

Consolidated annual report



2023

Consolidated annual report (“Annual Report”)



2023

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1. Foreword of the managing director

Respected Shareholders, Business Partners, and Colleagues,

2023 was once again turbulent not only for the banking sector, but also for the entire society. The situation in the macroeconomic environment was changing, and constant changes were also occurring in the whole of society. Since the pandemic, we can't even remember a time when some fundamental economic, geopolitical or social challenge was not addressed.

I am pleased that, despite the difficult times, 365.bank has had another successful year. We achieved improvement in almost every item of our operating result and ended the year with a profit of almost EUR 85 million. In accordance with its strategy, the bank mainly focused on the area of retail banking and reduced the financing of corporate clients. Within retail, we have grown in terms of the volume of retail loans provided, as well as the number of active clients. The sale of mutual funds of our subsidiary 365.invest was also successful.

In macroeconomic developments, especially with regard to the growth of inflation, but also the interest rates of the ECB, there was an increase in interbank rates, as well as rates on housing loans for final consumers. Naturally, this development dampened the demand for mortgages.

Within our banking group, 365.bank and Poštová banka, we introduced new products and innovations throughout the year. We followed our "mobile first" philosophy, which has been firmly encoded in our DNA since the very beginning. We brought innovations in payment with digital wallets, which are very popular among Slovak bank clients. We have expanded payment options to include additional wearable devices.

Poštová banka continued to develop its concept of the most accessible bank at the post office. We deepened our focus on the regional client. I am also very happy that before the end of the year we managed to extend our cooperation with Slovak Post, which we consider to be our key strategic partner.

Another excellent news for us was the acquisition of the deposit and issuer rating at the Ba1/NP level, which was provided by the Moody's rating agency. This result represents a significant improvement compared to the previous assessment.

Over the course of the year, we also managed to successfully place another issue of senior unsecured bonds (MREL), historically for the first time intended for retail clients, in the amount of EUR 12.5 million. In total, it was the fourth MREL issue.

In addition to our business and commercial successes, we also remained faithful to the principles of sustainable and socially responsible banking. All the bank's activities in this direction brought us the award of the Best ESG bank in Slovakia according to Euromoney magazine.

At 365.bank and 365.nadácia, we also care about supporting communities, volunteering and the future of our company. Last year too, we organized activities aimed at increasing financial literacy, as well as others that try to make our world a better place to live. We financially and materially supported sheltered workshops and communities that help children from socially disadvantaged backgrounds.

I thank each and every colleague for the past year 2023. Every employee is an important part of our living and constantly innovating organization, which does not want to follow the beaten track, but shows that being different and thinking differently can be the right way. At the same time, I thank our clients and shareholders for their trust in the past year. Trust in administrative decisions will be an even more important aspect in 2024, as new challenges await the banking sector, which will be underpinned by the banks' business intentions and strategies.



Ing. Andrej Zaťko
CEO and Chairman of the Board of Directors
365.bank, a. s.

2. General information about the Bank

Business name: 365.bank, a. s.
 Registered office: Dvořákovo nábrežie 4, 811 02 Bratislava
 Identification number (IČO): 31 340 890
 Date of incorporation: 31. 12. 1992
 Legal form: joint stock company

Business activities:

a) Pursuant to Article 2 (1) and (2) of the Act on Banks:

1. Acceptance of deposits
2. Provision of loans
3. Provision of payment services and clearing
4. Provision of investment services, investment activities and ancillary services pursuant to the Act on Securities, to the extent referred to in Section (b) of this point, and investment in securities on own account
5. Trading on own account in
 - a) financial money market instruments in euros and foreign currency, including exchange activities
 - b) financial capital market instruments in euros and foreign currency
 - c) the markets of precious metal coins, commemorative bank notes and commemorative coins, bank note sheets, and sets of coins in circulation
6. Administration of clients' receivables in their accounts, including related consultancy
7. Financial leasing
8. Provision of guarantees, opening and certification of letters of credit
9. Provision of consulting services in entrepreneurship
10. Issuance of securities, participation in issuance of securities, and provision of related services
11. Financial intermediation
12. Safe custody of assets
13. Renting of safe deposit boxes
14. Provision of bank information
15. Activities as a depository
16. Handling of banknotes, coins, commemorative banknotes and commemorative coins
17. Issuance and administration of electronic money
18. Financial intermediation according to special legislation as an independent financial agent in the sector of insurance and reinsurance
19. Financial intermediation according to special legislation as an independent financial agent in the sector of old-age pension savings
20. Financial intermediation according to special legislation as an independent financial agent in the sector of provision of loans, mortgages and consumer loans

b) Pursuant to Article 79a (1) in conjunction with Article 6 (1) and (2) of the Act on Securities:

1. acceptance and forwarding of client's instruction concerning one or several financial instruments in relation to the following financial instruments:
 - a) negotiable securities
 - b) money market instruments
 - c) securities and ownership interests of entities of collective investment
 - d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
2. execution of client's instruction on their account in relation to the following financial instruments:
 - a) negotiable securities
 - b) money market instruments
 - c) securities and ownership interests of entities of collective investment
 - d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
3. trading on own account in relation to the following financial instruments:
 - a) negotiable securities
 - b) money market instruments
 - c) securities and ownership interests of entities of collective investment
 - d) options, futures, swaps, forwards and other derivatives connected with securities, currencies,

interest rates or revenues, which may be settled by delivery or in cash

4. investment consulting in relation to the following financial instruments:
 - a) negotiable securities
 - b) money market instruments
 - c) securities and ownership interests of entities of collective investment
 - d) options, futures, swaps, forwards and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash
5. subscription and placement of financial instruments on the basis of fixed commitment in relation to the following financial instruments:
 - a) negotiable securities
 - b) securities and ownership interests of entities of collective investment
6. placement of financial instruments with fixed commitment in relation to the following financial instruments:
 - a) negotiable securities
 - b) securities and ownership interests of entities of collective investment
7. custody and administration of financial instruments on the client's account, including custodianship and related services, in particular administration of cash and financial collateral, in relation to the following financial instruments:
 - a) negotiable securities
 - b) money market instruments
 - c) securities and ownership interests of entities of collective investment
8. provision of loans and borrowings to investors to facilitate the realisation of transactions involving one or several financial instruments, in cases where the lender is involved in such transactions
9. realisation of transactions in foreign exchange assets if these are connected with the provision of investment services
10. execution of investment survey and financial analysis, or another form of general recommendation concerning trading in financial instruments
11. providing of services related to the underwriting of financial instruments.

Share capital: EUR 366,305,193

Paid share capital: EUR 366,305,193

365.bank, a. s. has no organizational unit abroad.

3. Bank structure

Board of Directors

Ing. Andrej Zaťko

Chairman of the Board of Directors and managing Director

Chairman of the Board of Directors

Graduated from the Department of Economic Informatics at the University of Economics in Bratislava, where he specialized in information technology. From 2011, he was a member of the Board of Directors of J & T BANKA, a.s. (Czech Republic). From November 2012, he held the position of Director and Head of the organizational unit in J & T BANKA, a.s. in the Slovak Republic - J & T BANKA, a.s., branch of a foreign bank.

On 12 August 2015, he became Chairman of the Board of Directors of 365.bank, a. s. He also holds the position of Managing Director of 365.bank, a. s.

Ing. Peter Hajko

Member of the Board of Directors

Member of the Board of Directors

Graduated from the Department of Economic Informatics at the University of Economics in Bratislava. He was active in the Banking sector in 1997–2000, working for Všeobecná úverová banka, a.s. and then in several positions at Tatra banka, a.s. in 2000-2015, lastly as director of a regional branch, where he was responsible for management of the branch network in the regions of Bratislava-West and Nitra, in the areas of sales, servicing, and service quality for retail clients. He joined Poštová banka a.s. in 2015 as Director of the Retail Banking Division.

From 3 December 2015 he is a member of the Board of Directors of the 365.bank, a. s.

RNDr. Zuzana Žemlová

Member of the Board of Directors

Member of the Board of Directors

Graduated from the Comenius University Department of Mathematics and Physics in Bratislava. She has been active in the Banking sector since 1995. In 1995-2009, she worked for Citibank (Slovakia) a.s. where she held several management positions in the area of audit, independent control and management of risks. She was a member of the Board of Directors of UniCredit Bank Slovakia, a. s. from 2010 to 2013, and a member of the Board of Directors of Sberbank Slovakia from 2013 to 2016. As a member of the Board of Directors in both institutions, she was responsible for all risk management areas, including credit, market, and operational risks.

From 20 June 2017, she is a Member of the Board of Directors of 365.bank, a. s.

Ladislav Korec, MBA, FCCA

Member of the Board of Directors

Member of the Board of Directors

Graduated from City University of Seattle specialising in business management including MBA programme. He has been working in the finance area since 2004. He worked in 2005 at OTP Bank Slovensko as a corporate credit advisor, and since 2006 has held various management positions within the global consulting company Ernst & Young Slovakia, spol. s r.o. From August 2015 to 2021 he held the position of division director in 365.bank, a. s. As part of his activities at the Bank, he focused mainly on the area of finance and back-office. Since 2 July 2021, he has held the position of a member of the Board of Directors of 365.bank, a. s.

Supervisory board

Ing. Jozef Tkáč // Chairman of the Supervisory board – in office again from 14 December 2023

Ing. Vladimír Ohlídal, CSc. // Member of the Supervisory board – in office from 16 June 2020

Ing. Patrik Tkáč // Member of the Supervisory board – in office from 1 August 2023

As at 31 December 2023, the Bank had an interest in the following subsidiaries and associates:

Business name and Identification number	Address	Activity	Share in%
Subsidiaries			
365.invest, správ. spol., a. s. IČO: 31 621 317	Dvořákovo nábrežie 4 811 02 Bratislava	Asset management	100.00 %
Ahoj, a. s. IČO: 48 113 671	Dvořákovo nábrežie 4 811 02 Bratislava	Provision of consumer loans	100.00 %
PB Servis, a. s. IČO: 47 234 571	Karloveská 34 841 04 Bratislava	Real estate	100.00 %
PB Finančné služby, a. s. IČO: 35 817 453	Hattalova 12 831 03 Bratislava	Operational, financial leasing and factoring	100.00 %
365.fintech, a.s. IČO: 51 301 547	Dvořákovo nábrežie 4 811 02 Bratislava	Start-up support	100.00 %
Cards&Co, a. s. IČO: 51 960 761	Dvořákovo nábrežie 4 811 02 Bratislava	IT services	100.00 %
ART FOND – Stredoeurópsky fond súčasného umenia, a. s. IČO: 47 979 160	Dvořákovo nábrežie 4 811 02 Bratislava	Trade and art	100.00 %
365.nadácia IČO: 42 127 912	Dvořákovo nábrežie 4 811 02 Bratislava	Charity organisation	X
Joint ventures			
SKPAY, a. s. IČO: 46 552 723	Nám. SNP 35 811 01 Bratislava	Payment system services	40.00 %
Monilogi s.r.o. IČO: 54 508 673	Mlynské nivy 1 821 09 Bratislava	Cash management	8.00 %



4. Main events

January

The best employer

We won third place in the Best Employer poll, which is organized and evaluated by the profesia.sk portal. 365.bank scored in the Banking, Finance and Insurance category in the 11th year of the competition for the most attractive employers in the Slovak market. The bank cares about the satisfaction of its employees, therefore it has a number of benefits prepared for everyone in work-life balance, well-being or related to the care of children and family. As part of the Leadership Academy, we provide various educational programs, workshops, and of course interesting benefits and discounts for employees who are interested in our banking products.

New technologies

Throughout the year, we focused on improving existing and adding new functionalities to the application. We have added the possibility of using a pre-approved loan through the application, we have implemented several steps to make it even more secure and we have also increased its performance. Clients will now be able to set up Investičné Systemie not only on a mobile phone, but also in a branch. The possibility of setting up a term deposit and an unbound term deposit has been added to Poštová banka's internet banking.

February

ESG and financial literacy

Since the beginning of the year, 365.bank has focused on the key topics of its CSR activities, especially in ecology and sustainability, but also financial education. The bank took further steps to become carbon neutral by 2025.

A significant part of its activities was also focused on building financial literacy, in which the main representatives of the bank completed several workshops with students or teachers with the aim of spreading awareness in finance. We continued our partnerships with the Comenius Institute and Junior Achievement Slovakia, and we also supported the Zmudri project, which aims to educate young people. Poštová banka, in turn, followed up on its Nenaľaťme project, in which it devoted itself to supporting the financial literacy of seniors and preventing financial fraud, of which seniors are the most frequent victims.

March

365.bank launches the campaign "Times have changed, it's time to change bank"

365.bank launched a campaign with the characteristic leitmotif "life is change". The Bank compared the world (of banking) then and today. Today, Slovaks live in a modern way, travel around the world, shop online, bank on their mobile phones... And the only thing they have left from the "old" world is their bank. Since times have changed, 365 called for a change of bank. The campaign brought and developed the bank's positioning for today's people, which also becomes its main claim.

April

Mortgage with savings

365.bank introduced a product innovation "mortgage with savings". It thus linked a mortgage loan with a term deposit in order to reduce the client's mortgage interest rate by up to 2% p. a. The amount of the discount depends on the ratio of the deposit on the term deposit to the mortgage and the total amount of the mortgage.

ATM of ideas for students

Financial literacy can also be developed in an innovative and funny way. The proof is the competition called BANKOMAT NÁPADOV (ATM of ideas), which was prepared by the educational organization Junior Achievement Slovakia in cooperation with the 365.nadácia and 365.bank. 50 primary and secondary schools participated. The goal was to awaken creativity, innovative thinking, and develop independent work and financial literacy in pupils and students. The most original works advanced to the final, which took place at the end of April at the premises of 365.lab in Banská Bystrica. The competing pairs had the opportunity to present the results of their work in front of experts from practice and an expert jury. They focused on a specific banking product, service, technology or process and they developed it in detail.

