sustainable wholesale banking franchise in the Czech Republic. Our aim is to provide our clients with a superior customer experience. The pillars of our strategy „The ING difference" stay the same: we are offering our clients a global reach with local experts, we are building trust by providing tailored solutions as sector experts and we are the strategic partner and pioneer when it comes to sustainability. We are supporting our clients on their path to sustainability and in energy transition, being it ESG rating advisory role or via providing green financing or any other sustainability linked structures. In total, in the Czech Republic in 2022, we have mobilized more than EUR 300 million of sustainable funds for our clients of which we provided EUR 54 m sustainable lending transactions. One of them was for example a green real estate loan for Hines, the global real estate investment, development, and property manager. →

Finally, in the turbulent year of 2022 ING Bank in Czech Republic was able to record strong financial results. It was driven by our high-quality corporate loan portfolio and strong performance in our transaction services, financial markets, and treasury operations.

During 2022 we were again very active in trade associations, conferences, and round tables in raising awareness and sharing best practices on sustainability and actively contributing to shaping the energy transition strategy in the Czech Republic. We believe that sustainability is about changing behavior and we seek to contribute to this change through active participation in various initiatives, such as Change for the Better. As part of raising awareness, we have collaborated with other partners to develop the ESG Academy, which is intended to provide a clear and rapid overview of ESG topics while sharing examples of good practice, another pillar of our activities in the Czech Republic. We have also contributed to the creation of an ESG customer questionnaire under the heading of the Czech Banking Association, which is intended to make life easier for clients in terms of reporting ESG data to banks, which is necessary for bank reporting.

As we want to stay at the forefront of evolving trends that shape the banking industry, we keep improving ourselves, too. During the year, we were focused on executing a significant multi-year change agenda leading to optimization and global standardization of our core wholesale banking systems and processes. We are also continuously improving our risk and compliance processes and even further reinforcing our risk culture.

We are very much aware that only by unlocking our people's full potential we can move further. We have therefore focused a lot on development of our employees, further fostering feedback and empowerment culture and creating a safe environment, where everybody feels valued and included. We believe that diverse teams achieve the best results and are actively supporting diversity and inclusion in our bank. Our aim is also to help creating a more sustainable and healthier workplace, while also contributing to a cleaner environment. Therefore, we support our staff in several initiatives, such as „Bike to Work“ that promotes an eco-friendly form of transportation or the Teribear run which promotes physical fitness while supporting a good cause.

As a bank, we believe that it is our responsibility to operate in a way that is sustainable and socially responsible. I am proud of my colleagues who demonstrated compassion and empathy after the invasion of Ukraine. We have provided support to many of our colleagues from ING Ukraine as well as organized immediate financial and material aid of more than CZK 300 000 to help those affected by the conflict.

Last year we have continued to support our communities through various initiatives. Through our ING Bank Fund we donated to our long-term community partner Tereza Maxová Foundation CZK 750,000 on development and education of underprivileged children in orphanages and foster care.

We have also continued to develop our two community projects that we launched in 2021. The first project, called Lighthouse, is driven by the Tereza Maxová Foundation. The aim is to provide career counselling and financial literacy to single parents and socially vulnerable families. The second project is driven by Maturus, o. p. s. and is focused on social entrepreneurship. The purpose is to provide a graphic training to people with disabilities and to support them to find a job on the labor market.

Being repeatedly recognized as one of 25 TOP Large Responsible Companies in the Czech Republic reflect our commitment to environmental sustainability, social responsibility, and good governance and ethics.

I would like to take this opportunity to thank our employees for all their dedication, energy, and hard work they have demonstrated during a challenging year. At the same time, I would like to thank our clients for their trust and open feedback, which allows us to continuously improve.

We promise to continue doing so, also in 2023.

Erik Fortgens
Country manager
ING Czech Republic

General information

Annual report:

ING Bank N.V., branch
For the year ended 31 December 2022

The bank will continue in its activity. The bank has no branch and acquired no own shares in 2022.

Average number of employees, changes in average number of employees and related expenses are included within the notes to the financial statements which are an integral part of the annual report.

Human resources policy of ING Bank is in line with the strategy of the bank leading to effectiveness of provided services.

The bank did not incur expenses related to research, development and environment protection in 2022.

Subsequent events are disclosed in the notes to the financial statements which are an integral part of this annual report.

Financial statements

Company name: ING Bank N.V., organizační složka
Registered office: Českomoravská 2420/15, Libeň, 190 00 Praha 9
Identification number: 492 79 866
Business activity: Bank
Bank code: 3500
Date of preparation of the financial statements: 26 June 2023

BALANCE SHEET
as at 31 December 2022
(Translated from the Czech original)

	in million of CZK	Note	31/12/2022	31/12/2021
	ASSETS			
1	Cash in hand and balances with central banks		76	89
2	State zero coupon bonds and other securities eligible for refinancing with the central bank	12	10 477	-
	of which: a) securities issued by government institutions		*10 477*	-
3	Receivables from banks and credit unions	13	31 617	*33 859*
	of which: a) repayable on demand		*721*	*337*
	b) other receivables		*30 896*	*33 522*
4	Receivables from customers – credit union members	14	38 620	40 335
	of which: a) repayable on demand		*3 675*	*3 440*
	b) other receivables		*34 945*	*36 895*
9	Intangible fixed assets	17	7	20
10	Tangible fixed assets	18	51	74
11	Other assets	19	1 024	794
13	Prepaid expenses and accrued income		12	19
Total assets			**81 884**	**75 190**

	in million of CZK	Note	31/12/2022	31/12/2021
	LIABILITIES & EQUITY			
1	Payables to banks and credit unions	20	51 881	57 898
	of which: a) repayable on demand		*2 463*	*3 499*
	b) other payables		*49 418*	*54 399*
2	Payables to customers – credit union members	21	23 941	11 610
	of which: a) repayable on demand		*16 193*	*10 365*
	b) other payables		*7 748*	*1 245*
4	Other liabilities	23	2 773	3 087
5	Deferred income and accrued expenses		68	94
6	Provisions	26	29	49
	c) other		*29*	*49*
	Total liabilities		**78 692**	**72 738**
12	Capital funds		2	2
13	Revaluation gains (losses)	28	(70)	-
	of which: a) on assets and liabilities		*(70)*	-
14	Retained profits (or accumulated losses)	27	2 450	1 542
15	Profit (loss) for the accounting period		810	908
	Total equity		**3 192**	**2 452**
Total liabilities and equity			**81 884**	**75 190**

	in million of CZK	Note	31/12/2022	31/12/2021
	OFF-BALANCE SHEET ITEMS			
	Off-balance sheet assets			
1	Commitments and guarantees provided	30	13 244	13 953
3	Receivables from spot transactions	30	2 177	78
4	Receivables from fixed term transactions	30	48 079	43 107
	Off-balance sheet liabilities			
9	Commitments and guarantees received	30	19 463	19 305
10	Collaterals and pledges received	30	52 855	49 944
11	Liabilities from spot transactions	30	2 173	78
12	Liabilities from fixed term transactions	30	49 272	44 111

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INCOME STATEMENT
for the year ended 31 December 2022
(Translated from the Czech original)

in million of CZK		Note	2022	2021
1	Interest income and similar income	4	3 776	2 517
	of which: interest on debt securities		*315*	*86*
2	Interest expense and similar expense	4	(1 850)	(679)
4	Fee and commission income	5	438	1 302
5	Fee and commission expense	5	(11)	(103)
6	Gain or loss from financial operations	6	(440)	91
7	Other operating income	7	2	2
8	Other operating expenses	7	(22)	(62)
9	Administrative expenses	8	(905)	(1 562)
	of which: a) employee expenses		*(280)*	*(588)*
	ab) social and health insurance		*(58)*	*(113)*
	b) other administrative expenses		*(625)*	*(974)*
11	Depreciation, additions and utilisation of provisions and adjustments to tangible and intangible fixed assets	17, 18	(44)	(323)
12	Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables	26	19	67
13	Write-offs, additions and use of loss allowances and provisions for receivables and guarantees	26	(33)	(32)
16	Release of other provisions	26	7	42
17	Additions and use of other provisions	26	12	(67)
19	**Current year profit (loss) from ordinary activities before tax**		**949**	**1 193**
23	Income tax	29	(139)	(285)
24	**Net profit (loss) for the period**		**810**	**908**

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022
(Translated from the Czech original)

in million of CZK	Registered capital	Own shares	Share premium	Reserve funds	Capital funds	Revaluation gains(losses)	Profit (loss)	**Total**
Balance at 1/1/2021	**-**	**-**	**-**	**-**	**1**	**30**	**1 542**	**1 573**
Net profit (loss) for the period	-	-	-	-	-	-	908	**908**
Other changes	-	-	-	-	1	(30)	-	**(29)**
Balance at 31/12/2021	**-**	**-**	**-**	**-**	**2**	**-**	**2 450**	**2 452**
Balance at 1/1/2022	**-**	**-**	**-**	**-**	**2**	**-**	**2 450**	**2 452**
Net profit (loss) for the period	-	-	-	-	-	-	810	**810**
Other changes	-	-	-	-	-	(70)	-	**(70)**
Balance at 31/12/2022	**-**	**-**	**-**	**-**	**2**	**(70)**	**3 260**	**3 192**

Notes to the Financial Statements
For the year ended 31 December 2022

1. GENERAL INFORMATION

(a) Description of the Bank

ING Bank N.V., organizační složka (the "Bank", the "Entity", or the "Branch") was registered on 30 March 1993. The Bank is a branch of ING Bank N.V. with its registered address in Amsterdam, the Netherlands.

Company name and registered office
ING Bank N.V., organizační složka
Českomoravská 2420/15
190 00 Prague 9 - Libeň
Czech Republic

Identification number
49279866

Activities of the Bank
- credits and lending
- structured financing
- investment banking products (debt and equity markets)
- financial markets and treasury products
- transaction services

Statutory body

The statutory body of the Bank is the head of the branch appointed through the decision of the board of directors of ING Bank N.V. From 6 April 2021 to 31 December 2021, the position was held by Mr Ronald Bart Huisman, whereas until 5 April 2021 it was held by Mr Isold Dimitri Heemstra.

Effective from 1 January 2022, Mr Erik Eduard Fortgens was appointed the head of the branch.

(b) Basis of preparation

The financial statements have been prepared on the basis of accounts maintained in accordance with:
- Act No. 563/1991, on Accounting, as amended
- Decree No. 501/2002 issued by the Ministry of Finance of the Czech Republic, effective from 1 January 2018
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

These financial statements have been prepared in accordance with Decree No. 501/2002, effective from 1 January 2018, which regulates the layout, designation and definition of the captions of the financial statements (the "Decree"). In Section 4a (1), the Decree stipulates that for purposes of recognition, measurement and disclosure of financial instruments in the notes to the financial statements, the Entity shall proceed in accordance with the International Financial Reporting Standards stipulated by directly applicable regulations of the European Union on applying the international accounting standards ("International Accounting Standards" or "IFRS").

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the Entity will continue as a going concern and that there is no circumstance that would restrict or prevent the Entity's ability to continue as a going concern in the foreseeable future.

The reporting date of the financial statements is 31 December 2022. The current period is the period from 1 January 2022 to 31 December 2022. The prior period is the period from 1 January 2021 to 31 December 2021.

Unless otherwise indicated, all amounts are shown in millions of Czech crowns (CZK million).

These financial statements are non-consolidated financial statements. The Bank is included in the consolidated group of its parent company (ING Bank N.V., 1102CT Amsterdam, Bijlmerdreef 106, NL).
Link to the consolidated annual report: https://www.ing.com/Investor-relations/Annual-Reports.htm.

Notes to the Financial Statements
For the year ended 31 December 2022

The accompanying balance sheet, income statement and statement of changes in equity are an integral part of the financial statements.

Notes to the Financial Statements
For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements have been prepared in accordance with the following significant accounting policies:

(a) Transaction date

Depending on the type of transaction, the transaction date is defined as the date of payment or collection of cash; the date of purchase or sale of foreign currency or securities; the date of payment or collection from a customer's account; the date of order to a correspondent to make a payment, the settlement date of the Bank's payment orders with the Czech National Bank's ("CNB") clearing centre, the value date according to a statement received from a correspondent bank (statement means SWIFT statement, bank notice, received media, bank statement or other documents); the trade date and settlement date of transactions with securities, foreign currency, options or other derivatives; the date of issue or receipt of a guarantee or opening credit commitment; the date of acceptance of assets into custody.

Accounting transactions involving the purchase or sale of financial assets with a usual term of delivery (spot transactions), as well as fixed term and option contracts, are recorded in off-balance sheet accounts from the trade date until the settlement date, except for accounting transactions involving the purchase or sale of debt securities with a usual term of delivery (spot transactions) that are recorded directly in an appropriate asset or liability account on the trade date.

A financial asset or its part is derecognised from the balance sheet if the Bank loses control over the contractual rights to the asset in whole or in part. The Bank loses this control if it exercises the rights to the benefits defined in the contract, if these rights expire, or if these rights are waived by the Bank.