New term deposit commitments

Due to the reaction to the increase in interest rates, and with the aim of offering our clients one of the best conditions in the market, 365.bank introduced new commitments on term deposits. Since April, clients have been able to buy an 18-month term deposit with an interest rate of 1.50% per annum in branches of 365.bank or Poštová banka, with an increase to 2.00% per annum from October.

May

365.bank offers solutions to reduce monthly mortgage payments

365.bank drew attention to the possibility of earlier refinancing of the mortgage loan before the expiry of the regular fixation period, which could be advantageous for some clients, who were able to reduce their monthly loan repayments in this way. It concerned approximately 80,000 mortgage loans. This is particularly worthwhile if the bank reimburses the fee for early repayment of the loan. 365.bank offered this advantage to clients.

Travel insurance for the Utility account

Poštová banka came up with a new additional service to the Useful account - Travel insurance for clients as an Individual insurance option or a Family insurance option. Insurance includes medical expenses insurance, accident insurance, general liability insurance, but also other types of insurance.

June

10 good deeds

This year was no exception, and in spring we opened the 12th year of our internal employee grant 10 good deeds. The objective of the grant is to annually support projects and activities of employees, which they devote their free time to, or to obtain support for organizations whose projects make sense. Support for medically disadvantaged children, educational or sports activities or help with the realization of a benefit concert. These are just some of the good deeds we supported this year. And there was plenty to choose from.

Poštová banka is a partner of the Za 7 horami festival

Poštová banka was also a partner of the family festival in Liptov in 2023. As a bank that is available to clients in every corner of Slovakia, it naturally supports meaningful cultural and community projects in the regions focused on all generations for a long time. Poštová banka has prepared activities that help younger visitors to the festival to expand their knowledge of the world of finance. In turn, parents were given the opportunity to discuss issues related to finances and financial security with experts.

July

Helping women and children in need

Even in 2023, the 365.nadácia with the HR team actively supported employee volunteering as community cooperation. Last year, the crisis centre Brána do života (Gate to life) was chosen, which provides help and support to women and children in need and tries to provide them with a life full of colours, love and safety. During the year, the bank's staff managed to organize two community baking events with clients and their children, cleaning the garden in the crisis centre area, and there was also a collection of clothes and an educational workshop in financial literacy and the legal minimum. We also involved children from the crisis centre in our summer project Hooray for School with the 365.nadácia. Thanks to the employees of the 365.bank group, all the children from CC Brána could go to school after the holidays with new school supplies.

August

365.bank launches new forms of smart payments with a ring, bracelet or key chain

The number of Slovaks paying cashless is constantly increasing, while Eurobarometer statistics show that up to two thirds of them trust digital technologies in banking. That is why 365.bank relied on another innovative solution and enabled payment in stores with other wearable devices, such as rings, bracelets, key rings, even analog watches. They thus become not only a fashion accessory, but also a "wallet".

September

Easier than you'd expect

365.bank is launching a new communication concept, which follows on from its strategy of building a full-format retail bank. The Bank cast well-known actors Milan Ondřík and Martin Nahálka in the main roles and the most popular client functionality in its application – Sending. The unifying element of the campaign was the idea of simplicity and the fact that today's people do not have time to solve complicated things in the current busy time.

Significant rating improvement

Moody's rating agency assigned 365.bank a deposit and issuer rating of Ba1/NP, which represents a significant improvement compared to the previous one. Moody's appreciates the several steps the bank has taken in its transformation into a full-format retail bank. Especially when it comes to reducing the corporate loan portfolio and focusing on the provision and growth of consumer and mortgage loans to retail clients.

The rating from Moody's is excellent news not only for 365.bank, but also a positive message for its partners and clients. It achieved a significant improvement in the rating despite the difficult period associated with the fading consequences of the pandemic, the war in Ukraine and the growth of inflation.

365.bank issued another package of MREL bonds

After three previous successful issues of unsecured bonds, the so-called MREL, which was placed by 365.bank on foreign markets, also brought the fourth one. The emission in the volume of EUR 12.5 million is historically intended for the first time by retail clients. The nominal value of one bond is EUR 30,000 with a yield of 5% p. a. and three-year maturity. The funds from the issue will be used to finance the bank's business activities. Thus, at the time of its historically best economic results, 365.bank created space for individuals to participate in the bank's further successes. Its clients can thus share in the successes together with the bank with a very interesting annual yield of up to 5%.

New insurance packages

365.bank came up with new insurance packages for the ability to repay consumer loans. Clients can purchase them at 365.bank branches. With this step, the bank has expanded the coverage of risks in consumer loans for clients who previously did not meet the health conditions.

Once again a partner of the Bratislava Illustration Biennale (BIB) 2023

365.bank was once again a partner of the BIB 2023 international competition show of book illustrations for children and youth, which represents the best that has been created in the world of children's illustration over the past two years. 275 illustrators from 36 countries of the world participated in the 29th edition. Books shape us from early childhood and accompany us practically throughout our lives, said 365.bank CEO Andrej Zaťko, who considers book creation for children to be a very important moment in a child's education and development.

Traditional Slovak costume day 2023 with Poštová banka

Slovakia is very rich in folklore, folk customs and traditions, which have their specificities based on individual regions. The regions are also the focus of interest of Poštová banka, which as the only banking institution in Slovakia is represented literally in every corner of Slovakia through branches of Slovak Post. Therefore, for the third time, it became a partner of the Traditional Slovak Costume Day event, which was traditionally held in Banská Bystrica and whose main mission is to remember and make Slovak folklore history visible. Poštová banka also prepared a stand for visitors with fun activities for families with children.

New term deposit commitments

Due to the reaction to the increase in interest rates, and with the objective of offering our clients one of the best conditions in the market, 365.bank introduced new commitments on time deposits. From 1 September 2023, a 1-month time deposit with the option of purchase at the sales points of 365.bank or Poštová banka was put on sale with an interest rate of 1.00% per year.

October

New ECO loan

365.bank came up with a discounted ECO loan. Clients can get a significantly lower interest rate than with a classic non-purpose consumer loan, if the applicants submit documents within six months declaring that they financed ecological innovations or energy-saving solutions with the borrowed money. They can thus obtain a preferential interest at the level of 6% p. a., effective from the date of documenting the purpose until the end of the loan maturity. The objective is to support the financing of ecological innovations with simple documentation.

365.bank is the best ESG bank in Slovakia

Our activities in ESG brought us the award of the best ESG bank in Slovakia in the international banking competition Euromoney Awards for Excellence. The jury praised the ecological services and products of 365.bank, such as the plastic-free account, the eco-mortgage, but also the "mobile first" principle, which has been in use since its inception and which leads to the minimization of the carbon footprint, paper and plastic. The commission also evaluated the active approach and education on the topic of gender equality and the support of inclusion and diversity, which the bank sealed by signing the Diversity Charter from the workshop of the Pontis Foundation. The jury also praised the bank's activities in carbon neutrality. For more than 30 years, the global Euromoney Awards for Excellence has been one of the biggest awards for banks and bankers across the industry.

Competition We are friends with ecology

365.bank has ecology in its DNA, we care about the future of our planet, which is why we launched the second year of the We are friends with ecology competition in October. All primary and secondary schools could participate in the competition and receive 4 eco benches made of separated plastics. The requirement for participating in the competition was to organize waste collection at your school and document it. The interest was really great, and we finally drew 12 winners from the 92 participating schools, who will beautify their school yard with design benches.

New time deposit commitments

From 1 October 2023, 365.bank started selling another of the advantageous term deposits - a 6-month term deposit at 365.bank or Poštová banka sales points with an interest rate of 1.50% per annum.

Poštová banka received the Senior friendly award

Poštová banka won the Senior Friendly 2023 award with the Nenalet'me project (Let's not be misled), which for the second year already helps seniors in particular to navigate a wide range of financial fraud under the auspices of the President of the SR Zuzana Čaputová.

In addition to the award, we participated in the project, thanks to which seniors were able to learn about finances, and our employees directly provided them with financial advice and valuable advice on how to protect themselves as effectively as possible from attempts by financial fraudsters to rob them of their savings.

December

365.bank extended cooperation with Slovak Post

365.bank has agreed with Slovak Post to extend the cooperation. Clients will thus be able to continue using our services at post offices throughout Slovakia, as they have been used to for many years. Slovenská pošta and 365.bank under the Poštová banka brand are long-standing partners - they have been providing banking services to clients for 30 years, which are an integral part of the services provided at post offices.

An idea for 3 generations

Already the 8th year of the Poštová banka grant program - Idea for 3 generations - recognized the winners. In 2023, up to 344 applicants applied to the project. Of these, up to 22 exceptional projects shared EUR 40,000 for connecting generations and at the same time bringing interesting ideas to improve community. Supported projects deal with a wide variety of topics - from the revitalization and cultivation of public spaces, through sports and educational activities, support of traditional crafts and folklore, health care, nature protection and sustainability to the inclusion of healthy and health-disadvantaged people.

5. Outlook for 2024

For 365.bank, 2023 was another year on the way to building a full-format bank, which it embarked on by transforming from a purely digital one. It is precisely on the digital DNA and "otherness" unseen in the Slovak banking sector that we decided to build and pave the way among the biggest players in the Slovak banking market. In 2023, based on the 2muse agency's bank client satisfaction and loyalty survey, 365.bank ended up as a leader in the use of purely digital services. 365.bank also maintained its lead in the perception of clients as the most digital bank in the market.

In addition to the digital world, 365.bank has been available through its branches in 60 locations throughout Slovakia for more than two years. Thanks to the transformation of 365.bank from a digital bank to a full-format bank, with an available branch network throughout Slovakia, the share of our clients who, in addition to digital services, also use branches, which are among the best rated in the market, has increased year-on-year.

365.bank focus mainly on digitising processes so that clients can handle their day-to-day banking from the comfort of their home, without having to visit a physical branch. Meanwhile, the branch is there for the clients who needs to consult their financial situations and resolve more complex products.

As a bank we want to further enhance the customer experience, which is an important tool for us to differentiate ourselves in banking services. We are proud that 365.bank is a bank with a high level of satisfaction and loyalty of its clients, and according to the metric used by the research agency 2muse, it is among the banks with the most satisfied clients. At the same time, among banks, we have one of the highest shares of loyal clients segmented by research, namely more than three quarters. Even in 2024, we will focus on strengthening and improving the customer experience so that 365.bank continues to be a bank strongly focused on the customer. Since the importance of the customer experience is one of our leading values, regular measurement and analysis of feedback from our clients is a matter of course. By implementing the findings, we can improve access to our current and future products and services in order to provide the best possible user experience. Our objective is to make our sales points more attractive, improving sales service quality and digitisation, plus further development of electronic banking and contact centres to become fully-fledged sales and service channels.

In retail, in addition to reaching out to new clients, our priority remains to become a partner for our clients and their main bank, which can comprehensively cover their financial needs, from a personal account, through the housing financing, insurance, investing and retirement savings.

With a wide and complex offer of financial services, we want to appeal especially to demanding family clients, for whom we can manage their finances under one financial house.

To enable our clients to think about money less, we want to focus on the optimal setting of their financial health, considering their financial and life goals. In times of uncertainty and high household costs, we want to be helpful in setting up instalments correctly, whether for consumer financing or housing financing. However, we should not forget short-term or long-term goals, ours or our children's, where we need the correct setting of savings and investment products, or the creation of a financial reserve today.

Therefore, we do not want to bring only products, but mainly solutions to satisfy the needs of our clients.

It was the times of high inflation that showed us how correct financial decisions can help in protecting your savings, but also in building long-term wealth. That is why we want to build on the topics of financial literacy and investing, which is still not very popular in Slovakia, even in 2024. We believe that proper financial planning and regular investing are the basic tools for achieving the future financial goals of our clients.

In consumer financing, we want to continue to be among the best players in the market. We want to be helpful in the optimal setting and "financial cleaning" of our clients' instalments so that building a financial reserve or saving and investing for the future is easier for them today. Improving, speeding up and digitizing processes for providing loans just when our clients need it is therefore high on our list of priorities in 2024.

In the context of the lower availability of housing financing compared to previous years, we want to bring solutions in 2024 that would enable families to purchase their own housing even in times of higher interest rates. When refinancing mortgage loans, we also want to focus on the speed and simplicity of processes, or to support the possibility of applying for a mortgage or transferring it in a digital environment even more.

The year 2024 will therefore reach out to "more mature" and family clients for 365.bank. We want to further develop the topic of aging and the silver economy in the coming years. We continue our commitment to paperless and digital processes and products. In this way, we fulfil our commitment to simplicity towards clients, but also support ecology.

The digital channel has definitely become commonplace. We are adapting more and more processes so that they can be set up from the comfort of home. On the other hand, we also think about clients who are not digitally skilled.

Therefore, we want to focus on improving their digital skills, either through branch locations or through the contact centre.

In addition, we deepen the user experience with the so-called omnichannel approach, in which the client can choose his preferred method and channel when contacting the bank.

In 2024, Poštová banka will further develop and support the successfully set direction of Poštová banka. Thanks to the unique "bank at post office" concept, its services and products will be available to clients this year at more than 1,300 business locations in every region of Slovakia. In addition, through 122 Financial service offices - so-called PFS, clients have at their disposal a comprehensive portfolio of products and services not only of the Bank itself, but also of its partners. A competitionless network of business locations makes Poštová banka the Slovak leader in accessibility for clients.

After the successful reorganization of the sales network in 2022, the year 2023 was marked by stabilization, setting up the work system and intensive training in order to provide clients with the highest quality services. This allowed us to set high-quality uniform standards of work so that attention is focused on caring for our clients, identifying their needs and finding solutions to their satisfaction. In 2024, we will build on the solid foundations of previous years and deepen the knowledge and skills of salespeople in approaching potential clients.

The product portfolio of Poštová banka will continue to adapt to the constantly evolving needs of clients and will reflect the requirements of the target group. In 2024, consumer loans, personal accounts and deposit products will be the core of the portfolio again. The main attribute of all offered products will be their comprehensibility, simplicity and convenience mainly for the customer. The complexity of the offered services and products will strengthen the expansion of the already generous offer with the products and services of our business partners. It will continue to develop the concept of a wide portfolio of financial services under one roof available throughout Slovakia.

Strengthening these attributes will fulfil the Bank's strategy and gradually increase the number of clients who will actively use its complex portfolio of products and at the same time address a wide range of clients from various regions of Slovakia, to whom we can provide complete banking services in the immediate vicinity of their homes.

Poštová banka plans to further develop its digital services. This will allow the Bank to become even more accessible and to make it even easier for the Bank's clients to access banking services from the comfort of their homes. The environment within the application will continue to be functionally set up so that it is understandable for clients regardless of age and IT experience. Poštová banka will continue to come up with functions that will enrich its digital services in such a way that they reflect current market developments as well as client requirements.

At the end of 2023, Slovenská pošta and Poštová banka agreed to extend cooperation based on a contractual option. Slovenská pošta will continue to be our important strategic partner, with whom we will develop the quality of the services offered. In 2024, activities to support the sale of the Bank's products and services through this channel will be strengthened. The development of cooperation will also affect the joint education of employees or the motivational system for employees of Slovenská pošta. The result of these activities will be an improvement in the quality of the services provided, as well as an increase in the retention of the Bank's clients and the acquisition of new clients.

All activities set for 2024 are aimed at making Poštová banka the Bank of first choice for clients who prefer the availability of physical business locations and the practicality of financial products.

For the Corporate portfolio in 2024 we will continue to focus on improving the quality of the portfolio. Regarding the total volume of the portfolio principal, we expect a small decline of the corporate portfolio due to the risk mitigation strategy in the selected segments. The bank will continue with the set exit strategy of riskier and cross-border exposures with the objective to improve the quality of the company's portfolio also with regard to the current economic situation. From the active products, we will continue to finance classic products (bank loan, bank guarantee), with a thorough individual assessment, the bank may also continue to provide structured transactions, syndicated loans and participations. As part of new financing, the bank will always assess opportunities in accordance with ESG principles, i.e. will support clients whose activities are in line with the principles of the bank's ESG strategy. From the perspective of the segments, we plan to continue with the set strategy of allocating resources primarily to the large corporate portfolio. Within the SME segment, we will focus on serving the existing portfolio to support our existing clients in the current economic environment and to fulfil ESG goals.

6. Corporate social responsibility

Information pursuant to Commission Delegated Regulation (EU) 2022/2178¹ (Taxonomy Regulation)

Since 2022, disclosures in accordance with the Taxonomy Regulation have become mandatory and we are therefore required to disclose the ratio of taxonomic and non-taxonomic economic activities for the reporting period 2022. During the reporting period 2022, we assessed taxonomy eligibility for the first time.

In the following section, we provide the disclosures required for credit institutions under Art. 8 of the delegated regulation: the ratio of economic activities authorised in taxonomy to total assets, the ratio of economic activities not authorised in taxonomy to total assets, the ratio of exposures to central governments, central banks, international institutions and derivatives to total assets, the ratio of exposures to companies which are not required to disclose non-financial information to total assets, the ratio of the trading book to on-demand interbank loans to total assets, and related qualitative information. The economic activities eligible under the taxonomy illustrate the level of the Bank's activities in the non-trading portfolio vis-à-vis the sectors covered by the taxonomy regulation.

Economic activities eligible within the taxonomy as a ratio to total assets	40 %
Economic activities not authorized within the taxonomy as a ratio to total assets	60 %
Exposures to sovereigns as a ratio to total assets	24 %
Derivatives as a ratio to total assets	0 %
Exposures to non-disclosure companies under the NFRD as a ratio of total assets	53 %
Trading book as a ratio to total assets	0 %
Interbank loans payable on demand as a ratio of total assets	10 %
Total consolidated assets*	EUR 4.6 billion

* Voluntary disclosure to increase transparency of prescribed metrics.

To calculate the share of its exposures to economic activities eligible and ineligible for the taxonomy, the Bank first excluded interbank loans payable on demand from underlying assets, exposures from derivatives not designated for trading, financial assets held for trading, exposures to central governments, central banks and multinational issuers and exposures to companies not subject to the obligation to publish non-financial information according to Articles 19a or 29a of Directive 2013/34/EU. As interbank loans payable on demand, the Bank considers its deposits in current accounts in other banks intended mainly for correspondent banking. Exposures to central governments, central banks and multinational issuers in the investment portfolio comprise mainly government bonds of the Slovak Republic and, to a lesser extent, government bonds of other members of the European Union. Exposures to companies that are not subject to the obligation to disclose non-financial information pursuant to Articles 19a or 29a of Directive 2013/34/EU were determined by the Bank based on available information. Determination was mainly guided by the latest available data on the number of employees of the company and whether it is an entity of public interest, i.e. whether the entity issued a security accepted for trading in the European regulated market. The Bank assessed eligibility for the taxonomy for exposures to natural persons and companies that report non-financial information in accordance with Articles 19a or 29a of Directive 2013/34/EU in the investment portfolio. Exposures from corporate loans and bonds are classified by the Bank as eligible for taxonomy according to the purpose of using the funds under the loan agreement or the prospectus, or the predominant economic activity of the group of the issuer of the security. If the activity of the counterparty is divided into several sectors, then the eligibility for the taxonomy of the given exposure from corporate loans was evaluated according to the turnover indicators, or according to the capital expenditures of the counterparty. If the information was not available when evaluating the eligibility of the credit exposure, the exposure is considered

¹ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 amending Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be published by undertakings covered by Article 19a or 29a of the Directive 2013/34/EU, with regard to environmentally sustainable economic activities, and by specifying the methodology for fulfilling the above-mentioned disclosure obligation 6.

ineligible for the taxonomy. The Bank proceeded similarly with exposures from shares. The Bank considers exposures from mortgage bonds eligible for taxonomy. For unit certificates, the Bank determined eligibility for the taxonomy based on the analysis of the underlying assets. Exposures to natural persons are considered eligible for the taxonomy by the Bank, as regards loans intended for the purchase or renovation of real estate and loans for the purchase of a car, other loans to natural persons are considered exposures ineligible for the taxonomy.

Calculation of ratios for economic activities authorized within the taxonomy are based on the prudential consolidation of the 365.bank group.

Data limits

When assessing the economic activities authorized within the taxonomy for financial and non-financial companies, information is needed directly from these counterparties. Companies that are required to disclose information under the NFRD² must disclose their economic activities eligible under the taxonomy in terms of the taxonomy regulation from 2022. For the end of 2023, we have therefore included the most up-to-date information available regarding economic activities eligible under the taxonomy for financial and non-financial institutions.

The rules for dividing companies into those that are and are not required to disclose information in the sense of the NFRD are based on internal data. The implementation of the NFRD itself may differ for individual EU member states and the classification may change over time.

In accordance with the regulations, our disclosures are limited to "legitimacy", not to "harmonisation" because the investee companies were not yet required to report compliance with the Taxonomy Regulation. Assets in our balance sheet eligible for taxonomy have been marked as "potentially green" because they help limit or mitigate the effects of climate change. To improve our disclosures on the eligibility of taxonomic assets, as well as to align those assets with taxonomy and to improve risk management, we will collect additional data on the energy efficiency of the residential properties we fund. We will also gather more information on the size and activities of the businesses and companies we finance, to collect data on eligibility within the taxonomy and to reconcile with the taxonomy of the entities in which our funds are located.

We continuously incorporate sustainability considerations into our products and services. We are constantly working to improve the sustainability profile of our products (e.g. eco-mortgages, support for digital solutions, account benefits focused on sustainability, plastic-free account). Over time this should be reflected in an increase in taxonomy-authorized and taxonomic-matched assets. This also contributes to our goal of reducing indirect CO2 emissions related to our mortgage portfolio.

² Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding the disclosure of non-financial and diversity information by certain large undertakings and groups.

Environmental responsibility

Sustainable banking as a tool for a sustainable business environment

Environmental responsibility, economic prosperity and social inclusion, are among the fundamental pillars of sustainable development. The Bank supports the EU's growth strategy, as defined in the European Green Deal, which aims to transform the EU, including the Slovak Republic, into a fair and prosperous society that will improve the quality of life of current and future generations with a modern, competitive economy that uses resources efficiently, and with zero production of greenhouse gas emissions in 2050, so that Europe becomes the first climate-neutral continent. The Bank's constant ambition is to be a provider of services with an individual approach to our clients, partners and counterparties at the highest level, which in today's world also means meeting the changing lifestyle preferences and needs of these parties. Considering socially responsible investment, or ESG criteria is also increasingly important to clients when choosing products. The Bank understands its position, in which it must actively participate in changes in our environment without negative consequences, to achieve appreciation. We believe that responsible investment does not have to be at the expense of performance, and that both financial and non-financial factors should be considered.

From the environmental point of view, the Bank closely monitors the ESG criteria and assesses the most appropriate and advantageous approach in relation to environmentally sustainable economic activities, to ensure compliance with the regulation and the Bank's strategy, which is also reflected in product design processes. Not only the Bank's activity itself is affected by the Bank's strategic steps, the implemented changes are also reflected in the setting up and management of relations with the Bank's clients and counterparties. When assessing suitable ESG strategies, the Bank plans to give preference to products that sufficiently meet environmental criteria. After a thorough assessment of the situation, the introduction of qualitative or quantitative criteria in relation to the share of environmentally sustainable activities and the methodology related to their assessment is also being considered.

Ecology in the bank's DNA

One of the integral pillars of our culture and operation in the market is the principle of ecology and sustainability.

We try to implement this value already in the very foundations of our business, during the creation of products and services. Our goal is to build our products on a digital, and therefore paperless and plastic-free approach. In our service model, we also try to minimize cash operations or operations that can be substituted digitally without the need to visit a branch. We are thus trying to motivate our customers to reduce their carbon footprint.

We also devote considerable effort to communicating ecological values to our customers in order to inspire and achieve positive change in society. We purposefully try to increase the engagement of our employees in eco-related topics and behaviour in accordance with these principles. We develop activities for direct support of environmental projects through our 365. foundation and grant programs.

In addition to our internal commitments, we also declare our approach by signing the Memorandum of the Slovak Banking Association on sustainable business and development, as well as our promise to the public to become the first carbon-neutral bank in Slovakia by 2025.

The international banking competition Euromoney Awards for Excellence awarded 365.bank the best bank in the ESG category in Slovakia in 2023. The jury praised its ecological services and products, such as a plastic-free account, an eco-mortgage, but also the "mobile first" principle that has been applied since its inception and which leads to the minimization of the carbon footprint, paper and plastic. The experts also praised the bank's activities aimed at achieving carbon neutrality by the end of 2025, as well as several CSR projects to reduce or recycle plastics. The commission also evaluated the active approach and education in gender equality and the support of inclusion and diversity, which the bank sealed by signing the Diversity Charter of the Pontis Foundation.

ESG score for corporate clients

In corporate clients, the Bank developed and during 2023 implemented its own ESG score to assess the sustainable business of companies and the risks or negative impacts coming from the environmental, social and governance area that these companies face. The purpose of such an assessment is to enable the client to obtain more favourable conditions for financing their needs or projects, since it is true that the more sustainable the client's behaviour, the better the ESG rating.

In cooperation with the Slovak Banking Association we participated in the development of a sample questionnaire as a unified tool for assessing the ESG profile of corporate clients.

Internal regulation

In its activities, the Bank observes and regularly reviews compliance with its legislative obligations, while in many areas the Bank tries to go further and set its internal processes to meet higher standards. The Bank has prepared its own code of ethics, which is published on our website in the "Information" section, the observance of which is enforced across all organizational units of the Bank, as well as externally. The Bank pays particular attention to compliance with the Compliance Code, which it regularly updates. The Bank's compliance code is based on principles that require compliance with legislation, protect banking secrecy, prevent conflicts of interest and establish rules for participation in gambling by Bank employees, and also declare the Bank's apolitical nature. The Bank also has set strict rules for the acceptance of gifts by the Bank's employees while performing their work, so that the decisions of the Bank's employees cannot be influenced in this way. The Bank is also active in whistleblowing and provides its employees with several ways to report anti-social activity, including possible corrupt behaviour, either within the Bank or externally. In all the above-mentioned areas, the Bank trains its employees at least once a year.

As part of the responsible management of the company (governance), the Bank considers its behaviour in terms of compliance with legal regulations and the code of ethics to be important and considers them in its daily activities. Emphasis is placed on the fight against corruption and sufficient performance of internal control functions - risk management, internal audit and Compliance.

As one of the members of J&T FINANCE GROUP SE, the Bank has precisely and transparently defined and implemented group standards for internal control of all processes and a group risk management system. The basic principle of risk management is clear and effective internal control of all processes, the aim of which is to eliminate imperfections in the bank's processes. All employees are obliged, as part of their work procedures, to comply with the established framework of the internal control mechanism.

In order to achieve the goals, the Bank has implemented an effective management system for all risks associated with banking activities and also issues of sustainability into its internal management.

Observance of human rights is a matter of course for the Bank and it considers this area to be one of the most important values. The Bank carefully monitors and complies with international sanctions regarding the provision of services or the establishment of a relationship with specific persons and adheres to strict principles in the fight against corruption and bribery.