(b) Foreign currency translations

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies, together with unsettled foreign exchange spot transactions, are translated into the local currency at the CNB foreign exchange rate prevailing on the financial statements' date. Foreign exchange gains or losses arising from the translation of foreign currency assets and liabilities and items that hedge currency risk resulting from agreements not yet recorded in the Bank's balance sheet or as a result of expected future transactions are recognised in the income statement as a "Gain or loss from financial operations".

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Entity initially recognises selected financial assets and financial liabilities (e.g. receivables from clients, liabilities to clients, subordinated liabilities, etc.) on the date on which they are originated. All other financial instruments (including spot purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Entity becomes a party to the contractual provisions of the financial instruments.

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

(ii) Classification

Financial assets

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

- amortised cost (AC),
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost (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.

Notes to the Financial Statements
For the year ended 31 December 2022

- 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 (the so-called SPPI test).

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.
- 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 (SPPI test).

Upon the initial recognition of an equity investment that is not held for trading, the Entity may irrevocably elect to present subsequent changes in fair value in FVOCI – see Note 2(f) (Debt Securities – policies effective from 1 January 2018) below. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL and subsequent changes in fair value are recognised in profit or loss (FVTPL).

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

Business model assessment

An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation. The Entity considers all relevant information and evidence which is available at the assessment date. 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 and the financial assets held within this business model is evaluated and reported to the Entity's key management personnel;
- the risks that affect the performance of the business model and financial assets held within this business model, and how those risks are managed;
- how managers of the Entity are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- 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 Entity's stated 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 to both collect contractual cash flows and sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI test)

For the purposes of this assessment, principal is defined as the fair value of the financial asset upon 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 solely payments of principal and interest, the Entity 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 Entity considers:

- contingent events that would change the amount and timing of cash flows
- leverage features

Notes to the Financial Statements
For the year ended 31 December 2022

- prepayment and extension terms
- terms that limit the Entity's claim to cash flows from specified assets
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Entity changes its business model for managing financial assets.

Financial liabilities

The Entity classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at either:

- amortised cost
- fair value through profit or loss FVTPL.

(iii) Derecognition

Financial assets

The Entity derecognises a financial asset when either:

- the contractual rights to the cash flows from the financial asset expire
- 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 Entity neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between
a) the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised)
b) 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 equity
is recognised in profit or loss.

Any cumulative gain/loss recognised in equity in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

In some cases, the Entity enters into transactions whereby it transfers assets recognised on its balance sheet, 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.

Financial liabilities

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

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Entity 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 Note 2*c* (iii)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Entity recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see Note 2c vii)), then the gain or loss is presented in the income statement together with addition, release or utilisation of loss allowances. In other cases, the gain or loss is presented in the income statement together with interest income.

Notes to the Financial Statements
For the year ended 31 December 2022

Financial liabilities

The Entity derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the income statement.

(v) Offsetting and presentation in the net amount

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Entity currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and to 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 Entity's trading activity.

(vi) Fair value measurement

An assets fair value is the price that would be received to sell the 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 Entity has access at that date. The fair value of a liability reflects its non-performance risk. Non-performance risk includes, but may not be limited to, the Entity's own credit risk.

When one is available, the Entity 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 Entity 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 best evidence of the fair value of a financial instrument upon initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received).

If the Entity determines that the fair value upon 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 upon 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.

If an asset or liability measured at fair value has a bid price and an ask price, the Entity measures

- assets and long positions at a bid price
- liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Entity on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments (e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure) are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Fair value hierarchy

Notes to the Financial Statements
For the year ended 31 December 2022

The Entity measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) for the asset or liability. This category includes instruments valued using:

- quoted market prices in active markets for similar instruments
- quoted prices for identical or similar instruments in markets that are considered less than active
- other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Level 3 inputs are unobservable inputs. This category includes all instruments for which the valuation technique includes inputs that are not observable and having a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(vii) Impairment of financial assets

The Entity recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments
- loan commitments issued
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

The Entity measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Entity considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of investment grade.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Entity in accordance with the contract and the cash flows that the Entity expects to receive).
- Financial assets that are credit-impaired at the reporting date are measured as the difference between the gross carrying amount of the financial asset and the present value of estimated future cash flows.
- Undrawn loan commitments are measured as the present value of the difference between the contractual cash flows that are due to the Entity if the commitment is drawn down and the cash flows that the Entity expects to receive.
- financial guarantee contracts are measured as the expected payments to reimburse the holder less any amounts that the Entity expects to recover.

The ING Group builds on existing regulatory capital models using advanced internal rating-based (AIRB) models for regulatory purposes. See also Note 34.
Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to the borrower's financial difficulties, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Entity assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset 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
- restructuring of a loan made by the borrower on terms that the borrower would not consider otherwise
- heightened probability that the borrower will enter bankruptcy or other financial reorganisation
- 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 credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in bonds is credit-impaired, the Entity considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields
- the rating agencies' assessments of creditworthiness
- the country's ability to access the capital markets for new debt issuance
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness
- the international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowance for ECL in the balance sheet

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- loan commitments and financial guarantee contracts: generally as a provision, except for the exception stated in the bullet point below
- where a financial instrument includes both a drawn component (a financial asset) and an undrawn component (a loan commitment), and the Entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision
- debt instruments measured at FVOCI: no loss allowance is recognised in assets in the balance sheet because these instruments are presented at their fair value in assets. However, the loss allowance is disclosed in the notes to the financial statements and is recognised in "Revaluation gains (losses)" in equity.

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Loss allowances and provisions for ECL established by debiting expenses are recognised in "Write-offs, additions and use of loss allowances and provisions for receivables and guarantees" in the income statement. This item also includes any subsequent use of loss allowances.

The release of loss allowances no longer considered necessary is recognised in "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables" in the income statement.

Tax loss allowances

The tax-deductible portion of total loss allowances established in the accounting period for credit losses is calculated in accordance with Section 5 (banking reserves and loss allowances) and Section 8 (loss allowances for receivables from borrowers) of Act No. 593/1992 Coll., on Reserves, as amended. Loss allowances are recorded in sub-ledger accounts for the purpose of determining the tax liability.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Entity determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Entity's procedures for recovery of amounts due.

The write-off of receivables is recognised in "Write-offs, additions and use of loss allowances and provisions for receivables and guarantees" in the income statement. If a fully-provisioned receivable is written off, the loss allowance relating to the same item of the income statement is reduced by the identical amount. Income from loans previously written off is included in "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables" in the income statement.

(d) Receivables from banks and clients

Receivables are recognised in purchase prices less impairment losses. Accrued interest income is part of the carrying amount of these receivables.

Accounting loss allowances

Receivables are monitored for recoverability, which is the basis for determining the impairment loss in respect of individual receivables. Unless the Entity directly writes off the portion of receivables corresponding to the impairment loss, a loss allowance is established for that portion of receivables. The method of calculating loss allowances is described in Note 34 (a), (b) and (c). Loss allowances established by debiting expenses are reported in "Write-offs, additions and use of loss allowances and provisions for receivables and guarantees".

Tax loss allowances

The tax-deductible portion of total loss allowances established in the accounting period for credit losses is calculated in accordance with Section 5 ("banking reserves and loss allowances") and Section 8 ("loss allowances for receivables from borrowers") of Act No. 593/1992 Coll., on Reserves, as amended. Loss allowances are recorded in sub-ledger accounts for the purpose of determining the tax liability.

Debt write-off is subject to approval by global credit restructuring (part of group credit risk) in Amsterdam.

The Entity also accrues interest income on non-performing receivables. The Bank subsequently creates provisions against such accruals in accordance with the group credit risk procedures in Amsterdam.

The write-off of unrecoverable receivables is recorded in "Write-offs, additions and use of loss allowances and provisions for receivables and guarantees" in the income statement. If a fully-provisioned receivable is written off, the loss allowance relating to the same item of the income statement is reduced by an identical amount. Income from loans previously written off is included in the income statement under "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables".
When the Entity purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), then this transaction is accounted for as a loan or advance, and the underlying asset is not recognised in the Entity's balance sheet.

(e) Financial guarantees and loan commitments

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Financial guarantees are contracts that require the Entity to make specified payments to reimburse the holder for a loss it incurs because a specified borrower failed to make payment when due in accordance with the terms of a debt instrument.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

The Entity has issued no loan commitments that are measured at FVTPL.

Financial guarantees and loan commitments issued are recognised in the subledger items in "Commitments and guarantees provided".

(f) Debt securities

Debt securities recognised in the balance sheet items "State zero coupon bonds and other securities eligible for refinancing with the central bank" and "Debt securities" include the following measurement categories:

- debt securities measured at amortised cost; upon initial recognition, they are measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method
- debt securities measured at fair value through other comprehensive income (FVOCI)
- debt securities mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss.

For debt securities measured at FVOCI, gains and losses are recognised in "Revaluation gains (losses)" in equity, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest rate method
- creation, release or use of loss allowances for ECL
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in "Revaluation gains (losses)" in equity is reclassified from equity to the income statement.

Gains and losses which are presented in the income statement are recognised in "Gain or loss from financial operations". The fair value used for the valuation of debt securities is determined in accordance with ING Group policy (see fair value measurement).

Derecognition of securities

When debt securities measured at FVOCI or at amortised cost are sold, the Entity uses the first-in, first-out method to measure the disposal of the securities.

(g) Securities transactions for customers

Securities received by the Bank into custody, administration or deposit are recognised at their market prices and recorded in the off-balance sheet account "Values taken into custody, administration and deposit". In the balance sheet, liabilities of the Bank are accounted for by the Bank in respect of clients, mainly due to cash received for the purchase of securities, cash to be returned to the client, etc.

(h) Ownership interests with controlling or significant influence

The Bank has no ownership interests with a controlling or significant influence.

(i) Financial derivatives

A derivative is a financial instrument that meets the following conditions:

a) Its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable (an underlying asset).

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b) Compared with other types of contracts based on a similar response to changes in market factors, it requires a small or no initial net investment.

c) It is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under “Other assets”. Negative fair values of derivatives are recognised in liabilities under “Other liabilities”.

The fair value of financial derivatives is the present value of expected cash flows from these transactions, determined using parameters ascertained on the active market, such as the Black-Scholes model for certain types of options. Parameters found in the active market such as exchange rates, yield curves, volatility of the relevant financial instruments, etc. are then entered into these valuation models.

In the off-balance sheet, derivatives are recorded at the non-discounted contractual value of the underlying instrument under “Receivables from fixed term transactions”, “Receivables from options”, “Liabilities from fixed term transactions”, and “Liabilities from options”.

Trading derivatives

Financial derivatives held for trading are recognised in the balance sheet at fair value. Gains and losses from changes in fair value are recorded in the income statement under “Gain or loss from financial operations”. Interest income and expense from derivative financial instruments are recognised in the income statement under “Interest income and similar income” or “Interest expense and similar expense”.

Hedging derivatives

The Bank uses the fair value hedge method to manage interest rate risk.

Hedging derivatives are recognised at fair value and gains and losses on this measurement are included in the income statement in “Interest income and similar income” or "Interest and similar expense" and "Profit or loss on financial operations”.

(j) Hedge accounting

Ensuring the fair value of sovereign debt instruments and other securities admitted by the central bank for refinancing

The Bank has been using the fair value hedges method to minimise the variability of the fair value of state zero coupon bonds and other securities eligible for refinancing with the Czech National Bank due to a change in interest rates (the hedged instrument) that influences the profit or loss. The interest rate swaps (IRS) have been opted for as the hedging instrument.

The individual state zero coupon bonds and other securities eligible for refinancing with the Czech National Bank are the hedged instruments.

In respect of state zero coupon bonds and other securities held-to-maturity, the gain or loss on changes in fair value of the hedged instrument, corresponding to the hedged risk, adjusts the carrying amount of the hedged instrument and is recognised in the income statement in the “Gain or loss from financial operations” category. In the balance sheet, such changes in the fair value of the hedged instrument reduce / increase the directly hedged instrument “State zero coupon bonds and other securities held-to-maturity”.

In respect of state zero coupon bonds and other securities at FVOCI, the gain or loss on changes in fair value of the hedged instrument, corresponding to the hedged risk, adjusts the carrying amount of the hedged instrument and is recognised in the income statement in the “Gain or loss from financial operations” category. In the balance sheet, such changes in the fair value of the hedged instrument reduce / increase the equity in “Revaluation gains and losses”.

The reporting of hedging derivatives is described in Note 2 (i).

Hedge accounting is applied only if:

- the hedge is in line with the Entity’s risk management strategy
- the hedge relationship is formally documented at the inception of the hedge

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- it is expected that the hedging relationship will be highly effective during the period for which the hedging relationship is designated (i.e. if the changes in fair value of hedging instruments attributable to the hedged risk are within a range of 80 - 125% of changes in the fair values of hedged instruments attributable to the hedged risk),
- the effectiveness of the hedge relationship can be objectively measured
- the hedge relationship is effective throughout the accounting period.

The Bank tests the effectiveness of the hedging relationship periodically, at a minimum on the last day of each calendar month.

The hedging relationship is discontinued if the hedging instrument expires or is sold, terminated or exercised, or if the hedge is no longer effective. In this case, the unamortised fair value adjustment for the hedged instrument is amortised in the income statement in “Gain or loss from financial operations” over the remaining term of the original hedging relationship using the EIR method. If the hedged instrument is derecognised, the unamortised fair value adjustment for the hedged instrument is recognised immediately in the income statement in “Gain or loss from financial operations”.

Impact on hedge accounting following from the reform in reference interest rates (IBOR reform)

If a hedging relationship is directly influenced by the reform in reference interest rates (IBOR reform), then the entity applies certain exceptions from the application of the general requirements on hedge accounting. To apply these exceptions, the IBOR reform is further considered to be a reform of the reference interest rates including the replacement of the given reference interest rate by an alternative reference interest rate based on recommendations of the Financial Stability Board (FSB) in its *Reforming Major Interest Rate Benchmarks* report from July 2014, which comprises recommendations to strengthen current reference interest rates and to develop alternative reference interest rates which are almost risk-free.

On 26 September 2019, the International Accounting Standards Board (IASB) disclosed a document titled *Reform of Reference Interest Rates* (amendments to IFRS 9, IAS 39 and IFRS 7), which was subsequently adopted by the European Union, to deal with the effects of the reform of reference interest rates for financial reporting purposes in the period before existing reference interest rates are replaced by alternative reference interest rates.

These amendments stipulate temporary exceptions from the requirements of hedge accounting so that the entities can continue meeting the requirements, on the condition that the existing reference interest rates will not be changed due to the reform of the interbank offered rates.
The existing hedging relationships were not directly influenced by the reform of the reference interest rates (IBOR reform) and for this reason, the entity did not apply the relevant exceptions.

(k) Repo transactions, reverse repo transactions and short sales

Repo transactions

Repo transactions are transactions where securities are sold under a repurchase agreement at a predetermined price and accounted for as borrowings collateralised by the securities that are being sold and repurchased.

These borrowings are recognised in the balance sheet under “Payables to banks and credit unions” or “Payables to customers – credit union members”.

The legal title to the respective securities is transferred to the lender. However, securities transferred under a repo transaction continue to be recognised either:

- in the balance sheet, provided that the repo transaction involves securities held and recognised in the balance sheet
- in the off-balance sheet under “Collaterals and pledges received”, provided that the repo transaction involves securities acquired in a reverse repo transaction as collateral received.

Expenses arising from repo transactions as the difference between the selling and purchase price are accrued over the period of the transaction and recognised in the income statement in “Interest expense and similar expense”.

Interest on debt securities transferred under a repo transaction is accrued.

Reverse repo transactions

Transactions where securities are purchased under a resale agreement (reverse repo transaction) at a predetermined price are accounted for as loans collateralised by the securities that are being purchased and resold.

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These loans are recognised in the balance sheet under "Receivables from banks and credit unions" or "Receivables from customers – credit union members".

Securities received under reverse repo transactions are only recorded in the off-balance sheet under "Collaterals and pledges received".

Income arising from reverse repo transactions as the difference between the selling and purchase price is accrued over the period of the transaction and recognised in the income statement as "Interest income and similar income".

Interest on debt securities that serve as collateral in reverse repo transactions is not accrued.

Short sale liabilities

A short sale liability is a liability representing a debt which has arisen from the sale of a security that has been received in a repo transaction or that the Entity has borrowed. Such a liability is measured at fair value. Liabilities arising from the short sale of debt securities are recognised under "Payables from debt securities". Liabilities arising from the short sale of equity securities are recognised under "Other liabilities".

Securities received in a reverse repo transaction that are sold short are derecognised from the off-balance sheet.

Changes in fair values are recognised in the income statement under "Gain or loss from financial operations".

(l) Deposits, debt securities issued and subordinated liabilities

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, except where the Entity designates liabilities at FVTPL.

Deposits received from customers are recognised in the balance sheet under "Payables to customers – credit union members".

Debt securities issues are recognised in "Payables from debt securities".

Subordinated liabilities are recognised in "Subordinated liabilities".

(m) **Interest**

Effective interest rate

Interest income and interest expense are recognised in the income statement under "Interest income and similar income ", or, if appropriate, under "Interest expense and similar expense" using the effective interest rate method.

The effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to either:

- the gross carrying amount of the financial asset
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Entity estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured upon initial recognition minus the principal repayments, plus or minus the cumulative amortisation using

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the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and interest expense

In calculating interest income and interest expense, the effective interest rate is applied to either:

- to the gross carrying amount of the asset (when the asset is not credit-impaired)
- to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired upon initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income and interest expense presented in the income statement under “Interest income and similar income “, or, if appropriate, under “Interest expense and similar expense”, include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis
- interest on debt instruments measured at FVOCI calculated on an effective interest rate basis.

Interest income and interest expense on all assets and liabilities held for trading and other financial assets and financial liabilities at FVTPL are presented together with all changes in the fair value of these financial assets and financial liabilities in the income statement under “Gain or loss from financial operations”.

(n) Commission and fee income

Fees and commissions are recognised on an accrual basis at the date of service in the income statement in “Fee and commission income” and “Fee and commission expense”.

(o) Provisions

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognised if the following criteria are met:

- a present obligation (legal or constructive) exists as a result of a past event
- it is probable or certain that an outflow of economic benefits will be required to settle the obligation (probable means a probability exceeding 50%)
- the amount of the obligation can be reliably estimated.

Provisioning is recognised in the relevant income statement. The use of the provision is recognised jointly with the costs or losses for which the reserves were created in the relevant income statement. The reversal of the provision for uselessness is recognised in the relevant income statement.

(p) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at the purchase price less accumulated depreciation/amortisation and are depreciated/amortised using the straight-line method over their estimated useful lives.

The estimated useful economic lives for each category of intangible and tangible fixed asset are as follows:

- inventory and technical improvement of buildings 5 -10 years
- machinery and equipment 3 - 5 years
- software 3 years.

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Intangible assets with a cost of less than CZK 250 thousand and tangible assets with a cost of less than CZK 250 thousand, except for PC sets (personal computers) are charged to the income statement in the period in which they are acquired. All PC sets are classified as tangible assets and are depreciated over a period of three years.

Leases - the Entity acting as a lessee
The Entity applies the international financial reporting standard IFRS 16.. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

The Entity acting as a lessee recognises a right-of-use asset and the related lease liability in the balance sheet with exceptions where:

- the lease term does not exceed 12 months
- the underlying asset is of low value.

Right-of-use asset

At the commencement date, a right-of-use asset is 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 received
- any initial direct costs incurred by the lessee
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

A right-of-use asset is recognised in the balance sheet in the line "Tangible fixed assets" and is depreciated on a straight-line basis for the shorter of the economic useful life of the underlying asset or the lease term. The related depreciation is recognised in the income statement in the line "Depreciation, additions and utilisation of provisions and adjustments to tangible and intangible fixed assets".

Lease liability

At the commencement date, a lease liability is initially measured at the present value of the lease payments which that are not paid at that date. The lease payments are discounted using an interest rate which a lessee would have to pay, if they borrowed cash to acquire the underlying asset, taking into consideration the terms relating to a lease (i.e. lease/loan term, amount of loans, etc.).

Subsequently, the lease liability is remeasured when there is change in future lease payments (e.g. due to a change in an assessment of whether and when extension or termination options will be exercised). When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is recognised in the balance sheet and presented in the line "Other liabilities".

Interest expense on lease liability are recognised in the income statement and presented in the line "Interest expense and similar expense" using the effective interest rate.

(q) Recognition of revenues and expenses

The interest income and expense on interest bearing financial instruments are recognised in the income statement in "Interest income and similar income" or "Interest expense or similar expense" using the accrual principle.
Fees and commissions are recognised in the income statement in "Income on fees and commissions" and "Expense from fees and commissions" using the accrual principle as at the date when the services have been rendered.

(r) Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income, which is further adjusted by tax allowances and relevant credits.

In the course of the year, the Bank creates a provision for income tax that is released when the current tax expense is confirmed in the tax return. At the date of release of the provision the Bank accounts for the actual tax expense. In the

Notes to the Financial Statements
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course of the year, the Bank accounts for obligatory advances for corporate income tax that are offset against the provision for corporate income tax.

The deferred tax position reflects all temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes, using a statutory tax rate that is expected to apply in the period when the temporary differences are realised.

A deferred tax asset is recognised only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilised.

(s) Prior period items and changes in accounting policies methods

Prior period items are reported as income or expenses in the current period income statement, with the exception of corrections of significant errors in the recording of the income and expenses of prior periods and the effects of changes in the accounting policies, which are reported in "Retained earnings (or accumulated losses) from previous years" in the Bank's equity.

3. CHANGES IN ACCOUNTING POLICIES

a) Impact of changes in accounting methods

The accounting unit did not make any changes to accounting methods in 2022.

b) Impact of corrections of fundamental errors

In 2022, the accounting entity did not make any corrections of fundamental errors.

4. NET INTEREST INCOME

CZK million	2022	2021
Interest income and similar income		
from deposits	2 006	1 220
from loans	1 228	758
from financial assets for trading	234	439
from securities	-	80
from available-for-sale financial assets/FVOCI	283	6
other	1	1
from hedging interest rate derivatives	24	13
Total	3 776	2 517
Interest expense and similar expense		
on deposits	860	182
on financial liabilities for trading	990	477
from hedging interest rate derivatives	-	20
Total	1 850	679
Net interest income	**1 926**	**1 838**

Interest income and interest expense are calculated using the effective interest rate method.

5. COMMISSION AND FEE INCOME AND EXPENSE

CZK million	2022	2021
Income from fees and commissions		
lending activities	137	147
payment processing	46	37
services for securities brokerage	-	15
guarantees issued	53	19
sale of financial instruments	193	204
prematurely terminated financial instruments	-	43
intermediary activity	-	830
other	9	7
Total	**438**	**1 302**
Commission and fee expense from		
securities transactions	1	1
management, administration, deposits and custody	4	6
payment processing	5	5
prematurely terminated financial instruments	-	89
other	1	2
Total	**11**	**103**

In 2021, income from fees and commissions from intermediary activity contains commissions for mediating the Bank's clients who terminated cooperation with the Bank based on their notice and who used the option to transfer their existing funds in the savings accounts and investments into the open-ended funds to Raiffeisenbank a.s. under advantageous conditions, in connection with terminated retail banking services.

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In line with terminating its retail banking services, in 2021 the Bank prematurely terminated certain interest rate and currency swaps (IRS and IRCS), which was reflected in the recognition of one-off income and expenses from prematurely terminated financial instruments.

6. GAIN OR (LOSS) FROM FINANCIAL OPERATIONS

CZK million	2022	2021
Gain/(loss) from securities transactions	-	-193
Gain/(loss) from derivative transactions	-293	-880
of which gain/(loss) from interest tools (incl. interest rate derivatives)	46	507
of which gain/(loss) from currency tools (incl. currency derivatives)	-339	-1 387
Gain/(loss) from hedge accounting	11	254
Gain/(loss) from foreign exchange transactions	133	103
Foreign exchange gain/ (loss)	-291	807
Total	**-440**	**91**

In line with terminating its retail banking services, in 2021 the Bank was a portfolio of securities held to maturity and a portfolio of securities in FVOCI and realized a debt exceeding CZK 193 million on sale.

7. OTHER OPERATING INCOME AND EXPENSES

CZK million	2022	2021
Other operating income		
proceeds on transfer of tangible and intangible assets	-	2
penalties	1	-
other	1	-
Total	**2**	**2**

CZK million	2022	2021
Other operating expenses		
deposit insurance fund (DGS in the Netherlands)	16	56
losses from errors	-	3
net carrying amount of tangible fixed assets sold	3	2
other	3	1
Total	**22**	**62**

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8. ADMINISTRATIVE EXPENSES

CZK million	2022	2021
Personnel and related expenses		
wages and salaries paid to employees	222	475
of which wages and salaries paid to management	22	31
social security and health insurance	58	113
	280	588
Intercompany services	353	515
Other administrative expenses	272	458
of which rent expense	1	3
of which expense for audit, legal and tax advisory	3	3
of which remuneration of the statutory auditor – statutory audit	3	3
	625	974
Total	**905**	**1 562**

The average number of the Bank's employees was as follows:

	2022	2021
Employees	136	276
Management	4	5

Rent and other leases

In 2022 and 2021, the Bank reported no short-term leases or leases with low acquisition costs.

9. EXTRAORDINARY INCOME AND EXPENSES

In 2022 and 2021, the Bank had no extraordinary income or extraordinary costs.

10. INCOME AND EXPENSE ACCORDING TO SEGMENTS

Geographical segments

	Czech Republic		European Union		Other		Total	
CZK million	2022	2021	2022	2021	2022	2021	2022	2021
Interest income and similar income	2 149	1 238	1 603	1 253	24	26	3 776	2 517
Interest expense and similar expense	-261	-76	-1 589	-599	-	-4	-1 850	-679
Income from fees and commissions	413	1 254	17	48	8	-	438	1 302
Commission and fee expense	-11	-13	-	-89	-	-1	-11	-103
Gain/(loss) from financial operations	-1 210	-332	1 671	822	-901	-399	-440	91
Other operational income	1	2	1	-	-	-	2	2
Other operational expense	-22	-62	-	-	.	-	-22	-62

Geographical areas are divided on the basis of the counterparty with which the bank entered into the transaction.