Carbon neutrality of 365.bank

In order to become carbon neutral, in 2020/2021 365.bank underwent a comprehensive audit of its activities at both headquarters and at branches, which resulted in the Greenhouse Gas Verification Report from TÜV SÜD Slovakia s.r.o. The analysis identified specific areas and steps for the Bank to become carbon neutral by 2025. In addition to the action plan, the Bank introduced the Ten, that is, ten steps to sustainability which the Bank can follow in order to achieve this ambitious goal.

In reducing the carbon footprint, we have set criteria within the functioning of the institution towards the interior of our organization. In this area, we focus on processes aimed at reducing the environmental impact of our operation on the environment.

During the year, we entered into negotiations with suppliers and targeted several main areas, such as:

- reduction of CO2 production and waste production,
- reducing electricity and gas consumption,
- heating optimization and employee education, travel of operating modes in our buildings,
- reducing paper consumption,
- use of environmentally friendly refrigerants,
- purchase of energy-saving appliances,
- support for the purchase of electrical, or hybrid cars,
- preference for public transport when commuting to work,
- reducing business travel, including air travel.

At the bank, we place great emphasis on translating values and corporate culture into the working environment. Our company culture is based on transparency, integrity, humanity and mutual respect, and we translate these values into every activity or cooperation with employees. We encourage open communication and sharing of ideas, which creates a dynamic and innovative work environment.

During the year, we created several programs and initiatives to support the well-being, mental and financial well-being of our colleagues. However, when building a culture, we also consider the individual needs and diversity of our employees. Flexible working conditions, support for development and career growth are just some of the steps that reinforce our direction in making each of our employees feel respected and involved.

The bank's projects in the social field are focused on 3 key areas:

- Health and culture
- Talent development and increasing the qualifications of all employees
- Inclusion and diversity, including building employee communities

A safe and healthy working environment

The current global situation, high prices impact and pressure on mental wellbeing can take its toll on the overall quality of life. We pay attention to the creation of a safe and healthy working environment, as well as mental wellbeing and safety. Within the bank, we support them for a long time through the "Be Balanced" program, the central theme of which is the area of mental health and well-being of our colleagues. In 2023, in cooperation with the Mental Health League, as members of the Employers' Coalition for Mental Health, we organized 12 lectures. Also, our employees took more than 120 hours of individual consultations with psychologists, which are the first option for solving not only work-related but also personal challenging situations.

In terms of bank-wide activities, in culture development and employee engagement, we introduced a new discussion concept of "internal talks" on topics that support not only a positive perception of diversity and inclusion, but also the mental and financial well-being of colleagues in the bank.

Last but not least, throughout the fall, we devoted ourselves to the topic of health through internal events for employees. In September, we held Health Days in two locations, which made it possible to participate in preventive measurements and consultations with experts. Over two days, more than 370 colleagues took part in the event and devoted time and attention to their health. We ensured the distribution of almost 500 pieces of vitamins for our colleagues in the branch network in direct contact with customers. In November, we continued with the body composition measurement, which was attended by almost 120 colleagues. We supplemented the examinations with experts with interesting online lectures on well-being.

Development and training of all employees

The development in digital technologies from the previous period did not stop. It brings new possibilities to work more easily, more efficiently and with higher work productivity. Therefore, the development and training of employees is still a key factor for the long-term sustainable success of the bank. With the aim of streamlining the education process and making development opportunities even more accessible for our colleagues, last year we deployed the educational portal Seduo.sk for all colleagues in a permanent employment relationship. We recorded a total of 16,314 hours of studying Seduo courses, with an average number of 15.3 completed courses per active user. We achieved over 80% participation in the study.

In managerial development, we continued with the concept of group education, within the framework of which we implemented 3 Leadership Academy modules for external contractors. 54 managers participated in the academy and spent a total of 850 "man-hours" on management development. The goal of the Leadership Academy was to support managers in the development of leadership competencies and, through the influence of their leadership, to improve the organizational health of the bank.

Talent program

21 colleagues of the call centre's retail networks graduated from the seven-month Talent program in 2023. In five modules, they gained knowledge about the skills of leaders, which they then tried in practice with the support of internal guides. The success of this project is mainly the transfer of more than 40% of the participants to a rotation or directly to a new position. Our long-term goal is to fill as many positions as possible at all management levels with internal candidates, considering gender equality, diversity and inclusion.

Inclusion, diversity and building employee communities

By joining the Diversity Charter Slovakia in 2022, we have confirmed our direction in equal access to all female colleagues and respect for diversity and diversity. Despite the fact that we are not all the same in our bank, we are all equal.

To promote inclusion and diversity in the bank, we have introduced "internal talks" that open up the topics of diversity and its support in the working environment. Examples are the March talks dedicated to women, a talk about the importance of a psychologically safe environment, to prevent burn-out, or a talk about men's mental health on the occasion of International Men's Day, which enjoyed great popularity and viewership.

At the same time, we also promote awareness of the importance of diversity through the Seduo educational platform. In 2023, all managers at B1 and B2 levels completed the course Diversity and Inclusion: How to work with intercultural differences.

At 365.bank and 365.nadácia we care about education, community support, volunteering and the future of our company. That's why we support activities that try to make our world a better place to live.

We support our colleagues in a variety of volunteering activities and since we have experts in their fields at 365.bank, we decided that we want to use our know-how, expertise and experience to help the community and clients in the Bratislava crisis centre Brána do života. We organized a series of unique educational workshops focused on the development of financial literacy, the legal minimum, and also on the prevention of fraud in the digital space, as clients in the crisis centre are a vulnerable group. In addition, we listen to the needs of the centre and organize tailor-made volunteer activities so that they are useful for clients and their children. Based on the feedback on our volunteer activities, we will continue to provide our support in the future.

We also maintain contact with colleagues on maternity and parental leave, as we perceive the importance of them feeling involved. At the end of 2023, we sent them the first online newsletter with news from the bank. The newsletter included not only news, such as news about the bank's volunteer activities and achievements, but also invitations to internal events.

In diversity inclusion, this year we implemented an internal directive that defines our activities and goals focused on 3 strategic areas:

- Gender equality
- Age diversity
- Diversity in education

The bank also supports community activities for a long time, or community projects of non-profit organizations, schools, municipalities or active individuals throughout Slovakia. To support this goal, we annually announce the grant program Idea for 3 generations, which is financed from the funds of the 365.nadácia. The goal of the three-generation grant is to support activities in which children, adults and seniors participate together - that is, groups of people with different opinions and attitudes. Our grant is meant to bring them together for a good cause - for a meaningful idea that will be implemented for the benefit of their community, their municipality or their city. We believe that intergenerational relationships and their support are important today. In 2023, we supported 22 original community projects with a total of EUR 40,000.

In 2023, we continued to communicate our position on key societal topics in ecology, critical thinking, financial literacy, and activities aimed at countering the spread of gender stereotypes and misinformation.

Significant non-financial bank information

- **Plastic-free account**

We see the future in the digitization of banking services, which we see as a way to support sustainability. Regarding the banking products, the digitization trend is perhaps most obvious when opening and using a personal account. The bank enables the opening of an account electronically without the need to visit a business location and without printing any paper documentation. We consider this product to be an important part of our support for environmental responsibility and the "paperless" idea. More than 50% of newly opened accounts in 2023 are provided in electronic form.

- **Digital card**

The ecological dimension of our digital account underlines the possibility of choosing a digital payment card instead of a plastic one. Thanks to the digital card, we managed to reduce the amount of plastic waste and paper waste related to sending the card. The account in 365.bank is "paperless" and "plasticless" thanks to the possibility of using a digital card and the possibility of performing ordinary banking operations easily via the mobile app.

Our goal is to continue to support clients in using digital cards instead of plastic ones. We also support this idea in the form of product or fee benefits of digital cards. In this context, in 2023 we started charging for the issuance of a plastic card in the Account for free.

- **Eco-friendly consumer loan**

365.bank continues with the product with an emphasis on environmental responsibility. We offer an eco-friendly consumer loan at a reduced interest rate for clients who own properties with energy class A certificates. A loan that is specifically linked to an investment in one of the following areas: energy saving, ecological innovation or ecological transport. If the client documents the use of the funds for a "green" investment within the specified period after the loan, we are ready to provide him with a benefit of a reduced interest rate.

At the same time, our bank, as one of the most important providers of consumer loans, feels the need to support the idea of digitization and reduction of unnecessary printing of documents. The provision of "paperless" online consumer loans, which represent approximately 50% of loans granted, contributes to this.

- **Eco-friendly mortgage**

The bank also brings an ecological dimension to its portfolio of mortgage loans. We offer clients who are interested in new housing, its reconstruction or refinancing of an existing housing loan the opportunity to take out a loan with a discount if the property has an energy certificate of class A, A1 or A0. The benefit may take the form of a reduced interest rate or a waiver of the loan granting fee. The share of such loans reaches approximately 15%.

The mortgage as one of the products continued to reflect sustainable and ecological banking services by making them available in the digital environment. In October 2021, we were the first to offer clients the opportunity to request it in the mobile application as well as in internet banking. In 2023, we introduced the possibility of submitting an application electronically, without unnecessary visits to a bank branch, even for our external partners.

- **Ecological investing in the 365.bank application**

Clients can use the popular Eko fund of the management company 365.invest focused on equity investments of socially responsible companies in the 365.bank mobile application as part of the Investment Savings product. The fund is intended for regular investment from EUR 20 per month, suitable for brave or advanced investors whose goal is to follow global trends or support meaningful companies aimed at supporting the maintenance of a healthy environment. The fund also follows the predictions of the professional public, according to which it is assumed that in the long term, mutual funds other than ESG will not be available on the market, and this trend is undeniable.

In addition to Investičné sporenie (Investment Savings), Eko fond is also available for clients as part of the Investičné Syslenie (Investment hoarding up) product. It is a micro-investment in the fund, which is linked to non-cash payment methods. It is linked to the previous Syslenie service (Hoarding up) with a similar payment rounding mechanism - either when paying with a 365.bank card or by setting up a centless account, while the rest of the rounded amount goes to the Eko fond in the case of Investičné Syslenie and is valued over time.

- **Zero carbon footprint**

From 2021, we entered into negotiations with electricity suppliers regarding the possibility of using it from renewable energy sources (so-called RES). At the end of the year, we installed photovoltaic panels with an installed capacity of 90 kWp at our headquarters in Karlová Ves.

We have established long-term measures in waste production, its separation and subsequent disposal. In electrical waste separation, we have set up processes that result in the ecological disposal of 100% of the volume of such waste. For mixed waste, we have an established waste collection and separation system in all the bank's premises.

Other activities to reduce CO₂ emissions include employee transport to work and work-related travelling, i.e. business trips. In this area, employee motivation and education, employee travel to and from work, optimization and reduction of consumption, purchase of company cars with regard to reduction of fuel consumption play an important role. As a form of employee education, we are gradually increasing the share of transport to work in the preferred form, namely public transport, but also e.g. bicycles or scooters. We play an active role in reducing travel by introducing work from home.

Starting in 2022, we launched an energy savings project at headquarters and branches - this project ran continuously throughout the year 2023. To achieve savings in this area, it is necessary to collect and evaluate measurements by gradually adjusting the parameters of cooling, heating, lighting of exterior signs, or other light sources. For the collection and evaluation of measurements, we have built an IoT network (internet of things) in all branches of the bank, and gradually this year we will also build a network at the head office in Karlová Ves. We are gradually replacing light sources with LED technology. By 2025, more than 95% of the lamps in our premises will be replaced.

For refrigerants, we have been using certified ecological refrigerants that are environmentally friendly for a long time. We regularly service the cooling equipment and carry out professional inspections to prevent leaks and reduce the efficiency of the equipment. When buying new or replacing cooling equipment, we prefer equipment with lower consumption.

We plan to specify, adjust and evaluate measures to reduce direct and indirect CO₂ emissions every year. Our goal is to reduce the carbon footprint from the initial state in 2019 in the volume of 2,278 t/year to the level of 680 t/year by 2025.

Education and motivation of employees towards ecological thinking

In 2022, in cooperation with the Bank's communication, employee awareness about energy saving (electricity, heat) was started.

Energy saving

In 2022, direct energy saving measures (electricity, thermal energy) were set and implemented. The measures consisted in setting/optimizing operating parameters on the objects so that they lead to energy savings.

- **Recycling payment cards in project "We are friends with ecology"**

The bank's activities aimed at reducing and reducing plastic waste were embraced by the competition "We are friends with ecology", which we launched in autumn 2023. The competition was intended for primary and secondary schools. We have just sent them an invitation to organize the collection of plastic waste in their surroundings with the students. After that, all you had to do was fill out a short information form and send photos or a video of the joint waste collection. In the end, a total of 92 schools participated in the competition and they were included in the draw for benches made from separated plastics and recycled payment cards. 12 schools from different regions of Slovakia received 4 pieces of these original benches based on a drawing, and we believe that they will symbolically remind students of the need for ecological functioning. The goal of this project was not only to raise awareness about the possibility of recycling payment cards, but also to directly contribute to the cultivation of school campuses in the form of installing benches made of recycled plastics and to the cleaning of the immediate surroundings by students.

- **Other projects to support environmental protection**

365.bank cares about ecology, which is why we have supported other eco-projects in the past. Cooperation with the civic association Ružínska priehrada was important for us. Through our foundation, we financed the installation of a tunnel wall, which prevents the accumulation of waste in the dam, and we also financially supported the construction of rest areas in the vicinity of the dam. The rest areas were created from ecological materials and naturally planted in the area of the dam to improve the quality of tourists' time.