Notes to the Financial Statements
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11. TRANSACTIONS WITH RELATED PARTIES

CZK million	2022	2021
Receivables – total	**5 004**	**3 331**
Receivables from banks and credit unions	4 068	2 618
due on demand	699	315
other receivables	3 369	2 303
Other assets	936	713
Payables – total	**51 969**	**59 550**
Payables to banks and credit unions	49 685	57 481
due on demand	2 268	3 082
other liabilities	47 417	54 399
Payables to clients – members of credit unions	88	88
due on demand	88	88
other liabilities	-	-
Other liabilities	2 196	1 981
Net interest income	-865	712
Net income from commissions and fees	2	-45
Gain/(loss) from financial operations	115	229
Administrative expenses and other operating expenses	-402	-554

The above schedule includes all transactions with related parties.

12. STATE ZERO COUPON BONDS AND OTHER SECURITIES ELIGIBLE FOR RE-FINANCING WITH THE CENTRAL BANK

(a) Net book value of state zero coupon bonds and other securities eligible for re-financing with the CNB

CZK million	2022	2021
State bonds	10 477	-
Net book value	**10 477**	**-**

(b) Classification of state zero coupon bonds and other securities eligible for re-financing with the CNB into individual portfolios based on the Bank's intention

CZK million	2022	2021
State zero coupon bonds and other securities at FVOCI	10 477	-
Net book value	**10 477**	**-**

Due to the termination of its retail banking services, in 2021 the Bank sold a portfolio of held-to-maturity securities and a portfolio of securities at FVOCI and incurred a loss of CZK 193 million in connection with the sale. As at the sale date, the fair value of securities at FVOCI was CZK 3 618 million.

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(c) Repo and reverse repo transactions

As at 31 December 2022, under reverse repo transactions, the Bank has acquired state zero coupon bonds and other securities with a market value of CZK 26 950 million (31 December 2021: CZK 27 930 million), which are recorded off-balance sheet in "Collaterals and pledges received".

(d) Change in fair value of hedged state zero coupon bonds and other securities eligible for refinancing with the Czech National Bank

In 2022, the Bank recognised a gains of CZK 11 million (2021: a loss of CZK 82 million) relating to a change in the fair value of the hedged state zero coupon bonds and other securities eligible for refinancing with the CNB and creation of loss allowances to state zero coupon bonds and other securities at FVOCI in „Gain or loss from financial operations".

13. RECEIVABLES FROM BANKS AND COOPERATIVE SAVINGS ASSOCIATIONS

(a) Receivables from banks and credit unions by type

CZK million	2022	2021
Current accounts (nostro accounts)	721	337
Term deposits	3 369	5 003
Reverse repos with CNB	27 527	28 519
Reverse repos with other banks	-	-
Total	31 617	33 859
Loss allowances for potential losses from receivables	-	-
Net receivables from banks	**31 617**	**33 859**

In 2022 and 2021, the Bank did not restructure any receivables from banks.

All receivables from banks as at 31 December 2022 and 31 December 2021 are measured at amortised cost under IFRS 9. All receivables are classified into Stage 1.

(b) Analysis of receivables from banks by type of collateral received

CZK million	2022	2021
Securities	26 950	27 930
Unsecured	4 667	5 938
Total	**31 617**	**33 868**

(c) Subordinated receivables from banks

In 2022 and 2021, the Bank did not provide subordinated loans to other banks.

(d) Receivables from banks written-off and recovered

In 2022 and 2021, the Bank did not write-off any receivables from banks.

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14. Receivables from customers – members of credit unions

(a) Receivables from customers by type

CZK million	2022	2021
Receivables from loans	38 653	40 356
Total	38 653	40 356
Loss allowances for potential losses from receivables	-33	-21
Net receivables from customers	**38 620**	**40 335**

In 2022, the Bank did not restructure any receivables from customers (as well as in 2021).

(b) Receivables from customers by measurement categories

All receivables from customers as at 31 December 2022 (as well as in 2021) are measured at amortised cost.

(c) Receivables from customers by credit risk rating grades

CZK million	2022			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-10	29 258	352	-	29 610
Grades 11-17	6 136	2 907	-	9 043
Grades 20-22	-	-	-	-
Total	35 394	3 259		38 653
Loss allowances for potential losses from receivables	-32	-1		-33
Net receivables from customers	**35 362**	**3 258**	**-**	**38 620**

CZK million	2021			
	Stage 1	Stage 2	Stage 3	Total
Grades 1-10	29 368	-	-	29 368
Grades 11-17	8 525	2 463	-	10 988
Grades 20-22	-	-	-	-
Total	37 893	2 463	-	40 356
Loss allowances for potential losses from receivables	-13	-8	-	-21
Net receivables from customers	**37 880**	**2 455**	**-**	**40 355**

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(d) Receivables from customers by type

In millions of CZK	2022	2021
Residents, of which:		
financial institutions	6 711	4 377
non-financial institutions	25 128	27 577
Non-residents	6 814	8 403
Total	**38 653**	**40 355**

Receivables from customers by type are stated in gross value, i.e. without loss allowances for potential losses from receivables.

(e) Subordinated receivables from banks

In 2022 and 2021, the Bank did not provide subordinated loans to other banks.

(f) Net receivables from customers written-off

In 2022 and 2021, the Bank did not provide written-off receivables.

(g) Syndicated loans

As at 31 December 2022 (as well as in 2021), the Bank did not serve as the principal agent of any syndicated loan.

(h) Receivables from persons with a special relationship to the Bank

In 2022 and 2021, the Bank had no commitments to employees.

In 2022 and 2021, the Bank did not provide any loans to members of managerial bodies.

15. DEBT SECURITIES

As at 31 December 2022 (as well as in 2021), the Bank did not hold any debt securities except for those described in Note 12. (State zero coupon bonds and other securities eligible for refinancing with the central bank).

16. SHARES, UNITS AND OTHER INVESTMENTS

As at 31 December 2022 and 2021, the Bank did not hold any shares, units and other investments.

The Bank did not acquire any shares, units and other investments under resale commitments in 2022 and 2021.

Notes to the Financial Statements
For the year ended 31 December 2022

17. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets

CZK million	Software	Acquisition of software	Other	Total
Cost				
As at 1 January 2021	368	50	2	420
Additions	4	4	-	8
Disposals	-198	-41	-	-239
As at 31 December 2021	174	13	2	189
As at 1 January 2022	174	13	2	189
Additions	3	5	-	8
Disposals	-	-16	-2	-18
As at 31 December 2022	177	2	-	179
Accumulated amortisation and allowances				
As at 1 January 2021	153	-	2	155
Charge for the year	53	-	-	53
Impairment	166	40	-	206
Disposals	-205	-40	-	-245
As at 31 December 2021	167	-	2	169
As at 1 January 2022	167	-	2	169
Charge for the year	5	-	-	5
Impairment	-	16	-	16
Disposal	-	-16	-2	-18
As at 31 December 2022	172	-	-	172
Net book value				
As at 31 December 2021	**7**	**13**	**-**	**20**
As at 31 December 2022	**5**	**2**	**-**	**7**

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18. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets

CZK million	Technical improvement of buildings	Fixtures and fittings	Equipment	Total
Cost				
As at 1 January 2021	4	39	126	169
Additions	-	-	-	-
Disposals	-	-8	-49	-57
As at 31 December 2021	4	31	77	112
As at 1 January 2022	4	31	77	112
Additions	-	-	-	-
Disposals	-	-11	-6	-17
As at 31 December 2022	4	20	71	95
Accumulated depreciation and allowances				
As at 1 January 2021	4	22	93	119
Charge for the year	-	6	17	23
Disposals	-	-6	-47	-53
As at 31 December 2021	4	22	63	89
As at 1 January 2022	4	22	63	89
Charge for the year	-	4	9	13
Disposals	-	-7	-6	-13
As at 31 December 2022	4	19	66	89
Net book value				
As at 31 December 2021	**-**	**9**	**14**	**23**
As at 31 December 2022	**-**	**1**	**5**	**6**

Leases

From 1 January 2019 new standard IFRS 16 was applied, and the previous standard IAS 17 was abolished. Therefore, the Bank as a lessee started to recognise right-of-use assets (i.e. with exception where the lease term does not exceed 12 months or the underlying asset has a low value) in the line “Tangible fixed assets” and the related lease liabilities in the line “Other liabilities” in the balance sheet. See details in the following notes of the financial statements: Note 2(p) (Significant accounting policies) and Note 8 (Administrative expenses).

From 1 January 2019, the Bank as a lessee no longer distinguishes between finance leases and operating leases for purposes of booking and presentation.

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Tangible fixed assets acquired under lease

CZK million	Land and buildings	Vehicles	Total
Cost			
As at 1 January 2021	105	11	116
Additions	51	4	55
Other adjustments	-	-	-
Disposals	-100	-11	-111
As at 31 December 2021	56	4	60
As at 1 January 2022	56	4	60
Additions	1	2	3
Other adjustments	-	-	-
Disposals	-	-2	-2
As at 31 December 2022	57	4	61
Accumulated depreciation and allowances			
As at 1 January 2021	57	7	64
Charge for the year	26	4	30
Impairment	11	-	11
Disposals	-87	-9	-96
Allowances	-	-	-
As at 31 December 2021	7	2	9
As at 1 January 2022	7	2	9
Charge for the year	8	1	9
Impairment	-	-	-
Disposals	-	-2	-2
Allowances	-	-	-
As at 31 December 2022	15	1	16
Net book value			
As at 31 December 2021	49	2	51
As at 31 December 2022	42	3	45

Land and buildings

The bank leases land and buildings for its headquarter and branches. These leases typically run for a period of 3-6 years.

Some leases provide for additional rent payments that are based on inflation rate developments in the following years.

Some leases contain extension options exercisable by the lessee within up to 12 months before the end of lease term. At lease commencement, the bank assesses whether it is reasonably certain to exercise such options and subsequently, if a significant event or significant changes in circumstances occur.

Notes to the Financial Statements
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19. OTHER ASSETS

CZK million	2022	2021
Positive fair value of derivatives	938	692
Receivables from unsettled securities transactions	-	-
Receivables from unsettled payment transactions	3	1
Estimated receivables	19	34
Paid advances	1	1
Deferred tax asset (see Note 29)	41	35
Corporate income tax prepayments	-	-
Other debtors	22	31
Total	**1 024**	**794**

Income and expenses from hedging interest rate derivatives are noted in Note 4; losses on hedge accounting are disclosed in Note 6 to the financial statements. Contractual and fair values of hedging derivatives are disclosed in Note 30 to these financial statements.

In 2022 and 2021, the Bank did not write off any other assets.

In 2022 and 2021, the Bank did not create any allowances for receivables from other debtors.

Hedging derivatives

Hedging instruments

CZK million		**2022**	
	Nominal value	Positive real value	Negative fair value
Interest rate swaps – securing the fair value of bonds	3 750	19	30
Total	**3 750**	**19**	**30**

Hedged instruments

CZK million	**2022**	
		Residual value
	Asset	Liability
Bonds – ensuring the fair value of bonds	3 718	-
Total	**3 718**	**-**

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CZK million	2022		
The item in the statements where the hedging instrument is presented	Change in the fair value of the hedging instrument entering into the calculation of the hedge effectiveness	Ineffectiveness of hedge accounting recognized in the profit and loss statement	An item in the statements where the ineffectiveness of hedge accounting is presented
Other assets – fair value of derivatives	19	1	Profit or loss from financial operations
Other liabilities – fair value of derivatives	-30		
Total	**-11**	**1**	

CZK million		2022		
The accumulated change in fair value resulting from the application of hedge accounting in the residual value of the secured instrument		The item in the statements where the provided instrument is presented	Change in the fair value of the secured instrument entering into the calculation of the effectiveness of the collateral	Accumulated change in the fair value of the secured instruments from the completed hedge accounting
Asset	Liability			
11	-	Debt securities	11	-

20. PAYABLES TO BANKS AND CREDIT UNIONS

Analysis of due to banks and credit unions by residual maturity

CZK million	2022	2021
Repayable on demand	2 009	3 499
Up to 3 months	18 319	25 364
3 months to 1 year	2 495	7 490
1 year to 5 years	25 409	20 981
More than 5 years	3 649	564
Total	**51 881**	**57 898**

Notes to the Financial Statements
For the year ended 31 December 2022

21. PAYABLES TO CUSTOMERS AND COOPERATIVE SAVINGS ASSOCIATION'S MEMBERS

(a) Analysis of due to customers and credit union members by sectors

CZK million	Repayable on demand	Term deposits with fixed maturity	Other	Total
As at 31 December 2022				
Residents, of which				
financial institutions	1 286	-	-	1 286
non-financial institutions	13 978	7 431	-	21 409
insurance institutions	50	-	-	50
government sector	-	-	-	-
non-profit organisations	-	-	-	-
resident individuals	-	-	317	317
Non-residents	879	-	-	879
Total	**16 193**	**7 431**	**317**	**23 941**

CZK million	Repayable on demand	Term deposits with fixed maturity	Other	Total
As at 31 December 2021				
Residents, of which				
financial institutions	833	-	-	833
non-financial institutions	8 208	544	-	8 752
insurance institutions	100	-	-	100
government sector	-	-	-	-
non-profit organisations	-	-	-	-
resident individuals	-	-	-	-
Non-residents	1 224	701	-	1 925
Total	**10 365**	**1 245**	**-**	**11 610**

(b) Due to persons with a special relationship to the Bank

In 2022, the Bank had no commitments to persons with a special relationship to it (as well as in 2021).

22. SUBORDINATED LIABILITIES

As at 31 December 2022 and as at 31 December 2021, the Bank did not report any subordinated liabilities.

23. OTHER LIABILITIES

CZK million	2022	2021
Negative fair values of derivatives	2 082	1 494
Clearing accounts – settlement of transactions with securities	93	49
Clearing accounts – settlement of payment transactions	440	1 125
Other payables	45	239
Lease and Rent liabilities	47	59
Estimated payables	66	121
Total	**2 773**	**3 087**

In 2022, the Bank created a provision for corporate income tax totalling CZK 174 million (2021: CZK 272 million) and paid CZK 137 million in prepayments (2021: CZK 68 million). The result was a corporate income tax liability of CZK 37 million (2021: liability of CZK 204 million).

24. REGISTERED CAPITAL

The Bank was founded as a branch of ING Bank N.V., a public limited company with its registered office at Bijlmerplein 106, 1102 MG, Amsterdam, the Netherlands; listed in the Commercial Register of the Amsterdam Chamber of Commerce and Industry, file number 33031431. In accordance with the Act on Banks the Bank is not obligated to maintain registered capital.

25. EQUITY-BASED REMUNERATION

The Bank is incorporated as a branch and therefore does not have a bonus programme tied to equity.

26. PROVISIONS AND ALLOWANCES

(a) Allowances for credit losses

CZK million	
Balance as at 1 January 2021	46
Additions during the year	32
Release of allowances no longer considered necessary	-57
Total allowances for credit losses as at 31 December 2021	**21**
Balance as at 1 January 2022	21
Additions during the year	32
Release of allowances no longer considered necessary	-19
Foreign exchange gain/(loss)	-1
Total allowances for credit losses as at 31 December 2022	**33**

Due to the sale of the securities portfolio in 2021, the Bank released allowances for securities totalling CZK 10 million.

(b) Provisions for possible guarantee losses

In 2022 and 2021, the Bank created provisions for the risks connected with provided guarantees in an insignificant amount.

(c) Other provisions

CZK million	Restructuring	Legal disputes	Other	Total
Balance as at 1 January 2021	12	-	12	24
Additions during the year	218	3	-	221
Utilisation during the year	-154	-	-	-154
Release of excess provisions	-39	-	-3	-42
Balance of other provisions as at 31 December 2021	**37**	**3**	**9**	**49**
Balance as at 1 January 2022	37	3	9	49
Additions during the year	-	2	-	2
Utilisation during the year	-15	-	-	-15
Release of excess provisions	-5	-	-2	-7
Balance of other provisions as at 31 December 2022	**17**	**5**	**7**	**29**

In 2022, the Bank created a provision for corporate income tax of CZK 174 million (31 December 2021: CZK 272 million) and paid CZK 137 million in prepayments (31 December 2021: CZK 68 million). The result was a receivable for corporate income tax totalling CZK 37 million (31 December 2019: CZK 204 million), described in Note 23.

In 2021, the Bank created a provision for restructuring of CZK 218 million due to the termination of its retail banking services in the Czech Republic, which was announced on 18 February 2021. The termination of retail banking services affected 225 jobs in the Czech Republic.

27. RETAINED EARNINGS OR ACCUMULATED LOSSES FROM PREVIOUS YEARS, RESERVE FUNDS AND OTHER FUNDS CREATED FROM PROFIT

As at 31 May 2022, the Bank has not decided on the distribution of profit for 2022. In 2022, the Bank decided that the profit for 2021 of CZK 908 million will not be transferred to the parent company ING Bank N.V. and will be kept at the Bank.

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28. REVALUATION GAINS AND LOSSES

CZK million	FVOCI	Total
Balance as at 1 January 2021	30	30
Decrease	-30	-30
Balance as at 31 December 2021	**-**	**-**
of which Loss allowances for state zero coupon bonds and other securities at FVOCI	**-**	**-**
Balance as at 1 January 2022	-	-
Increase	70	70
Decrease	-	-
Balance as at 31 December 2022	**70**	**70**
of which Loss allowances for state zero coupon bonds and other securities at FVOCI	**-**	**-**

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29. INCOME TAX AND DEFERRED TAX ASSET / LIABILITY

(a) Income tax payable

CZK million	2022	2021
Current year profit before tax	949	1 193
Income not liable to tax	-23	-173
Tax non-deductible expenses	-12	414
Sub-total	914	1 434
Income tax calculated using a tax rate of 19%	**174**	**272**
Adjustment of tax from previous years	-43	14
Total income tax expense	**131**	**286**

(b) Deferred tax liability/asset

Deferred income tax is calculated on all temporary differences using the tax rates valid for the periods in which the tax asset/liability is expected to be utilised, i.e., 19% for 2022 and 2021.

Deferred income tax assets and liabilities are attributable to the following items:

	2022		2021	
CZK million	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferre tax liabilit
Allowances and provisions for loan losses	7	-	4	
Other provisions	10	-	13	
Estimates for bonuses and social security and health insurance from bonuses	7	-	13	
Tangible and intangible fixed assets	3	-	9	
Other items related to prior years	-	-	-	
Net deferred tax asset recorded in the Income statement	**27**	**-**	**35**	
Valuation of securities	14	-	-	
Net deferred tax asset recorded in Equity	**14**	**-**	**-**	
Total deferred tax asset/liability (see Notes 25 and 19)	**41**	**-**	**35**	

In 2022, the Bank reported expense as a result of deferred tax totalling CZK 8 million in the income statement. In 2021 the Bank reported income of CZK 1 million as a result of deferred tax.

30. OFF-BALANCE SHEET ITEMS

(a) Irrevocable contingent liabilities arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

CZK million	2022	2021
Banks		
Payables resulting from guarantees	1 460	1 235
Total	**1 460**	**1 235**

CZK million	2022	2021
Customers		
Payables resulting from guarantees	2 782	3 369
Letters of credit and financial guarantees	68	9
Commitments provided	8 934	9 340
Total	**11 784**	**12 718**

Provisions for risks related to provided guarantees were created in an insignificant amount in 2022 and 2021.

(b) Collaterals and pledges received

CZK million	2022	2021
Collaterals received under resale commitments	26 950	27 930
Other securities received as pledges	411	655
Real estate received as collaterals	11 055	8 068
Received monetary collaterals	245	218
Other collaterals received	14 194	13 073
Total	**52 855**	**49 944**

Fair value of collateral and pledges received is not significantly different from the book value of collateral and pledges received.

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(c) Off-balance sheet financial instruments

CZK million	Contractual amounts 2022	2021	Fair value 2022	2021
Hedging instruments				
Interest rate swap contracts (IRS)			-11	-
Interest rate swap contracts (purchase)	3 750	-	-	-
Interest rate swap contracts (sale)	-3 750	-	-	-
Trading instruments				
Spot currency transactions			4	-
Spot currency transactions (purchases)	2 177	78	-	-
Spot currency transactions (sales)	-2 173	-78	-	-
Forward foreign exchange contracts (FX)			-44	-336
Forward FX purchase contracts	3 518	12 247	-	-
Forward FX sale contracts	-3 589	-12 607	-	-
Interest rate cross currency swap contracts (IRCS)			-1 526	-767
IRCS purchase contracts	19 385	17 360	-	-
IRCS sale contracts	-20 506	-18 005	-	-
Interest rate swaps (IRS)			428	322
Interest rate swaps (purchases)	11 327	13 500	-	-
Interest rate swaps (sales)	-11 327	-13 500	-	-
Interest rate forwards (FRA)			5	-
Interest rate forwards (purchases)	10 100	-	-	-
Interest rate forwards (sales)	-10 100	-	-	-

All of the above transactions were concluded on the over-the-counter (OTC) interbank market.

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(d) Residual maturity of financial derivatives

The nominal values of the individual types of financial derivatives according to their residual maturity are as follows:

CZK million	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
As at 31 December 2022					
Hedging instruments					
Interest rate swap contracts (purchases)	-	-	750	3 000	3 750
Interest rate swap contracts (sales)	-	-	-750	-3 000	-3 750
Trading instruments					
Forward FX purchase contracts	3 518	-	-	-	3 518
Forward FX sale contracts	-3 589	-	-	-	-3 589
IRCS purchase contracts	1 809	1 337	15 533	706	19 385
IRCS sale contracts	-1 944	-1 416	-16 376	-770	-20 506
Interest rate swaps (purchases)	300	652	9 400	975	11 327
Interest rate swaps (sales)	-300	-652	-9 400	-975	-11 327
Interest rate forwards (purchases)	-	10 100	-	-	10 100
Interest rate forwards (sales)	-	-10 100	-	-	-10 100
As at 31 December 2021					
Hedging instruments					
Interest rate swap contracts (IRS)	-	-	-	-	-
Trading instruments					
Forward FX purchase contracts	12 247	-	-	-	12 247
Forward FX sale contracts	-12 607	-	-	-	-12 607
IRCS purchase contracts	1 740	-	14 499	1 121	17 360
IRCS sale contracts	-1 810	-	-15 007	-1 188	-18 005
Interest rate swaps (purchases)	50	3 065	9 710	675	13 500
Interest rate swaps (sales)	-50	-3 065	-9 710	-675	-13 500

31. ASSETS HELD IN CUSTODY

In 2022 and 2021, the Bank did not hold any assets into custody.

32. ASSETS PLACED INTO ADMINISTRATION AND MANAGEMENT

In 2022 and 2021, the Bank did not place any assets into custody.

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33. FINANCIAL INSTRUMENTS – MARKET RISK

The following table provides a reconciliation between the balance sheet items and the valuation categories of financial instruments:

	31. December 2022 CZK million	**Mandatory in FVTPL**	**Determined in FVTPL**	**FVOCI - debt instruments**	**FVOCI - equity instruments**	**Accrued value**	**Total**
1	Cash on hand and deposits with central banks	-	-	-	-	76	**76**
2	Sovereign bonds and other securities accepted by the central bank for refinancing	-	-	10 477	-	-	**10 477**
3	Receivables from banks and credit unions	-	-	-	-	31 617	**31 617**
4	Claims for clients - members of cooperative reserves	-	-	-	-	38 620	**38 620**
11	Other asset	-	938	-	-	-	**-**
	Total financial assets	**-**	**938**	**10 477**	**-**	**70 313**	**81 725**

	31. December 2022 CZK million	**Mandatory in FVTPL**	**Determined in FVTPL**	**FVOCI - debt instruments**	**FVOCI - equity instruments**	**Accrued value**	**Total**
1	Liabilities to banks and credit unions	-	-	-	-	51 881	**51 881**
2	Obligations toward clients - members of cooperative reserves accepted by the central bank for refinancing	-	-	-	-	23 941	**23 941**
4	Other liabilities	-	2 082	-	-	-	**2 082**
	Total financial liabilities	**-**	**2 082**	**-**	**-**	**75 822**	**77 904**

	31. December 2021 CZK million	**Mandatory in FVTPL**	**Determined in FVTPL**	**FVOCI - debt instruments**	**FVOCI - equity instruments**	**Accrued value**	**Total**
1	Cash on hand and deposits with central banks	-	-	-	-	89	**89**
3	Sovereign bonds and other securities accepted by the central bank for refinancing	-	-	-	-	33 859	**33 859**
4	Receivables from banks and credit unions	-	-	-	-	40 335	**40 335**
11	Claims for clients - members of cooperative reserves	-	692	-	-	-	**692**
	Total financial assets	**-**	**692**	**-**	**-**	**74 283**	**74 975**

	31. December 2021 CZK million	**Mandatory in FVTPL**	**Determined in FVTPL**	**FVOCI - debt instruments**	**FVOCI - equity instruments**	**Accrued value**	**Total**
1	Liabilities to banks and credit unions	-	-	-	-	57 898	**57 898**
2	Obligations toward clients - members of cooperative reserves accepted by the central bank for refinancing	-	-	-	-	11 610	**11 610**
4	Other liabilities	-	1 494	-	-	-	**1 494**
	Total financial liabilities	**-**	**1 494**	**-**	**-**	**69 508**	**71 002**

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34. FINANCIAL INSTRUMENTS – CREDIT RISK

The Bank is exposed to credit risk, that arising from open positions of transactions in interest rate and currency instruments that are sensitive to changes in financial market conditions.

(a) Treasury trades

The Bank holds Treasury positions in various financial instruments, including financial derivatives. Most of the bank's business activities are governed by the bank's clients' requirements. According to customer demand estimates, the bank holds a certain supply of financial instruments.