- **Communication of the importance of the eco approach and circularity**

In addition to financial support for specific projects and cooperation with civic associations, we also focus on clearly communicating the need for an ecological and responsible approach to our clients. In regular communication, we not only inform our clients and the wider community about banking news, but we also try to devote considerable space at the expense of business communication to topics that aim to inspire our clients to behave ecologically and responsibly. We regularly communicate these topics and guidelines for a responsible approach in client newsletters, on our social networks, through the media and on our website. We regularly bring to our supporters and the public awareness and education campaigns on the occasion of Earth Day, Mobility Week and others, which are focused on a responsible approach without pursuing commercial goals. In our campaigns, we talk about the need for upcycling, responsible shopping, and an ecological approach. We participate in the organization of swaps and also inspire our employees to find new uses for objects. Given the high interest in this type of campaigns and contributions, their sharing and activation of supporters, we can also talk about the positive impact on society through this type of communication.

- **We also consider a responsible approach in marketing communication**

Since the establishment of 365.bank, we have devoted considerable effort to consider the aspect of ecology and sustainability when creating marketing materials and communication. We reduce paper consumption by minimizing marketing materials, flyers and notices to the bare minimum. When planning the media mix, we prefer digital formats. We are constantly reducing the number of advertising items and in their production, we prefer more ecological materials, long life and high utility value for their wearers. At events for our employees, we prioritize recyclable or compostable materials, pay attention to energy consumption and waste separation. We take the same criteria into account when producing advertising spots and other formats.

Description of the main risks of the Bank's impact on the area of social responsibility

The main activities of the Bank include receiving and providing deposits, providing loans and guarantees, providing banking services to the population and providing services on the capital market. The basis for understanding the business risks and opportunities arising from the Bank's activities is an assessment of their impact on consumers and end users or from an understanding of the company's dependence on consumers and end users, which can affect

future cash flows and thus the value of the company in the short, medium or in the long term. At the same time, it is necessary to perceive these influences in the context of the current situation on the market, which can mitigate some risks or, on the contrary, accentuate them.

Among the most significant factors influencing the economic situation in the market in 2023 are undoubtedly the fading impact of the COVID-19 pandemic and the rise in prices due to the war in Ukraine and the energy crisis. The Bank must continue to be able to provide financing to households and businesses facing temporary difficulties and fulfil its role in the economy while addressing its own operational issues, including the pressure on its employees. The risks arising from the instability of the financial sector were also reflected in the increase in the prices of loans for the business sector, which can subsequently affect the limitation of loans and business activities, and therefore the Bank's profitability.

When implementing or modifying bank products, the issue of possible greenwashing is also considered, so that the products are correctly categorized within product communication as well as internal processing.

The Bank's effort is to minimize administrative and bureaucratic requirements related to the requirements of ESG legislation. The Bank strives to obtain the necessary information in cooperation with an external supplier based on a joint activity under the SBA. Evaluating the possible transformation of clients in connection with the implementation of ESG is part of the credit process and is reflected in the evaluation of credit risk.

The Bank has developed procedures for ensuring continuous operation (BCM plans) also for cases related to climate risks. BCM plans are reviewed on an annual basis and adapted to current risks.

365.nadácia

• 365.academy

In education, through our **365.academy** project, we decided to support a total of EUR 50,000 primarily to organizations and activities that focused on the development of financial literacy, supporting the education of teachers and children. Through the 365.academy project, we supported the educational activities of the Centre for Environmental and Ethical Education Živica, the non-profit organization Junior Achievement Slovakia and the civic association Zmudri.

• Partnership with the Centre for Environmental and Ethical Education Živica

Within education, the 365.nadácia in 2023 supported the Comenius institute included in the Centre for Environmental and Ethical Education Živica. Funding was allocated to support an educational project which is aimed at bringing innovations to education through short-term and long-term, online and face-to-face education for educators. At the same time, the project also targets parents and the general public, by presenting examples of good practice and communicating educational topics, it tries to change the public's view of the importance of current and practical education that can be used for life in the 21st century.

Dozens of educators, mainly from the Banská Bystrica region, were involved in the project, two weekend workshops from the academy for beginning teachers and three summer schools for the wider pedagogical community were held. 6 podcasts from the Edužúr series were recorded.

• Non-profit organization Junior Achievement Slovakia

The project that we supported as part of 365.academy is a complex and innovative educational initiative that synergistically combines various effective forms of education and practical experience with the aim of developing financial literacy and entrepreneurship among the participants - primary and secondary school students, teachers; to support activating and experiential methods in education and effective innovations for employment on the labour market. It contains practical activities for the support and development of personal and professional growth of individuals and involved organizations with the intention of spreading proven educational innovations and innovative approaches in education and training. Individual modules are based on the principle of "learning by doing".

The objective of the project was to increase the level of financial literacy of students of lower and upper secondary education. At the same time, provide teachers with professional, methodological and didactic support. As part of the project, 8 face-to-face live activities and 2 distance activities were implemented within 3 educational modules for 2 financial literacy educational programs – Me and money and More than money.

Thanks to the project, the students involved have acquired new and developed competences and skills in financial literacy necessary for their further personal, but above all, future professional development.

Participating teachers received the following benefits thanks to the project activities: they acquired innovative and updating skills and knowledge in financial literacy; discovered new strategies, solutions, procedures, methods and

forms of work, how to involve financial literacy actively and effectively in the educational process and professional practice.

- **Civic association Zmudri**

Civic association Zmudri works in education of youth, teachers and pupils/students at schools in critical thinking and media literacy. As part of a common project, we prepared a series of explanatory posts about financial literacy on Instagram during 2023, either in the form of carousel posts (multi-image text posts) or reels (short explanatory videos), or an educational video on the topic of financial inequalities between men and women. During the year, we covered, for example, the topics of savings and reserves, investing, responsible borrowing, but also basic terms regarding loans, cyber security (phishing) or financial advice when traveling abroad. During the project, we managed to not only open important topics of responsible access to finances to a wide audience of young people in a form that is close to them, but also provide them with practical advice and tips that they can apply in their lives. The target group was young people aged 15 to 30, to whom we presented the basic principles of responsible handling of finances in a series of popularization posts on social networks (pictures and videos). These posts have been viewed by over 200,000 people.

- **Financial literacy for the crisis centre Brána do života**

In cooperation with our HR department and group employees, we focused on supporting education, especially in financial literacy. In 2023, we prepared a series of interesting educational workshops for clients of the crisis centre in Bratislava. The workshops were focused on the development of financial literacy, the legal minimum and also on the prevention of fraud in the digital space, while we used the know-how of 365.bank employees. The individual workshops took place during the autumn and had a great response and positive feedback. In 2024, we also plan to continue educational workshops, whether for children or socially vulnerable groups.

Grants

- **Idea for 3 Generations**

Another area that we supported in 2023 through our foundation is community activities, or support of community projects of non-profit organizations, schools, municipalities or active individuals throughout Slovakia. To support this goal, we annually announce the grant program Idea for 3 generations, which is financed from the funds of the 365.nadácia. The goal of the three-generation grant is to support activities in which children, adults and seniors participate together - that is, groups of people with different opinions and attitudes. Our grant is intended to bring them together for a good cause - for a meaningful idea that they will implement for the benefit of their community, village or city. We perceive that intergenerational relations and their support are important nowadays. In total, we supported 22 original community projects in the amount of EUR 40,000 in 2023.

The grant program Idea for 3 generations is our long-term most successful grant, and in 2023 we launched its eighth year.

- **Employee grant programme “10 Good Deeds”**

Every year, the grant scheme of our foundation also includes an internal grant for our colleagues - employees. This was the 12th year. Every year, our foundation's grant scheme also includes an internal grant for our colleagues - employees. This year it was the twelfth time. The aim of the grant is to provide the group's employees with the opportunity to obtain funds to support projects that they volunteer in their free time or want to help an organization whose activities seem meaningful to them. Finances can also be requested for someone who is in need and needs help. It can be a family member, acquaintance, neighbour or family. The form of help is really diverse and our effort is to direct the attention of the employees of the 365.bank group to the possibility of doing good deeds with the financial help of the foundation. The degree of their involvement and interest in the grant is constantly increasing. Thanks to the projects submitted by our employees, we were able to support 17 meaningful projects and activities in 2023 with a total amount of more than EUR 13,000.

Internal activities of the foundation

During 2023, the 365.nadácia implemented a number of internal activities. We supported protected workshops and civic associations during our **Easter and Christmas markets, organized clothing collections for Brána do života (Gate to life Centre)**. Just like every year, in 2023, thanks to our employees, we continued the project **Hooray for school with the 365.nadácia** where 30 children from socially disadvantaged families were involved. Christmas was once again marked by our internal activity **Tree of Fulfilled Wishes**. This is one of our most beautiful and most popular projects, which took place for the ninth time. Dozens of bank employees are involved in the project with a single goal - to make children from socially disadvantaged backgrounds happy at Christmas and to fulfil their Christmas wishes.

Individual requests

• Organizations and individuals

In addition to long-term activities and foundation grants, we also financially support selected organizations every year, whose activities coincide with our public benefit focus and are targeted at the areas our foundation is dedicated to. For example, we supported the civic association Mladý Podnikavec, the Plamienok civic association, the crisis center Brána do života, the non-profit organization Centrum Slniečko, the civic association Detstvo deťom, the League for Mental Health, the Pontis Foundation and the Open Society Foundation. We supported these organizations with a total amount of more than EUR 27,000.

In addition to organizations, we also support individuals - primarily socially disadvantaged families, large families and single parents. We provide them with financial resources, primarily for the payment of common costs associated with housing, food purchases or children's education.

7. Personnel policy

As at 31 December 2023, the number of employees was 1,398, out of which 63% were women and 37% were men. Individual subsidiaries had 246 employees, out of which:

- 365.invest, správ. spol., a. s. 41 employees,
- Ahoj, a. s. 67 employees,
- PB Servis, a. s. 68 employees,
- PB Finančné služby, a. s. 7 employees,
- DanubePay, a. s., 63 employees.

The 365.bank Group is an organisation with an average employee age of 40 years, in which we employ different generations represented in all age categories with different needs and expectations. We are aware of this fact and therefore we apply our policy in offered benefits.

The year 2023 became crucial from the point of view of personnel policy, since at the end of the first quarter we replaced the currently used system with a new personnel and salary system. The new system brings a modern and sophisticated approach to working with personnel and salary data, simplifies, makes transparent and, above all, makes its use more user-friendly for all employees. Thanks to the implementation in the entire group, it already serves all 365.bank employees.

Since benefits are one of the most important factors that determine whether an employee is satisfied with their job, we launched a large benefits survey in 2023. In the survey, we focused on which benefits our employees rate as the most attractive, which they consider less attractive, and we also provided space for the expression of new ideas in the area of benefits. 55% of 365.bank colleagues took part in the survey, and they identified 10 days of paid work leave beyond the scope of the Labour Code for rest and regeneration as the most attractive benefit, which is currently the most used benefit. As a benefit that we could improve, our employees chose the MultiSport card, which we took a closer look at and expanded our contractual cooperation in this area, which led to an immediate increase in interest in this benefit. In addition to the benefits already mentioned, our employees were particularly satisfied with the annual contribution to the Cafeteria, the employer's contribution to supplementary pension savings, the possibility to work in home office mode and the product benefits provided, which we also expanded in 2023 based on a survey.

Employees of the 365.bank group also use employee benefits in the form of the Cafeteria online system, to which we provide a regular annual contribution. This year, the most used category of benefits was also Health. In this category, employees have the opportunity to undergo above-standard health check-ups, various forms of preventive health care, health exercises and rehabilitation, or to use the allowance for shopping at the pharmacy.

The legal benefit in the form of a recreation voucher was also provided by PB Servis, a. s., Ahoj, a.s. and DanubePay, a. s. in 2023.

Growing inflation, which also has a negative impact on the standard of living of our employees, persisted in 2023, which is why 365.bank decided to provide a one-time inflation allowance in the January salary in addition to legal measures. The next step that 365.bank took was the implementation of a general wage adjustment and also the release of an additional package for further wage adjustment based on employee performance.

8. Description of macroeconomic and competitive environments

The past year 2023 can be evaluated overall as a year of stabilization of the economy at lower levels. After the turbulent development in the years associated with the pandemic and the war in Ukraine, the environment was relatively calmer. Although some events have emerged, such as the war in the Gaza Strip, or the ongoing manifestations of climate change, the impacts have been concentrated on specific market segments and the overall effect has been modest. However, the economic consequences of the war in Ukraine and its effects on the financial markets, together with some local events, managed to manifest themselves mainly in the slowdown of the growth of the global economy and the culmination of inflation. Disruptions in supply chains have eased significantly, restoring confidence in international trade. Central banks continued to apply restrictive measures as the European Central Bank raised its key interest rates by 1.5p. b.

According to the published data of the Statistical Office of the Slovak Republic, the year-on-year growth of domestic GDP reached 1.1% last year, which decreased by 0.6% compared to the previous year. b. The fastest growth was recorded in the 2nd quarter, by 1.5%. It was during this period that inflation began to decline, which began to be reflected in the growth of consumer spending and company investments, which were, however, lower overall. While the consumer has been a significant source of economic growth for the past few years, last year its contribution significantly disappeared. A relatively long period of higher inflation very well covering the growth rate of wages, the growth of interest costs and the decrease of savings, caused frugality in spending. The problem for the economy was mainly the development of real wages, which were negative for almost the whole year, which reduced the purchasing power of low-income households by almost 3% and the perceived standard of living fell, despite a relatively strong labour market with low unemployment. The growth of the economy thus had to rely on foreign trade, when specific car companies benefited from catching up on orders from previous periods, which, given our status as a small power in this sector, still helped the economy itself. However, other industries already decreased in foreign demand, especially in the second half of the year.

Slovakia experienced dynamic price jumps in the past year. According to the European methodology for measuring the price level (harmonized index of consumer prices, HICP), in February we saw the historical inflation maximum in the euro area of our country, when year-on-year growth reached 15.4%. For the whole year, the domestic HICP reached an annual average level of 11% and despite the decrease compared to 2022 by 1.1 p. b. the data still remained above the inflation target and the levels reported, say, two years ago. Food and energy prices, which make up 2/3 of the budget of an average household in Slovakia, were the most significant sign of the increase, but since February they have gradually started to decrease worldwide, which was also reflected in our country, albeit at a slower pace. According to the national CPI methodology, inflation for the whole year showed a growth rate of 10.5%.

The development of the domestic labour market in the past year did not show any significant changes in the structure and main trends, and essentially throughout the year, employment in most sectors of the economy was stable. Towards the end of the year, however, the economic slowdown in Western markets was reflected in the decrease in the recruitment of exporters in industry. However, the main trend across individual areas was the still insufficient supply of the labour market, which, according to the statistical data of the Slovak Labour Office, companies mainly solved by hiring foreign workers, the number of which reached almost 100,000. persons, i.e. 4% of the total workforce in Slovakia. The labour supply has been limited for a long time by demographic developments (population aging), but this year's specificity was also the government's valorisation measures, when e.g. extraordinary valorisation for more than EUR 0.5 billion motivated people to retire earlier. Among other measures, the easing of claims for the award of disability pensions also increased the number of their recipients. The unemployment rate was 5.9% at the end of the year, we recorded the lowest level in the 2nd quarter at 5.7%, which economists also estimated as an effective bottom.

Hand in hand with high inflation, the interest rates of the ECB also rose - that is, the basic tool for influencing price developments in the economy. Since ECB interest rates are a springboard for banks, according to ECB, they also set their own interest rates with various risk and profit margins. Growth of key ECB rates by 1.5 p. b. Slovak banks have worked for the second year in a row by increasing mortgage and loan rates. Average interest rates on mortgages with a 1-5 year fixed term increased from 3.2% to 4%. Of course, the high interest rates were reflected in demand, with the volume of new mortgages being around 30% lower than the 2021 average. Consumer loans saw an increase in the average rate by 1 p. b. to around 6%, but there consumer demand grew at a steady pace and the year-on-year growth rate increased to 6.3%.

In addition to the direct impact on households and companies, the topics of inflation and interest rates were also reflected in the real estate market. Property prices decreased by a tenth year-on-year, but most of the decrease occurred at the turn of 2022/2023. The prices of houses and flats fell, while all types of residential housing recorded a decline throughout Slovakia. The potential buyer was exposed not only to negative economic developments (inflation, interest rates, real wages), but also to the decision between mortgage and rent, when e.g. in an average apartment in Bratislava, the monthly rent is lower than the monthly loan payment for the purchase of such an apartment. After two years of significant declines, the decline in housing availability has eased significantly.

According to NBS estimates, the net profit of the banking sector increased by 50% year-on-year and rose above the level of EUR 1 billion for the first time. Banks' interest income grew primarily due to higher interest rates, which rose from the negative zone after almost a decade. Revenues are recognised mainly from corporate loans, which have shorter maturities, and thus the rate for borrowed capital changes more quickly. At the same time, however, banks also

recorded rising interest costs, which rose by almost 500%, or by EUR 1.1 billion, according to NBS data. When compared to European banks, the return on capital, i.e. what the shareholder gets for his invested capital, is below most EU countries. As at 31 December 2023, there were 10 banks operating in the Slovak banking sector (a decrease of 1 bank compared to 2022) with headquarters in the Slovak Republic (including 2 banks without foreign ownership) and 14 branches of foreign banks. The number of branches and lower organizational units in the banking sector decreased by 19 to 923 during the year, while the Slovak banking sector employed 18,200 workers at the end of last year, which again reduced the number year-on-year by more than 1%.

The financial markets resonated mainly with the further growth of the stock markets. U.S. stocks rose 26.4% (including dividends), the biggest rally in the U.S. market index since 2019. Stocks rose 12.1% in the fourth quarter, the index's best quarterly performance since late 2020. European stocks ended 2023 with an annualized gain of nearly 13% on hopes for a more accommodative monetary policy from major central banks. In many ways, 2023 looked like the opposite of 2022. The traditional 60/40 stock/bond portfolio was down double digits in 2022, but the same portfolio mix went up double digits in 2023. The "Magnificent Seven" group of Google, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla plunged 45.3% in 2022, but more than made up for their losses in 2023 with a 107% total return - on the same basis - and accounted for more than half of the S&P 500 index. The EURUSD currency spot rate hovered above parity throughout the year, with monetary policy playing a key role in the development of the euro-US dollar exchange rate.

9. Report on business activities and financial position for 2023

365.bank ended the year 2023 with a net profit of almost EUR 85 million. After cleaning up the one-time effect in the form of the income from the sale of the subsidiary 365.life, which occurred in the previous year, this is a year-on-year increase in the economic result at the level of 8%.

The economic result was mainly due to the bank's positive business results in the retail sector, but also the positive development of adjustment items. The portfolio of retail loans grew by 4% to EUR 2.2 billion and the volume of retail client deposits remained at a stable level of EUR 3.2 billion compared to last year. 365.bank recorded an increase in the number of active clients by 7%. The sale of 365.invest mutual funds mainly through the branch network was also successful, increasing by 34% to EUR 162 million.

As a result of the increased activity of the bank in the commercial area, it achieved an increase in net income from fees and commissions by 14.3% to EUR 49.8 million. In response to the rising trend of interest rates, mainly influenced by the growth of the central ECB rate as well as the rate of government bonds, the net interest income also achieved a year-on-year increase of 9% to approximately EUR 130 million.

On the other hand, 365.bank managed to keep operating costs under control. In this regard, it recorded only a slight increase in personnel costs by 7%, in response to rising inflation and the related wage adjustment, and an unchanged year-on-year level of other operating costs.

In order to strengthen its position as a full-scale retail bank, it continued to reduce corporate loan portfolios in favour of the retail segment.

As for other economic indicators, the balance sheet amount reached a year-on-year comparable level of EUR 4.6 billion.

During the past year, the bank also successfully placed another issue of senior unsecured bonds (MREL), historically for the first time intended for retail clients, in the amount of EUR 12.5 million.

In 2023, 365.bank received a deposit and issuer rating of Ba1/NP from Moody's rating agency, which represents a significant improvement compared to the previous one. This result was mainly due to the transformation into a full-scale retail bank, but also the reduction of the corporate loan portfolio, or a greater focus on the provision and growth of consumer and mortgage loans to retail clients.

Year-on-year capital adequacy increased – capital Tier 1 as a percentage from risk-weighted assets. Capital adequacy increased year-on-year from 23.97% to 22.56% and significantly exceeds the level of minimum required capital.

In 2023, the shareholders paid dividends in the amount of EUR 150 million.

Technology and innovation

365.bank has expanded its current offer of mobile and watch payments with new payment methods. During the year, it launched new forms of smart payments by ring, bracelet, key chain or even analog watch.

Throughout the year, the Bank also focused on improving the existing and adding new functionalities in the application. It introduced the possibility to use a pre-approved loan through the app, implemented several steps to make the app more secure and increased its performance. Clients will now be able to set up Investičné Syslenie not only on mobile but also in the branch.

Research and development activities

Also in 2023, 365.bank continued to introduce new products and innovate technologies. The development of existing or new IT systems required new requirements arising from legislation.

For 2023, the bank records costs associated with research and development activities in the amount of approximately EUR 695 thousand. The bank does not register subsidies received from public sources.

Activities of specific subsidiaries**365.invest, správ. spol., a. s.**

365.invest achieved the profit after tax in the amount of EUR 7.7 mil. Managed assets at the end of 2023 were in the amount of EUR 1,470 mil., which represents an increase of 2%. The increase was recorded mainly from retail sales, but at the same time there was also a decrease in NAV due to the merger of real estate funds.

As at 31 December 2023, the Bank achieved a 11.5% market share, thus ranking among the Top 4 management companies in the market.

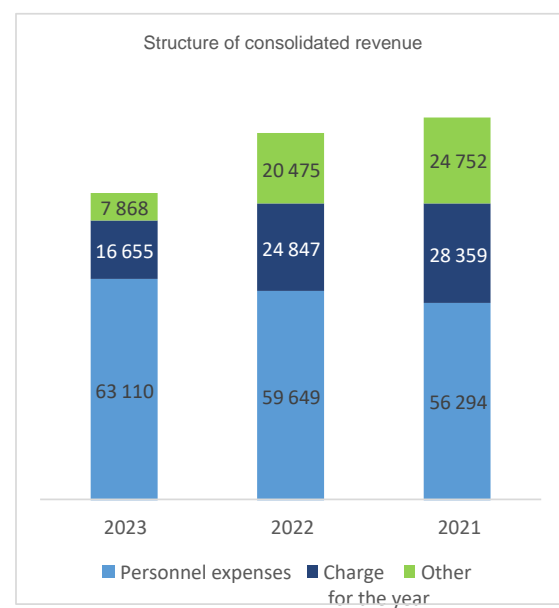
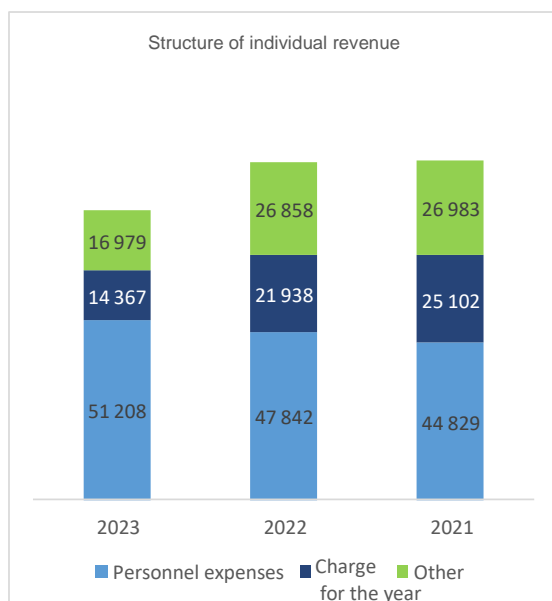
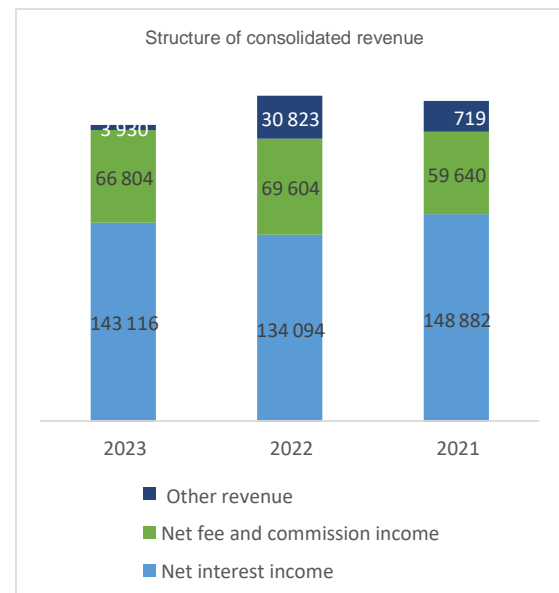
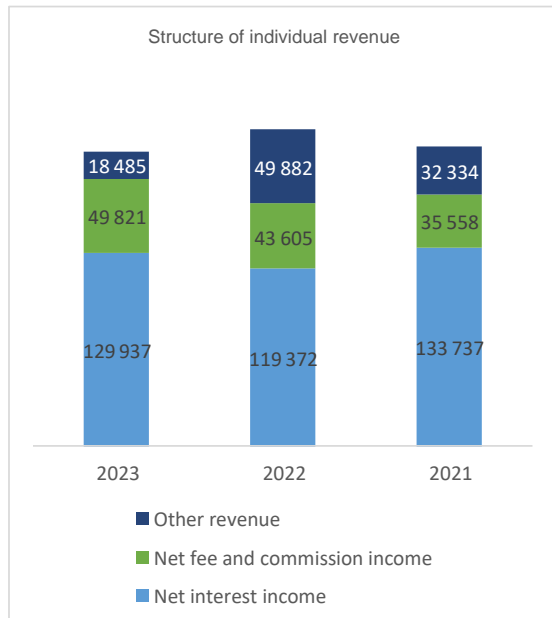
Ahoj, a. s.

Subsidiary company Ahoj, a. s., reached a record production level in 2023, when it granted new loans in a total volume of almost EUR 83 million. This represents an increase of 15%, which was mostly driven by consumer loans. New products for legal entities and further improvements in business processes also contributed to the growth of production.

The positive trend in sales, combined with the rigorous management of costs and credit risk, contributed to the fact that the company also achieved a positive economic result in 2023.

10. Key indicators

in thousands of EUR	Separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union			Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union		
	2023	2022	2021	2023	2022	2021
Loans and advances to customers	2,836,303	2,952,752	3,140,202	2,848,676	2,957,722	3,150,440
Customer accounts	3,447,113	3,499,945	3,673,914	3,437,420	3,485,736	3,664,915
Equity	704,860	769,029	749,064	688,986	757,143	739,074
Total assets	4,638,187	4,741,429	4,904,886	4,638,817	4,731,269	4,903,895
Operating profit before impairment and provisions	91,596	99,280	88,728	96,437	107,585	101,313
Net profit after tax	84,741	93,166	58,298	80,980	91,757	56,886
Commercial indicators	2023	2022	2021	2023	2022	2021
Housing loans (gross)	1,463,099	1,418,681	1,028,687	1,463,099	1,418,681	1,028,687
Consumer loans (gross)	843,479	811,736	849,215	937,037	890,756	918,543
Number of employees	1,152	1,194	1,211	1,398	1,493	1,517
Number of branches and points of sale	thanks to an exclusive contract with Slovenská pošta, more than 1,300 points of sale					
Performance	2023	2022	2021	2023	2022	2021
Tier I capital	589,571	663,569	670,036	568,544	643,060	644,274
Total capital (percentage of risk exposure)	22.56%	23.97%	19.14%	21.28%	22.75%	18.06%



11. Governance and Management Statement

In governance, the Bank proceeds in accordance with the basic principles of the Bank's internal management and with the relevant legal regulations of the Slovak Republic, the Bank's Code of ethics, as well as the legal regulations of the European Union (regulations and directives) and the guidelines of the European Banking Authority, relating to the Banking industry and measures and guidelines of the National Bank of Slovakia.