The Bank manages the risks associated with Treasury activities at the level of individual risks as well as individual types of financial instruments. The main risk management tools are historical value at risk (Hvar) limits, basis Point value (BPV) limits and limits for other Treasury metrics (Evaluation Reserve at risk, basis risk per Tenor and Currency Pair). The "risk management methods" section (point 33(c)) lists the quantitative methods used to manage market risks.

Most derivatives are negotiated on interbank (OTC).

(b) Management of credit risk

The following are described the selected risks to which the bank is exposed due to its activities and the management of the positions arising from these activities, and the bank's approaches to managing these risks. The more detailed procedures used by the Bank to measure and manage these risks are described in the "risk management methods" section (point 33(c)).

Liquidity risk

The liquidity risk arises from the type of financing of the Bank's activities and the management of its positions, e.g. when the Bank is unable to finance its assets with instruments of appropriate maturity or liquidate/sell assets at an acceptable price in the required time horizon.

The bank has access to diversified funding sources. Funding sources consist of deposits and other deposits. The Bank shall regularly assess liquidity risk, in particular by monitoring changes in the financing structure, and compare it with the liquidity risk management strategy approved by the Bank's management. As part of its liquidity risk management strategy, the Bank continues to hold some of its assets in highly liquid assets as sovereign bonds.

The tables below represent the expected residual maturity of the accounting values of each financial instrument, not all cash flows resulting from those instruments.

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The residual maturity of the assets and liabilities of the Bank

CZK million	To 3 months.	From 3 months up to 1 year	From 1 year within 5 years	More than 5 years	No specifics.	Total
31. December 2022						
Cash and deposits with CB	76	-	-	-	-	76
Government bonds and other CP	10 477	-	-	-	-	10 477
Receivables from banks	31 049	113	455	-	-	31 617
Receivables from clients	13 763	2 715	18 722	3 420	-	38 620
Tangible and intangible assets	-	-	-	-	58	58
Other assets	93	35	812	83	1	1 024
Costs and income of the next period	12	-	-	-	-	12
Total	**55 470**	**2 863**	**19 989**	**3 503**	**59**	**81 884**
Liabilities to banks	20 328	2 495	25 409	3 649	-	51 881
Commitments to clients	23 941	-	-	-	-	23 941
Other liabilities	960	95	1 569	149	-	2 773
Income and expenses of the next period	31	9	27	1	-	68
Reserves	-	-	-	-	29	29
Own capital	-	-	-	-	3 192	3 192
Total	**45 260**	**2 599**	**27 005**	**3 799**	**3 221**	**81 884**
Gap	**10 210**	**264**	**-7 016**	**-296**	**-3162**	**-**
The Cumulative gap	**10 210**	**10 474**	**3 458**	**3 162**	**-**	**-**

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CZK million	To 3 months.	From 3 months up to 1 year	From 1 year within 5 years	More than 5 years	No specifics.	Total
31. December 2021						
Cash and deposits with CB	89	-	-	-	-	89
Government bonds and other CP	-	-	-	-	-	-
Receivables from banks	32 298	1 274	287	-	-	33 859
Receivables from clients	18 542	1 649	18 716	1 428	-	40 335
Tangible and intangible assets	-	-	-	-	94	94
Other assets	51	76	593	59	15	794
Costs and income of the next period	7	-	-	-	12	19
Total	**50 987**	**2 999**	**19 596**	**1 487**	**121**	**75 190**
Liabilities to banks	28 863	7 490	20 981	564	-	57 898
Commitments to clients	11 610	-	-	-	-	11 610
Other liabilities	1 779	224	973	111	-	3 087
Income and expenses of the next period	52	-	42	-	-	94
Reserves	-	-	-	-	49	49
Own capital	-	-	-	-	2 452	2 452
Total	**42 304**	**7 714**	**21 996**	**675**	**2 501**	**75 190**
Gap	**8 683**	**-4 715**	**-2 400**	**812**	**-2 380**	**-**
The Cumulative gap	**8 683**	**3 968**	**1 568**	**2 380**	**-**	**-**

The table below shows the residual maturity of contractual undiscounted cash flows arising from financial liabilities and off-balance sheet items (promises and guarantees provided):

CZK million	Accounting value	Contractual cash flows	To 3 months	From 3 months. up to 1 year	From 1 year to 5 years above	Over 5 years
31. December 2022						
Liabilities to banks*	51 881	51 881	20 374	2 718	25 712	3 077
Commitments to clients	23 941	23 941	23 941	-	-	-
Other financial obligations	2 662	2 663	806	104	1 604	149
Promises and guarantees provided	13 244	13 244	13 244	-	-	-
Total	**91 728**	**91 729**	**58 365**	**2 822**	**27 316**	**3 226**

Notes to the Financial Statements
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CZK million	Carrying amount	Contractual cash flows	To 3 months	From 3 months. up to 1 year	From 1 year to 5 years above	Over 5 years
31. December 2021						
Liabilities to banks*	57 898	57 886	28 853	7 651	20 817	565
Commitments to clients	11 610	11 610	11 610	-	-	-
Other financial obligations	2 727	2 731	1 591	4	1 015	121
Promises and guarantees provided	13 953	13 953	13 953	-	-	-
Total	**86 188**	**86 180**	**56 007**	**7 655**	**21 832**	**686**

*Liabilities to banks include contractual interest rates for fixed-term deposits with variable interest rates only for periods when the interest rate is already fixed at the applicable reference interest rate.

The residual contractual maturity of financial derivatives is set out in point 30 (d).

The amounts shown in the tables above are calculated and reported as follows:

Type of financial instrument	Methods, assumptions and reasons for determining residual contractual maturity
Non-derivative financial instruments	Undiscounted cash flows that include estimated interest payments.
Financial guarantees issued and unrecognized credit commitments	The earliest time/period to which an entity may incur a performance obligation. In the case of financial guarantees, the maximum amount of the financial guarantee shall be allocated within the earliest period (time basket) in which the financial guarantee may be applied.
Derivative financial instruments held for risk management	Contractual undiscounted cash flows. These values represent gross nominal cash flows from derivatives that are not settled on a net basis (e.g. forwards, currency swaps, etc.) and net nominal cash flows that are settled on a net basis.
Trading derivatives that are part of a portfolio where the closing of the derivative positions is expected before their contractual maturity	Fair value on the balance sheet date. This is due to the fact that contractual maturities do not reflect the liquidity risk from these exposures, as there is a presumption that these derivatives will be closed before their contractual maturity date. These fair values are reported in the time basket "less than 1 month".
Derivatives that an entity has entered into with its customers	Contractual undiscounted cash flows. This is due to the fact that these derivatives are usually not closed before their contractual maturity date and therefore, the entity considers that contractual maturity is key to understanding the timing of the cash flows associated with those derivatives.

Expected cash flows from some financial instruments may differ significantly from contractual cash flows. The main differences are as follows:

- deposits payable on request are expected to remain stable or grow according to the bank's historical experience;
- according to the bank's historical experience, credit commitments are not expected to be exhausted at any one time.

The Bank shall monitor the liquidity coverage ratio (LCR) when it controls the liquidity risk. The LCR measures the bank's resilience to a sudden stress liquidity situation, namely whether the bank is able to survive for at least 30 days in the event of a liquidity crisis. The indicator is defined as the ratio of highly liquid assets to the total expected cash outflow over the next thirty days under stress conditions. The minimum value of this ratio should be greater than 100 %.

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The table below shows the LCR values:

CZK million	31. December 2022	31. December 2021
LCR (%)	240	125

Liquid reserve
As part of the management of liquidity risk arising from financial liabilities, the accounting unit holds part of the assets in highly liquid instruments such as:

- cash cash
- Deposits with CNB
- Government bonds issued by the Ministry of Finance of the Czech Republic.

In addition to the above, an entity maintains open credit lines with the Central Bank and with ING Bank N.V.
An entity only counts financial assets that are not provided as collateral at that time, such as reverse repo operations, etc., in its liquid reserve.

The following table shows the individual components of the liquid reserve:

31. December 2022 CZK million	Carrying amount	Fair value
Cash and deposits with central banks	27 603	27 603
Sovereign debt instruments and other securities admitted by the central bank for refinancing which are not provided as collateral at the balance sheet date	10 477	10 477
Total liquid reserve	**38 080**	**38 080**

31. December 2022 CZK million	Carrying amount	Fair value
Cash and deposits with central banks	28 608	28 608
Sovereign debt instruments and other securities admitted by the central bank for refinancing which are not provided as collateral at the balance sheet date	-	-
Total liquid reserve	**28 608**	**28 608**

Interest rate risk

The Bank is exposed to interest rate risk due to the fact that interest-bearing assets and liabilities have different maturities or periods of interest rate change/adjustment, as well as volumes during these periods. In the case of variable interest rates, the bank is exposed to a basic risk, which is due to the difference in the mechanism of adjustment of individual types of interest rates such as PRIBOR, announced interest on deposits, etc. Interest rate risk management activities aim to stabilize the bank's net interest income in line with the bank's strategy approved by the bank's management.

On average, the bank's interest-sensitive assets have a longer duration or interest-rate adjustment period than its liabilities. As interest rates rise, on average, net interest income decreases. The most important interest position is open to CZK and EUR. Part of the bank's interest position is the basis spread between interest rate swaps in EUR and interest rate swaps in CZK.

In most cases, interest rate derivatives are used to manage the mismatch between the interest sensitivity of assets and liabilities. These transactions are concluded in accordance with the asset and liability management strategy approved by the bank management.

Currency risk

Assets and liabilities in foreign currencies, including off-balance-sheet exposures, represent the bank's exposure to currency risks. Realized and unrealized exchange rate gains and losses are recorded directly in the profit and loss statement.

(c) Methods of risk management

Risk management at the bank focuses on managing the overall net exposure resulting from the structure of the bank's assets and liabilities. The Bank therefore monitors interest rate risk by monitoring the excess of interest-sensitive assets or liabilities in individual time zones.

Interest risks

For the measurement of the interest sensitivity of assets and liabilities, the basis Point value (BPV) and the Duration-based analysis (duration) are used. BPV measures the sensitivity of the change in the market value of an instrument when the corresponding yield curve is shifted by one basis point in parallel. The duration represents the average period during which the bank collects the current value of the cash flows arising from each instrument, i.e. it represents the sensitivity of the instruments to interest rate risk.

The simulation and forecast of the net interest yield is an extension of the monitoring of the interest rate risk in the bank. The bank measures the sensitivity of the net interest yield to the change in interest rates on a daily basis. The Bank has set limits on interest rate risk (*NII at risk*) with the intention of limiting the oscillation of net interest income due to a change in interest rates.

Limit values from HVaR limits, BPV limits, limits for the Treasury metrics (*Revaluation Reserve at Risk*, *Basis risk per Tenor* and Currency Pair, currency position), limits of *NII at Risk* and *NPV at Risk* limits.

The table below shows the NII at risk values:

CZK million	31. December 2022	31. December 2021
IR stress scene +100bp (1 year)	-0,3	-3.4
IR stress stage -100bp (1 year)	+0,3	+3.4

Analysis of interest rate risk sensitivity

A portion of an entity's income is generated through a targeted mismatch between interest-sensitive assets and liabilities. The table below summarizes the mismatch between the entity's interest-sensitive assets and liabilities. The carrying amount of these assets and liabilities and the nominal (imaginary) value of interest-rate derivatives is included in the period in which they are due or interest rate changes, in the period that occurs first. Due to the expected early repayment or undefined maturity, some assets or liabilities are allocated to each period on the basis of an expert estimate.

Compared to the previous period, there were no changes in the methods and assumptions used for compiling sensitivity analysis.

The table below only covers interest-sensitive assets and liabilities and is therefore not identical to those presented in the balance sheet of the entity.

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CZK million	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
31. December 2022				
Cash and deposits with CB	27 603	-	-	**27 603**
Government bonds and other CP	6 759	795	2 923	**10 477**
Bank accounts receivable (excluding CB)	3 924	166	-	**4 090**
Receivables from clients	36 599	2 021	-	**38 620**
Total	**74 885**	**2 982**	**2 923**	**80 790**
Liabilities to banks	50 576	339	966	**51 881**
Liabilities to clients	23 941	-	-	**23 941**
Total	**74 547**	**339**	**966**	**75 822**
Long positions of interest derivatives	**19 892**	**25 683**	**4 681**	**50 256**
Short positions of interest derivatives	**20 174**	**26 526**	**4 745**	**51 445**
Gap	**86**	**1 800**	**1 893**	**3 779**
The Cumulative gap	**86**	**1 886**	**3 779**	

CZK million	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
31. December 2021				
Cash and deposits with CB	28 608	-	-	**28 608**
Government bonds and other CP	-	-	-	**-**
Bank accounts receivable (excluding CB)	2 352	288	-	**2 640**
Receivables from clients	38 314	2 021	-	**40 335**
Total	**69 274**	**2 309**	**-**	**71 583**
Liabilities to banks	57 241	657	-	**57 898**
Liabilities to clients	11 610		-	**11 610**
Total	**68 851**	**657**	**-**	**69 508**
Long positions of interest derivatives	17 102	24 208	1 796	**43 106**
Short positions of interest derivatives	17 532	24 717	1 863	**44 112**
Gap	**-7**	**1 143**	**- 67**	**1 069**
The Cumulative gap	**-7**	**1 136**	**1 069**	

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Currency risk

The bank has set limits on currency risk based on the net currency position in each currency and HVaR limits.