According to the Commercial Code and the Bank's articles of association, the Bank's bodies are the General meeting, the Supervisory board and the Board of Directors.

General meeting

The General meeting is the ultimate body of the Bank. All shareholders have the right to participate in its meeting.

The General meeting is held at least once a year and is convened by the Board of Directors. If the law stipulates the obligation to convene a General meeting and the Board of Directors has not reached a resolution on its convening without undue delay or is unable to reach a resolution for a long time, any member of the Board of Directors is entitled to convene a General meeting. The General meeting is usually held at the Bank's headquarters.

A shareholder or shareholders who have shares whose nominal value reaches at least 1% of the share capital and simultaneously meet specific conditions required by the Bank's statutes may, stating the reasons, request in writing the convening of an extraordinary general meeting to discuss the proposed matters. The Board of Directors shall convene an extraordinary general meeting so that it is held no later than 40 days from the date of delivery of the request for its convening.

The shareholder is entitled to participate in the general meeting, to vote, to request information and explanations regarding the affairs of the Bank or the affairs of parties controlled by the Bank, which are related to the subject matter of the general meeting, and to make proposals. The shareholder may do so in person or in deputy by an authorized representative. The signature of the power of attorney must be officially verified on the power of attorney. The number of votes of a shareholder is determined by the ratio of the nominal value of his shares to the amount of the share capital. Each share represents one vote. The vote is further undividable.

The scope of the general meeting includes:

- a) amendment of the articles of association, unless the law provides otherwise,
- b) the decision to increase or decrease the share capital, to authorize the Board of Directors to increase the share capital according to Article 210 of the Commercial Code, and the issue of priority bonds or convertible bonds,
- c) election and dismissal of members of the Board of Directors, appointment of the chairman and deputy chairman of the Board of Directors,
- d) election and dismissal of members of the Supervisory board, with the exception of members elected and dismissed by employees pursuant to Article 200 of the Commercial Code, appointment of the chairman and vice-chairman of the Supervisory board,
- e) approval of regular individual financial statements and extraordinary individual financial statements,
- f) decision on the distribution of profit or payment of losses and determination of royalties,
- g) the decision to terminate the activities of the Bank,
- h) deciding on other issues that, according to generally binding legal regulations or these articles of association, fall under the purview of the General meeting,
- i) discussion and approval of the annual report,
- j) deciding on the approval of an agreement on the business contribution or an agreement on the contribution of a part of an business
- k) approval of the Bank's auditor.

Matters that were not included in the proposed agenda of the general meeting can only be decided upon with the participation and consent of all the Bank's shareholders.

The amendment of the articles of association

The competence of the general meeting includes the amendment of the articles of association, unless the law provides otherwise.

If the articles of association are intended to be changed, the consent of a two-thirds majority of the votes of the present shareholders is required.

If a change to the Bank's articles of association is included in the agenda of the general meeting, the invitation to the General meeting or the notice of its proceedings must contain at least the essence of the proposed changes. The proposal for changes to the articles of association must be available to the shareholders for inspection at the Bank's headquarters, within the deadline set for convening the general meeting.

The shareholder is entitled to request copies of the draft articles of association, or to have them sent to the address specified by him at his own expense and risk. Shareholders must be notified of this right in the invitation to the General meeting or in the notice of the General meeting.

The Supervisory board

The Supervisory board supervises the performance of the Board of Directors' powers and the implementation of the Bank's business activities.

The members of the Supervisory board are entitled to inspect all documents and records related to the Bank's activities and check whether the accounting records are true and whether the Bank's business activities are carried out in accordance with legislative, articles of association and instructions of the general meeting.

The Supervisory board examines the regular individual, extraordinary individual and consolidated financial statements and the proposal for the distribution of profit or for the payment of losses and submits its statement to the general meeting, convenes a General meeting if the Bank's interests require it, and proposes the necessary measures at the general meeting.

The Supervisory board shall designate its deputy of the Bank in proceedings before the courts and other authorities against the member of the Board of Directors.

The members of the Supervisory board participate in the Bank's general meeting and are obliged to inform the general meeting of the results of their control activities.

The Supervisory board expresses its opinion on the proposals of the Board of Directors submitted to the General meeting regarding:

- a) merger or liquidation of the Bank in another way,
- b) sale of the business or part of the business,
- c) issuance of priority bonds or convertible bonds,
- d) distribution of profit and settlement of loss,
- e) changes to the Bank's articles of association,
- f) increases and decreases in the Bank's share capital.

The Supervisory board, on the proposal of the Board of Directors, approves:

- a) the Bank's business and financial plan,
- b) the Bank's contracts with the members of the Board of Directors concluded pursuant to Article 66 of the Commercial Code regulating the rights, obligations and remuneration of the members of the Board of Directors in accordance with the principles of remuneration in accordance with these articles of association and the internal regulations of the Bank,
- c) proposals of the Board of Directors for the acquisition and transfer of business shares in subsidiaries,
- d) a proposal to determine the amount of royalties,
- e) proposals of the Board of Directors to establish or cancel a foreign branch of the Bank or a foreign representative office of the Bank,
- f) a report on the results of the internal control system on the measures taken to correct deficiencies in the Bank's activities identified by internal control,
- g) plan of the Bank's control activities for the calendar year.

The Supervisory board, on the proposal of the Board of Directors, provides prior consent for the creation of other capital funds. The Supervisory board provides prior consent for the payment of the deposit or its part to the shareholder from the other capital funds.

The members of the Supervisory board are obliged to check compliance with the remuneration principles adopted by the Board of Directors and to check the safety and effectiveness of the risk management system.

In 2023, the following personnel changes occurred in the composition of the members of the bank's Supervisory board:

- as at 1 August 2023, Ing. Patrik Tkáč was appointed as a member of the bank's Supervisory board
- as at 14 December 2023, Ing. Jozef Tkáč was elected to the position of member of the bank's Supervisory board.

Personnel of the Supervisory board:

Ing. Jozef Tkáč – Chairman of the Supervisory board

Ing. Patrik Tkáč – member of the Supervisory board

Ing. Vladimír Ohlídal, CSc. – member of the Supervisory board

The Board of Directors

The Board of Directors is the Bank's statutory body, which manages the Bank's activities and acts on its behalf. The Board of Directors decides on all matters of the Bank, unless they are stipulated by legislative or articles in the competence of the General meeting or of the Supervisory board of the Bank.

The Board of Directors has at least three and at most five members. A member of the Board of Directors can only be a natural person who obtains the prior approval of the National Bank of Slovakia. Members of the Board of Directors are elected and dismissed by the General meeting. The term of office of the members of the Board of Directors is five years. Re-election of the member of the Board of Directors is possible.

The Board of Directors ensures the proper management of the Bank's accounts, the publication of the annual report, the compilation and publication of the consolidated financial statements and the annual report, if the Bank has such an obligation, and submits to the general meeting for approval the regular individual financial statements and the extraordinary individual financial statements and the proposal for the distribution of profit or reimbursement of losses in accordance with the Bank's articles of association.

The Board of Directors is obliged to submit to the Supervisory board, at least once a year, written information on the fundamental intentions of the Bank's business management for the future period, as well as on the expected development of the state of the Bank's assets, finances and revenues, and upon request and within a period determined by the Supervisory board, a written report on the state of business activity and assets of the Bank compared to the expected development.

The Board of Directors is also obliged to immediately inform the Supervisory board about all facts that can significantly affect the development of the business activity and the state of the Bank's assets, especially its liquidity. Members of the Board of Directors are obliged, at the request of the Supervisory board or its members, to attend the meeting of the Supervisory board and to provide its members with additional information to the submitted reports to the required extent.

The Board of Directors shall convene an extraordinary General meeting if bank's loss identified has exceeded the value of one-third of the share capital or this can be assumed and submits proposals for measures to the General meeting, unless the Banking Act provides otherwise. The Board of Directors shall notify the Supervisory board of these facts without delay.

Members of the Board of Directors are responsible for developing, approving and complying with the organizational structure, introducing and complying with the Bank's management system and for carrying out banking activities according to the Bank's internal regulations.

Members of the Board of Directors are obliged to be familiar, manage and control the performance of authorized banking activities and ensure the safety and soundness of the Bank, i.e. such performance of banking activities which does not threaten the maintenance of the Bank's own resources in relation to its requirements for own resources, liquidity, limitation of property involvement and legitimate interests of depositors and other creditors or the Banking system, as well as to adopt and regularly review general principles of remuneration.

Members of the Board of Directors of the Bank are obliged to exercise rights and obligations in accordance with the legislative of the Slovak Republic to achieve an increase in the value of the Bank's shares or the Bank's permanent profit.

In addition to the matters above-mentioned points, the competence of the Board of Directors mainly includes:

- a) convene a General meeting,
- b) implement the resolutions of the general meeting and of the Supervisory board,
- c) submit matters falling within the competence of the General meeting for approval,
- d) ensure proper accounting,
- e) determine measures for economic management tools, especially in financing, price creation, remuneration and creation of funds,
- f) approve the statute of the Board of Directors,
- g) exercise other rights and fulfil other obligations resulting from these articles of association and generally binding legal regulations.

The office of a member of the Board of Directors terminates:

- a) upon expiry of the term of a member of the Board of Directors – the day on which the term of a member of the Board of Directors terminates under the statutes effective at the time of election of member of the Board of Directors.
- b) the death of a member of the Board of Directors - the moment of death or the day of legal declaration of death in accordance with relevant legal regulations.
- c) by dismissal of a member of the Board of Directors - on the day of adoption of the decision by the general meeting, unless otherwise stated in the dismissal decision.
- d) by resigning on the position -
 - i. on the day of the General meeting, if a member of the Board of Directors resigns as a member of the Board of Directors at the General meeting,

- ii. on the day of the first General meeting following the delivery of the resignation of the member of the Board of Directors,
- iii. on the day following the expiration of three months from the date of delivery of the resignation of the position of member of the Board of Directors if the General meeting is not held during this period.

A written resignation on the position of member/vice-chairman of the Board of Directors is delivered to the chairman of the Board of Directors; unless the Chairman of the Board of Directors is designated, or the position of member of the Board of Directors is resigned by the Chairman of the Board of Directors, in such cases the resignation is delivered to the Bank's Board of Directors. The document containing resignation must be signed in the presence of a notary or an authorized employee.

If the number of members of the Board of Directors falls below the minimum number that the Board of Directors must have according to the Banking Act due to the termination of the office of a member of the Board of Directors, the Board of Directors is obliged to convene a General meeting within three months for election of a new member of the Board of Directors.

A member of the Board of Directors can be elected by the general meeting as the chairman of the Board of Directors or vice-chairman of the Board of Directors. Re-election is possible.

With the termination of the office of a member of the Board of Directors who is also the chairman or vice-chairman of the Board of Directors, this office is terminated as well. The office of Chairman of the Board of Directors and/or the position of Vice-Chairman of the Board of Directors may also terminate if the person appointed to this position resigns from the position of Chairman/Vice-Chairman of the Board of Directors. The position of Chairman of the Board of Directors/Vice Chairman of the Board of Directors may also be terminated in case of dismissal, which is effective upon the adoption of a decision by the General meeting, unless otherwise stated in the dismissal. The termination of the office of the Chairman of the Board of Directors or the Deputy Chairman of the Board of Directors does not affect his office as a member of the Board of Directors.

Members of the Board of Directors are obliged to perform their duties with due care, which includes the professional care and following the interests of the Bank and all its shareholders. In particular, they are obliged to acquire and, when making a decision, consider all available information regarding the subject of the decision, to maintain confidentiality about confidential information and facts, the disclosure of which to third parties could cause damage to the Bank or endanger its interests or the interests of its shareholders, and when exercising their powers, they must not prioritize their interests, the interests of only few shareholders or the interests of third parties before the interests of the Bank.

Personnel composition of the Board of Directors in 2023:

Ing. Andrej Zat'ko – Chairman of the Board of Directors a CEO
Ing. Peter Hajko – member of the Board of Directors
RNDr. Zuzana Žemlová – member of the Board of Directors
Ladislav Korec, MBA, FCCA – member of the Board of Directors

The Bank's committees

With effect from 8 June 2023, the following changes occurred in relation to the bank's committees established by the Board of Directors, as a result of which the bank's board of directors:

- established a new Investment Committee,
- made changes in the composition, roles and responsibilities of the existing LEONARDO, Compliance, ALCO and Risk Monitoring Committees.

On the same date, the Bank's Board of Directors simultaneously abolished 3 existing board committees, namely:

- The IT Committee, which lost its justification after the optimization of the bank's structure carried out as of 1 April 2023,
- The BITCO Committee and the TURING Committee, which lost their justification due to the establishment of the Investment Committee

Established by the Board of Directors

INVESTMENT COMMITTEE – is an advisory body of the Bank's Board of Directors that approves the financing of the implementation of programs, projects and other activities of the bank. The committee's remit mainly includes:

- a) supervision of financing, efficiency and financial profitability of programs, projects and other activities in the bank;
- b) assessment of investment intentions, programs, projects and other activities in the bank;
- c) assessment of the nature of the relevant program, project and other activities from the point of view of legislative or business requirements (for example, cost savings, revenue increase, process change);
- d) monitoring and evaluation of the fulfilment of the timetable and all issues related to its fulfilment (for example, capacity options for the implementation of programs, projects and other activities in the bank);

- e) evaluates the success of achieving project goals.