Analysis of the sensitivity of monetary risk

The entity's foreign exchange position in the most significant currencies is as follows:

CZK million	EUR	USD	CZK	Other	**Total**
31. December 2022					
Cash and deposits with CB	-	-	76	-	76
Government bonds	-	-	10 477	-	10 477
Receivables from banks	1 559	913	28 903	242	31 617
Receivables from clients	24 544	1 899	11 868	309	38 620
Tangible and intangible assets	-	-	58	-	58
Other assets	829	-	195	-	1 024
Costs and income of the next period	6	4	2	-	12
Total	**26 938**	**2 816**	**51 579**	**551**	**81 884**
Liabilities to banks	44 398	2 566	4 569	348	51 881
Commitments to clients	3 003	228	20 531	180	23 942
Other liabilities	1 905	9	845	14	2 773
Income and expenses of the next period	26	-	42	-	68
Reserves	-	-	29	-	29
Own capital	-	-	3 191	-	3 191
Total	**49 332**	**2 803**	**29 207**	**542**	**81 884**
Long positions of off-balance sheet instruments	**31 117**	**145**	**31 983**	**255**	**63 500**
Short positions of off-balance sheet instruments	**14 423**	**10**	**55 410**	**1 065**	**70 908**
Net foreign exchange position	**-5 700**	**148**	**-1 055**	**-810**	**-7 417**

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CZK million	EUR	USD	CZK	Other	Total
31. December 2021					
Cash and deposits with CB	-	-	89	-	**89**
Government bonds	-	-	-	-	**-**
Receivables from banks	1 936	12	31 603	309	**33 859**
Receivables from clients	18 690	5 600	15 723	322	**40 335**
Tangible and intangible assets	-	-	94	-	**94**
Other assets	731	1	62	-	**794**
Costs and income of the next period	7	4	8	-	**19**
Total	**21 364**	**5 617**	**47 579**	**631**	**75 190**
Liabilities to banks	43 975	9 474	4 053	396	**57 898**
Commitments to clients	1 564	243	9 575	228	**11 610**
Other liabilities	1 453	12	1 614	8	**3 087**
Income and expenses of the next period	-	-	94	-	**94**
Reserves	-	-	49	-	**49**
Own capital	-	-	2 452	-	**2 452**
Total	**46 992**	**9 729**	**17 837**	**632**	**75 190**
Long positions of off-balance sheet instruments	28 017	4 426	23 258	1 437	**57 138**
Short positions of off-balance sheet instruments	11 145	113	50 551	1 685	**63 494**
Net foreign exchange position	**-8 756**	**201**	**2 448**	**-249**	**-6 356**

Historical Value at Risk

One of the metrics for managing market risk arising from the bank's business activities is historical value at risk (HVaR). HVaR represents a potential loss from adverse market movements over a given time horizon at a certain level of reliability. The bank determines Hvar using the historical simulation method for the period of 1 year back. The metric is calculated on the basis of a 1-day holding interval and a confidence level of 99%. Below are the HVaR values:

CZK million	31. December 2022	31. December 2021
HVaR interest rate instruments – Treasury book liquidity management	50	21
HVaR Currency Instruments – Treasury Book of liquidity Management	48	8

CZK million	31. December 2022	31. December 2021
HVaR var of interest and currency instruments – book of liquidity management	60	56

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35. FINANCIAL INSTRUMENTS – CREDIT RISK

The bank is exposed to credit risk due to its business activities, credit provision, hedging transactions, investment activities and brokerage activities.
The credit risks associated with the Bank's business and investment activities and hedging transactions are managed through the Bank's credit and market risk management methods and tools.

(I) settlement risk

At the time of settlement of the transaction, an entity may incur a risk. Settlement risk is the risk of loss arising from a counterparty's failure to meet its obligation to deliver funds, securities or other assets at an agreed amount.

An entity reduces this risk for certain types of transactions by using settlement/clearing agent (settlement) companies. This will ensure that the transaction is settled only when both parties meet their contractual obligations. Settlement limits are part of the credit approval process and the subsequent monitoring and evaluation of credit risk.

(II) Credit risk management

A separate credit risk management department, reporting to the Head of Risk Management of the Bank, is responsible for managing the credit risk, including the following:

- formulating credit policies and implementation of group credit principles in consultation with individual departments, covering collateral requirements, creditworthiness assessment, credit ratings and reporting and compliance with regulatory and statutory requirements;
- Approving new loans and borrowings and their periodic revisions as part of the approval mandates delegated by the board of directors of ING Bank N.V.;
- assessing credit risk by evaluating all credit exposures in excess of designated limits, before facilities are approved and committed to customers; each receivable is subject to a periodic review, focusing on assessing the debtor's ability to repay the claim and monitoring the quality of collateral;
- limiting concentrations of exposure to counterparties, geographies and industries (for receivables, guarantees and similar exposures) and depending on issuers, credit rating, market liquidity and geography (for debt securities, shares, etc.) in accordance with the rules set at ING Bank N.V.;
- approving credit ratings of clients used to allocate exposures according to default risk. The current credit rating framework includes 22 categories reflecting different degrees of default risk. The final reconciliation of internal credit ratings and relevant rating models is centralised at ING Bank N.V.;
- reviewing compliance with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolio are provided to the credit risk management department, which may require appropriate corrective action to be taken. These include reports containing estimates of expected credit losses;
- providing advice to and sharing specific skills with individual departments within the Entity.

The development and maintenance of ECL measuring processes and models are provided centrally at ING Bank N.V.

Stress test

Stress testing of loan portfolio is done centrally by ING Bank N.V. based on requirements from European Central Bank (ECB) and the central bank of the Netherlands (DNB) and also based on the request of management of ING Bank N.V. Stress testing of loan portfolio is not applied on the local level of the Branch. Information about the stress testing done by ING Bank N.V. can be found in consolidated annual report of ING Bank N.V.

(III) Collateral

Before granting a loan, the Bank generally requires collateral of the provided loans from certain borrowers. For the purposes of calculating loss allowances, the Entity considers the following types of assets to be acceptable collateral reducing gross credit exposure:

- real estate
- cash
- securities
- first-class receivables

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- bank guarantees
- guarantees provided by a reputable third party
- machinery and equipment
- inventory.

The Bank's assessment of the net realisable value of the collateral is based mainly on an expert appraisal. The net realisable value of the collateral is determined using this evaluation and a correction coefficient for individual types of collaterals, which reflects the Bank's ability to realise the collateral if it becomes necessary. The Bank updates the value of the collateral and the correction coefficients in accordance with regulatory requirements.

(IV) Debt recovery

The ING Bank N.V. Group has established a global credit restructuring department that manages receivables whose recovery is uncertain. This department takes legal steps and restructures receivables to ensure maximum recovery, including realisation of the collateral and representing the Bank on creditors' committees should bankruptcy be imposed on a borrower.

(V) Expected credit losses

IFRS 9 models

The IFRS 9 models determine expected credit loss (ECL) based on which provisions are determined. The IFRS 9 models leverage on the AIRB models (PD, LGD, EAD).
For this purpose, regulatory conservatism is removed from the ECL parameters (PD, LGD and EAD). The IFRS 9 models apply two types of adjustments to ECL parameters, namely 1) adjustment for economic outlook and 2) adjustment for lifetime horizon, the latter which is only applicable for Stage 2 and 3 assets. The IFRS 9 model parameters are estimated based on statistical technique and supported by expert judgement.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

ING has developed a framework that takes into account both quantitative and qualitative indicators to identify and assess a significant increase in credit risk (SICR). This is used to determine the stage to determine the expected loss calculation for each financial asset.
The main determinant of the SICR is a quantitative test in which the counterparty's lifetime risk is assessed at each balance sheet date against the risk of default at the date of the financial assets' initial recognition. If the difference is higher than the predefined absolute or relative default risk thresholds, the financial asset will move from Stage 1 to Stage 2. In these cases, the 12-month expected credit losses will cease to be reported for the assets, and lifetime credit losses are reported. Assets are returned to Stage 1 if there is sufficient evidence that a significant credit risk reduction has occurred.

The ING Group monitors a number of qualitative indicators to identify and assess the SICR. These include, but are not limited to:

- exposure with relief; forbearance status
- watch list status; monitored loans individually assessed for inclusion in Stage 2
- internal rating
- days past due.

Credit risk assessment process

Ratings for all types and segments of borrowers are based on the risk rating model (PD), which meets the minimum requirements set out in CRR/CRDIV, ECB supervisory rules and EBA guidelines.
The ING internal rating model (1 = highest rating; 22 = lowest rating) roughly corresponds to rating categories assigned by ECAIs such as Standard & Poor's, Moody's and Fitch. For example, ING rating 1 corresponds to the AAA rating of S&P/Fitch and Moody's Aaa rating; ING rating 2 corresponds to S&P/Fitch AA + and Moody's rating of Aa1, and so on.

The 22 individual degrees have been grouped into the following categories:

- investment grade (internal rating 1-10)
- non-investment grade (internal rating 11-17)
- doubtful (internal rating 18-19)
- failure (internal rating 20-22).

The first three categories (1-19) are ratings for executive loans. Risk ratings for default exposures (20-22) are set by the global or regional credit restructuring department.
Clients' ratings are reviewed at least annually.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for impairment at each balance sheet date or more often when required by circumstances. Evidence of impairment of a financial asset includes:

- any significant portion of the client's credit exposure is 90 days or more overdue
- financial difficulties of the customer
- breach of contractual terms by the customer
- bankruptcy or restructuring.

The asset returns to Stage 2 if the reasons for joining Stage 3 are no longer present at the balance sheet date. A financial asset returns to Stage 1 if credit risk is no longer significantly increased compared to initial recognition. The definition of default coincides with the definition of default for risk management purposes and is consistent with the definition of a credit impaired asset.

Macroeconomic scenarios

ING updates the forward-looking macroeconomic scenarios and their weighted probabilities on a quarterly basis for ECL calculation purposes. The ING Group uses data predominantly from a leading data provider, enriched with an ING internal view.

The Bank considers three different macroeconomic scenarios designed to reflect the undistorted and probability-weighted amount of expected credit losses.

The baseline scenario combines consensus forecasts for economic variables such as unemployment rates, GDP growth, home prices, commodity prices, and short-term interest rates. Applying market consensus in the baseline scenario provides objective estimates of expected credit losses.

Alternative scenarios are based on observed past forecast errors, adjusted for the risks that affect the economy today and in the future. Assigned probabilities are based on the probabilities of observing three scenarios and are derived from confidence intervals on probability distributions. Forecasts of economic variables are adjusted quarterly.

Alternative scenarios are based on forecast errors in Oxford Economics' global economic model (OEGEM). To understand the level of uncertainty of any forecast, Oxford Economics has been monitoring all its erroneous forecasts for the last 20 years. The allocation of errors distribution for GDP, unemployment, real estate prices and stock prices is applied to the primary forecast, which produces a wide range of alternative results.

ECL measurement

The Bank uses a collective assessment for executive assets without a sign of a significant credit risk increase (Stage 1), and with a sign of a significant increase in credit risk (Stage 2). By default, for Stage 3 assets, the Bank uses individual assessments and, in exceptional cases, collective assessments.

Collectively assessed assets (Stage 1 to 3)

A model-based approach calculates the ECL in a formula that is simply expressed as PD x EAD x LGD, adjusted for the time value of money. Assets that are collectively assessed are grouped on the basis of similar credit risk characteristics,

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taking into account the type of credit, sector, geographical location, type of collateral, days past due and other relevant factors. These characteristics are relevant to estimates of the future cash flows of the group of assets by indicating the ability of borrowers to repay all amounts due under the contractual terms of the assets under consideration.

For assets in Stage 3, PD is 100% and LGD and EAD are lifetime views of losses based on non-performing asset characteristics.

The Bank uses already developed prudential models that have been adapted to IFRS 9 to calculate IFRS 9 provisions:

- eliminating the conservatism required in regulatory models
- adjusting macroeconomic parameters so models reflect point-in-time estimates instead of through-the-cycle.

Models compute ECL based on forward-looking macroeconomic forecasts and other inputs. For most financial assets, the expected life equals the remaining maturity. For overdraft facilities and some revolving credit facilities, maturity is estimated on the basis of historical data because they do not have a fixed maturity or repayment schedule.

Individually assessed assets (Stage 3)

The Bank estimates provisions on an individual basis for individually significant impaired financial assets in Stage 3. Individual provisions are calculated using the discounted expected future cash flows method. One or more scenarios are used to determine the expected future cash flows and each scenario is analysed based on the probability of occurrence and including prospective information.
When determining scenarios, all relevant factors affecting future cash flows are taken into account. These include expected credit quality developments, sectoral and economic forecasts and estimates of whether/when to be recovered as well as ING's restructuring strategy.

The ECL is calculated as the weighted average balance (gross carrying amount minus discounted expected future cash flows using the original effective interest rate) for each scenario, based on best estimates of expected future cash flows.

Reimbursements may be from a variety of sources, including loan repayments, reinsurance recoveries, asset sales, etc. Collateral cash flows and other credit risk reductions are included in the valuation of expected credit losses on related financial assets if they are part of the contractual terms and other credit risk mitigation is not recognised separately. In individual assessment, with scenarios at entity or transaction level, specific factors may have a greater impact on future cash flows than macroeconomic factors.

If a financial asset is impaired, interest income is calculated by applying the effective interest rate to its net value, i.e. amortised cost less ECL.

During 2022 and 2021, there were no significant movements between the stages for any of the categories of financial instruments. The Bank recognised most of its financial instruments in Stage 1 both at the beginning and at the end of 2022 and 2021. During 2022 and 2021, there were no significant changes in the amount of ECL due to newly provided financial assets, derecognition of financial assets or changes in risk parameters in the models.

Modification

In certain circumstances, ING grants debtors a deferral and/or a reduction in the principal of the loan and/or interest payment for a temporary period in order to maximise revenue and, if possible, avoid default, forced administration or collateral.

If such postponement and/or reduction of the loan principal and/or interest payment is based on credit concerns, it is also referred to as relief. In such cases, the net present value of deferrals and/or reductions in principal and/or interest payments shall be taken into account when determining the appropriate amount of the impairment loss. If the relief results in a substantial change in the terms of the loan, the original loan is derecognised and the new loan is recognised at fair value at the date of the change. The Bank determines whether there has been a material change using both quantitative and qualitative factors.

As at 31 December 2022 and 31 December 2021, the Bank recognised no loans with a modification or with relief.

Notes to the Financial Statements
For the year ended 31 December 2022

(VI) Monitoring of receivables from debtors

The Bank has a credit risk management department. Each receivable is subject to periodic review focusing on assessing the debtor's ability to repay the claim and monitoring the quality of the collateral. The Bank follows the rules issued by ING Bank N.V.

(VII) Securitisation and use of credit derivatives

The Bank did not carry out any securitisation of its receivables at the balance sheet date. The Bank does not actively trade credit derivatives.

(VIII) Quality of the credit portfolio

The quality of the credit portfolio is of a high level with only a small number of classified receivables. This results from the conservative strategy and unified risk management guidelines followed by all ING Bank N.V. branches.

(IX) Maximum exposure to credit risk

CZK million **31 December 2022**	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received *	Main type of collateral
Loans and receivables from banks	31 617	-	31 617	26 950	Securities
Loans and receivables from customers	38 620	-	38 620	38 620	Guarantee, property, other
Total	**70 237**	**-**	**70 237**	**65 570**	
Issued guarantees and credit limits for guarantees	-	13 848	13 848		Other
Total		**13 848**	**13 848**		

CZK million **31 December 2021**	Balance sheet	Off-balance sheet	Total exposure to credit risk	Collateral received *	Main type of collateral
Loans and receivables from banks	33 859	-	33 859	27 930	Securities
Loans and receivables from customers	40 335	-	40 335	40 335	Guarantee, property, other
Total	**74 194**	**-**	**74 194**	**68 990**	
Issued guarantees and credit limits for guarantees	-	13 741	13 741		Other
Total	**-**	**13 741**	**13 741**		

* Collateral provided means the realisable value of the collateral valid for each credit exposure. For the purposes of this overview, the realisable value of the collateral for receivables from customers is limited by the gross value of the receivable from customers in respect of individual receivables to which the relevant collateral relates. The realisable value of the collateral for guarantees and letters of credit is limited by the exposure amount reported in the "Off-balance sheet" column to which the relevant collateral relates.

Notes to the Financial Statements
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(X) Concentration of credit risk

The concentration of credit risk arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet his obligations.

The Bank sets limits towards a debtor or a group of connected debtors at the level of the ING Bank N.V. head office and depending on the internal customer rating or rating of a group of related debtors. The Bank has created a system of internal limits for individual countries, industries and debtors to prevent significant concentrations of credit risk.

(XI) Reconciliation of opening and closing balances for ECL allowances

The following table shows reconciliation of allowances for loans provided.

CZK million	***31.12.2022***				
	12-month ECL (stage 1)	Lifetime ECL not credit-impaired (stage 2)	Lifetime ECL credit-impaired (stage 3)	Purchased or originated credit-impaired (POCI)	Total
Balance at 1 January 2022	**13**	**8**	**-**	**-**	**21**
Transfer to 12-month ECL (Stage 1)	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired (Stage 2)	-1	1	-	-	-
Transfer to lifetime ECL credit-impaired (Stage 3)	-	-	-	-	-
New financial assets originated or purchased	11	-	-	-	11
Financial assets that have been derecognised	-4	-7	-	-	-11
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Revaluation and changes in models/risk parameters	12	-1	-	-	11
Foreign exchange and other movements	1	-	-	-	1
Balance at 31 December 2022	**32**	**1**	**-**	**-**	**33**

Notes to the Financial Statements
For the year ended 31 December 2022

CZK million	***31.12.2021***				
	12-month ECL (stage 1)	Lifetime ECL not credit-impaired (stage 2)	Lifetime ECL credit-impaired (stage 3)	Purchased or originated credit-impaired (POCI)	Total
Balance at 1 January 2021	**32**	**14**	**-**	**-**	**46**
Transfer to 12-month ECL (Stage 1)	-	-	-	-	**-**
Transfer to lifetime ECL not credit-impaired (Stage 2)	-	-	-	-	**-**
Transfer to lifetime ECL credit-impaired (Stage 3)	-	-	-	-	**-**
New financial assets originated or purchased	3	-	-	-	**3**
Financial assets that have been derecognised	-1	-6	-	-	**-7**
Write-offs	-	-	-	-	**-**
Recoveries of amounts previously written off	-	-	-	-	**-**
Revaluation and changes in models/risk parameters	-21	-	-	-	**-21**
Foreign exchange and other movements	-	-	-	-	**-**
Balance at 31 December 2021	**13**	**8**	**-**	**-**	**21**

The Bank does not disclose reconciliation of opening and closing balances of allowances for other financial instruments due to their insignificance.

Sector analysis

An analysis of the concentration of credit risk according to individual industries/sectors is included in Note 14 (d).

Analysis by geographical areas

CZK million	2022	2021
Czech Republic	31 818	31 946
Slovakia	141	243
Poland	235	232
Germany	3 142	3 567
Hungary	69	111
Netherlands	2 221	4 023
Luxembourg	66	23
Other	928	190
Total	**38 620**	**40 335**

Notes to the Financial Statements
For the year ended 31 December 2022

36. FAIR VALUE

Fair value valuation method is found in Note 2 (c(vi)).

a) Financial instruments not measured at fair value

The following table sets out carrying amounts and fair values of financial assets and financial liabilities not recognised at fair value in the Bank's balance sheet:

In millions of CZK	31 December 2022 Carrying amount	31 December 2022 Fair value
FINANCIAL ASSETS		
Cash in hand and balances with central banks	76	76
State zero coupon bonds and other securities held-to-maturity	-	-
Receivables from banks and credit unions	31 617	31 594
Receivables from customers	38 620	38 213
Other financial assets	26	26
FINANCIAL LIABILITIES		
Payables to banks and credit unions	51 881	51 799
Payables to customers	23 941	23 930
Other financial liabilities	580	580

In millions of CZK	31 December 2021 Carrying amount	31 December 2021 Fair value
FINANCIAL ASSETS		
Cash in hand and balances with central banks	89	89
State zero coupon bonds and other securities held-to-maturity	-	-
Receivables from banks and credit unions	33 859	33 856
Receivables from customers	40 335	40 937
Other financial assets	33	33
FINANCIAL LIABILITIES		
Payables to banks and credit unions	57 898	57 911
Payables to customers	11 610	11 610
Other financial liabilities	1 233	1 233

Inputs and techniques for fair value determination are mentioned in Note 2.

Notes to the Financial Statements
For the year ended 31 December 2022

To determine the fair value estimate, the Entity uses the following inputs and techniques:

Cash in hand and balances with central banks
Due to the short maturity (up to 3 months), the carrying amount is equal to their fair value. These financial assets have been categorised as Level 2 in the fair value hierarchy.

Receivables from banks and credit unions
The book value for short-term receivables from banks and credit unions is close to their fair value due to the short maturity of these claims. These financial assets are included in the real value hierarchy to level 2.
Term deposits due in more than 1 year bear a variable interest rate which is linked to the benchmark interest rate. As a result, the estimated fair value of term deposits with banks and credit unions does not differ significantly from the carrying amount. These financial assets have been categorised as Level 2 in the fair value hierarchy.

Receivables from customers – credit union members
Estimates of the fair value of loans are based on discounted future expected cash flows using the interest rate applicable to loans associated with similar credit risk, interest rate risk and similar maturity.

In determining the estimated cash flows used for discounting, assumptions are used and the expected repayment course of a particular product or product group is considered. The discount rates used in discounting are based on the rates of the main competitors or other comparable rates for similar asset types.

Due to the fact that almost all loans are tied to a variable interest rate and to the fact that the credit risk of vast majority of loans has not materially changed, the fair value of loans does not differ significantly from the carrying amount.

These financial assets have been categorised as Level 3 in the fair value hierarchy.

Other assets
The Bank measures financial derivatives at fair value. The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in an active market such as foreign exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value. These financial assets have been categorised as Level 2 in the fair value hierarchy. Other items of other assets have been categorised as Level 3 in the fair value hierarchy.

Payables to banks and credit unions
Due to the short maturity of these liabilities, the carrying amount approximates their fair value. These financial liabilities have been categorised as Level 2 in the fair value hierarchy.

Term deposits due in more than 1 year bear a variable interest rate which is linked to the benchmark interest rate. As a result, the estimated fair value of term deposits received from banks and credit unions does not differ significantly from the carrying amount. These financial liabilities have been categorised as Level 2 in the fair value hierarchy.

Payables to customers – credit union members
The fair value of deposits repayable on demand and term deposits that bear a variable interest rate equals the carrying amount of these deposits as at the reporting date.
These financial liabilities have been categorised as Level 3 in the fair value hierarchy.

Other liabilities
The Bank measures financial derivatives at fair value. The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in an active market such as foreign exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value. These financial liabilities have been categorised as Level 2 in the fair value hierarchy. Other items of other liabilities have been categorised as Level 3 in the fair value hierarchy.

b) Financial instruments measured at fair value

The following table sets out individual fair value levels of financial assets and financial liabilities recognised at fair value in the Bank's balance sheet:

In millions of CZK	31 December 2022		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
State zero coupon bonds and other securities	10 477	-	-
Other assets – positive fair value of derivatives	-	938	-
FINANCIAL LIABILITIES			
Other liabilities – negative fair value of derivatives	-	2 082	-

In millions of CZK	31 December 2021		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
State zero coupon bonds and other securities	-	-	-
Other assets – positive fair value of derivatives	-	692	-
FINANCIAL LIABILITIES			
Other liabilities – negative fair value of derivatives	-	1 494	-

Transfers between Level 1 and Level 2

No transfers were carried out between Level 1 and Level 2 in 2022 and 2021.

Valuation techniques and inputs used for Level 2
To determine the fair value in Level 2, the Bank uses the following inputs and techniques:

Level 2 includes mostly financial derivatives.

In respect of derivatives, the fair value is determined based on the present value of cash flows arising from transactions with regard to market inputs, such as spot and forward exchange rates, reference interest rates, swap rates, etc.

There was no change in valuation technique in the current period.

37. FINANCIAL INSTRUMENTS – OPERATIONAL, LEGAL AND OTHER RISKS

The Bank has established an operational risk management department. The Bank has also implemented guidelines for the monitoring, management and quantification of operational risks. The Bank's legal department monitors and manages legal risks. The compliance department identifies, assesses and monitors compliance risks the Bank faces and ensures their mitigation until a satisfactory solution dealing with the risks is implemented. The compliance department further assists, supports and advises the Bank's management with carrying out their compliance-related responsibilities, investigates dubious transactions from the perspective of money-laundering attempts, and counsels the Bank's employees regarding their (personal) compliance duties.

ING Bank N.V., organizační složka

Notes to the Financial Statements
For the year ended 31 December 2022

38. MATERIAL SUBSEQUENT EVENTS

The Bank's management is not aware of any events that have occurred since the reporting date that would require adjustments to the Bank's financial statements.

Prepared on:	Signature of statutory body:	Person responsible for accounting (name and signature):	Person responsible for financial statements (name and signature):
26 June 2023	Erik Eduard Fortgens	Radim Ćmiel	Martin Kočí

KPMG

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the founder of the branch ING bank N.V.

Opinion

We have audited the accompanying financial statements of branch ING bank N.V. ("the Branch"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2022, the income statement, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Branch is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2022, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The founder of the Branch is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Branch obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the manager of the Branch for the Financial Statements

The manager of the Branch is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the manager of the Branch determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, KPMG

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager of the Branch.
- Conclude on the appropriateness of the manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Statutory Auditor Responsible for the Engagement

Lukáš Svoboda is the statutory auditor responsible for the audit of the financial statements of the branch ING bank N.V.as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
26 June 2023

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Lukáš Svoboda
Director
Registration number 2516