LEONARDO COMMITTEE – The main activities of the committee are connected with the realization of ideas, modification of existing products and services (including fees and interest rates), marketing communications, launching of new products and services, opening, management or closing of distribution channels and entering new markets, and in particular:

- a) supervision of implementation preparation of ideas related to the marketing communication and products and any related activities,
- b) assessment of implementation readiness, their compliance with business goals and bank's values,
- c) supervision of the preparation and assessment of the readiness of the implementation of individual marketing communications;
- d) assessing the readiness of introducing new products and services to the market and changes to existing products and services, their compliance with the overall strategic direction of the bank;
- e) getting to know the facts presented to the committee in relation to products, services and their distribution (such as legislative changes, business results and others).

Assigns tasks to committee members and presenters of materials.

COMPLIANCE COMMITTEE – is an advisory body of the bank's Board of Directors, established for the purpose of implementing legislative settings, group standards and rules within the bank's group and monitoring the implementation of corrective measures. The committee's responsibilities mainly include:

- a) monitoring changes in legislation and identifying legislative impacts on the Bank's group;
- b) defining and applying group rules in:
 - internal management,
 - protection of personal data,
 - Compliance,
 - conflict of interest management,
 - Fit & Proper,
 - whistle-blowing,
 - legislative bases,
 - financial intermediation;
 - protection against the legalization of income from criminal activity and against the financing of terrorism;
- c) mutual exchange of operational information within the bank group in defined areas.

ALCO COMMITTEE – is an advisory body of the bank's Board of Directors, established for the purpose of approving proposals for the purchase/sale of financial instruments, proposes the bank's strategy and policy in asset and liability management, assesses and approves the bank's internal limits, the methodology for determining the bank's limits, approves interest notices and exceptions to them, as well as the amount of interest rates and their application. The scope of the committee includes:

- a) monitoring and evaluating the structure of the bank's assets and liabilities, including performance indicators and their comparison with the business and financial plan;
- b) monitoring and evaluation of starting points for the creation of a business and financial plan and its projection into regulatory and internal limits and indicators;
- c) monitoring, proposal and evaluation of liquidity scenarios;
- d) monitoring the development of internal and regulatory capital and capital requirements;
- e) monitoring the limits set by the regulator, or valid legal regulations regarding the area of activity of the committee;
- f) monitoring macroeconomic development, predictions and possible impacts on the development of the bank's asset and liability structure;
- g) monitoring and evaluating the impact of the bank's products on the structure of the bank's assets and liabilities;
- h) monitoring the bank's upcoming marketing campaigns and their expected impact on the structure and price of the bank's assets and liabilities;
- i) monitoring and evaluating the impact of new products, or redesign of the bank's current products to the structure of the bank's assets and liabilities.

RISK MONITORING COMMITTEE – is an advisory body of the bank's Board of Directors, established for the purpose of examining the bank's procedures and activities in the area of risk management in the bank. The scope of the committee includes:

- a) monitoring and applying the risk management strategy and procedures in accordance with the legislative
- b) submission of activities for the Executive Risk Officer;
- c) examining whether the values of assets and liabilities offered to the client take into account the business and investment intention and risk management strategy;
- d) examining whether the values of assets and liabilities offered to the client consider the business and investment intention and risk management strategy,
- e) monitoring the Bank's risk factors, portfolio and overall risk exposure from the point of view of managing all risks, including making decisions and setting tasks for their active management and mitigation

- f) discussion of the status and details of operational and security risks in the area of Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (PSD2).
- g) assesses recovery planning and resolution: MREL, Resolution tasks – status report, Joint decisions Recovery plan, Dry-run, Risk appetite,

In accordance with point 5) Strategic Risk submits a regular report on risk management in the Bank to the Committee meeting (Risk report).

Committees established by the Supervisory board:

Risk Committee: is an advisory body of the bank's Supervisory board, and its scope includes the following activities:

- a) provides advice and support to the Supervisory board in terms of monitoring the overall current and future willingness to take risks and the overall strategy of the institution, considering all risks, to ensure their compliance with the Bank's business strategy, goals, corporate culture and values,
- b) assists the Supervisory board in controlling the implementation of the Bank's strategy in risk area and the established corresponding limits,
- c) oversees the implementation of capital and liquidity management strategies, as well as all other related risks of the institution, such as market, credit, operational risks (including legal and IT risks), and reputational risks, in order to assess their adequacy against approved willingness to take risk and risk management strategy,
- d) provides the Supervisory board with recommendations regarding the necessary adjustments to the strategy of risk area, arising, among other things, from changes in the Bank's business model, market developments or recommendations made by the Risk Management authorized person,
- e) examine whether the incentives resulting from the remuneration policy and procedures consider risk, capital, liquidity and the probability and time management of income within the Bank,

Nomination Committee: is an advisory body of the bank's Supervisory board, and its scope includes the following activities:

- a) assesses and recommends to the Board of Directors, the Supervisory board and the General meeting for approval of candidates to fill vacancies in the Board of Directors and/or in the Supervisory board,
- b) assesses the balance of knowledge, skills, diversity and experience of the Board of Directors and/or of the Supervisory board, develops a description of the tasks and required skills for the given position and assesses the expected time commitment,
- c) continuously monitors and at least once a year evaluates the suitability of the current members of the Board of Directors, Supervisory board members and also the collective suitability of the Supervisory board and of the Board of Directors.

Remuneration Committee: is an advisory body of the bank's Supervisory board, and its scope includes the following activities:

- a) independently assesses remuneration principles and their impact on risk management, own resources and liquidity;
- b) is responsible for the preparation of decisions related to remuneration, including those that have implications for risks and risk management accepted by the bank;
- c) considers the long-term interests of shareholders, investors and other interested parties of the bank when preparing its decisions;
- d) oversees the remuneration of the bank's board of directors and senior employees responsible for risk management.

The audit committee – is an advisory body of the bank's supervisory board, and its scope includes the following activities:

- a) monitors the process of compiling financial statements, compliance with special regulations and submits recommendations and proposals to ensure the integrity of this process;
- b) is responsible for the selection procedure of the statutory auditor or audit firm and recommends the appointment of the statutory auditor or audit firm for approval to perform the statutory audit for the bank;
- c) monitors the progress and results of the statutory audit of the individual financial statements and the statutory audit of the consolidated financial statements and takes into account the findings and conclusions of the Office for Supervision of Audit Performance;
- d) informs the board of directors or the supervisory board about the result of the statutory audit and explains how the statutory audit of the financial statements contributed to the integrity of the financial statements and what role the Audit Committee played in the said process.

Management methods

Direct management methods, methods of combining direct and expert (indirect) management, and project management methods are primarily used for executive management of the Bank.

Direct management is carried out by setting goals, tasks and standards, as well as operationally guiding the activities of organizational units or employees.

Professional (indirect) management is carried out through internal control, by determining the space for independent management and organizing the own work of the managed organizational unit or employee.

Project management assumes the temporary allocation of employees or part of their labour pool to fulfil specific project goals. Information on management methods is set out in the Bank's internal regulations.

The Bank's executive management is the management of the Bank's operational activities by Responsible Persons to fulfil the Bank's business and financial plan, ensuring the Bank's internal management and operation. Executive management is carried out by:

- The Bank's Board of Directors, which, among other things, ensures an organizational structure that supports efficient and prudent management of the Bank in accordance with the fulfilment of the Bank's established business goals.
- Responsible persons who manage the relevant organizational units ensure effective organization of work, management of organizational units subordinate to them and are responsible for the professional performance of activities in the organizational units with regard to the individual responsibility of the employees in terms of labour relations.

The Bank also manages companies belonging to the Bank Group. The management of the Bank Group comprises the companies of the Bank Group adopting the principles and principles set forth in this regulation to an appropriate extent and transfer them to their own internal regulations. The companies of the Bank's group, their members of the Board of Directors and of the Supervisory board, will also provide adequate cooperation to fulfil the Bank's obligations.

Internal control system

The Bank's internal control system comprises three separate Internal Control Functions:

- a) Compliance function,
- b) Internal control and internal audit function,
- c) Risk management function.

Internal control system comprises:

- a) Direct process control: it is part of the work procedures defined directly in the internal regulation. Without their implementation, the work process is not completed. Direct process control is performed by employees or organizational units that directly participate in individual processes.
- b) Indirect process control: it is performed in accordance with the internal regulation on the system of indirect process control in the Bank.

Other key personnel in the Bank:

- a) Chief Liquidity Officer function,
- b) AML Officer;
- c) Chief Resolution Officer,
- d) Data Protection Officer
- e) Chief Information Security Officer.

Compliance function - Compliance Officer is a key personnel who is elected and dismissed by the Board of Directors of the Bank based on the prior approval of the Supervisory board. The Officer has an independent status and is directly responsible to the Board of Directors for the performance. The Compliance Officer provides the Board of Directors and all organizational units of the Bank with advice and consultations on the measures taken to ensure compliance with applicable laws, rules, regulations and standards. The Compliance Officer assesses the possible impact of changes in the legal and regulatory environment on the Bank's activities, including the performance of control activities. The Compliance Officer must have access to all required documents, records and information of the Bank. He is authorized to participate in meetings of the Board of Directors, the Supervisory board and the bank's committees and to present materials within its scope of competence.

The function of internal control and internal audit - Internal Audit Officer is a key personnel elected and dismissed by the Board of Directors of the Bank based on the prior approval of the Supervisory board or on the proposal of the Supervisory board. He has an independent status and is directly responsible to the Board of Directors for the performance of its activities and controls compliance with laws and other generally binding regulations, the Bank's internal regulations and procedures in the Bank, provides the Supervisory board and the Board of Directors with objective information on the adequacy, functionality and effectiveness of the internal management and control system and the risk management system, the internal capital adequacy assessment system and the maintenance of the Bank's own resources in relation to its requirements for own resources, liquidity and compliance with the limitations of asset involvement, examines and evaluates the Bank's readiness to carry out new types of business from the point of view

of risk management, remuneration principles in order to identify deficiencies and the resulting risks that impact or could impact the Bank's objectives and proposing recommendations to mitigate identified risks. Provisions on the specifics of the organizational classification of the internal control and internal audit function are established by a special internal regulation. He is authorized to participate in meetings of the Board of Directors, the Supervisory board and the bank's committees and to present materials within its scope of competence.

Risk management function - Executive Risk Officer is a person holding a key position who is elected and dismissed by the bank's Board of Directors based on the prior approval of the bank's Supervisory Board. The Executive Risk Officer has an independent position and is directly responsible to the Bank's Board of Directors for the performance of his activities. The Executive Risk Officer performs the function of risk management in accordance with § 27 par. 4 of the Bank Act and within the bank is responsible for (i) monitoring and applying risk management strategies and procedures, (ii) submitting a written report on the performance of its activities to the bank's board of directors and supervisory board, (iii) creating support and providing information to the bank's board of directors and supervisory board in connection with the overall identification, analysis, monitoring, reporting and management of risks and (iv) examining whether the values of assets and liabilities take into account the bank's business intent, investment intent and risk management strategy. He is entitled to participate in the meetings of the Board of Directors, the Supervisory Board and the bank's committees and to present materials within his competence.

Risk management system

A correct and consistent risk management culture is a key element of effective risk management by the Bank and the Bank group. Its purpose is to enable the management body and Responsible Persons to make correct and informed decisions, considering the willingness of the Bank and the Bank Group to take risks. Responsible persons as well as employees are obliged to observe the culture of risk management and to support its observance.

The Bank's basic risk management strategies are:

- a) Risk management strategy;
- b) ICAAP management strategy;
- c) Liquidity and liquidity risk management strategy;
- d) Market risk management strategy;
- e) Asset and liability management strategy;
- f) Credit risk management strategy,
- g) Strategy for managing operational risk and other risks;
- h) NPL strategy.

The Bank develops a culture of risk management in particular by:

- a) adopting and regularly updating the risk management strategy through the Bank's regulations and directives,
- b) professional training of all employees.

Each organizational unit of the Bank is responsible for the day-to-day management of risks within the activities it performs.

Executive monitoring, application and development of risk management strategies is ensured by the Risk Management Committee and the Chief Risk Officer in accordance with the Bank's internal regulation.

Employees of the Bank and the Bank Group are obliged to observe and enforce high ethical and professional standards in their activities. These standards of ethical behaviour are established by the Bank's Board of Directors in an internal regulation.

The definition, application and development of the rules of ethical behaviour are ensured by the Head of Human Resources, who also ensures the monitoring of compliance and the possible rate of violation of these rules.

The Bank actively manages, maintains and develops a conflict of interest policy, the main purpose of which is to identify, evaluate, manage and mitigate or prevent actual and potential conflicts of interest at the level of the Bank and the Bank Group.

Part of the conflict of interest policy is, in particular, the establishment of rules for:

- a) appropriate distribution of activities,
- b) creation of information barriers,
- c) carrying out transactions with persons with a special relationship to the Bank,
- d) assessment and management of real and potential conflicts of interest between the interests of the Bank and the private interests of employees, including members of the Board of Directors and members of the Supervisory board.

The conflict of interest policy is part of the Bank's internal regulations. Executive monitoring, application and development of the conflict of interest policy is ensured by the Compliance Officer.

The Bank has established and maintains internal reporting policies and procedures for Employees to report potential or actual violations of generally binding legal regulations or internal regulations, regulatory requirements, leakage of confidential information and damage to the Bank's reputation or other anti-social activities, through special, independent

and autonomous channels and outside of standard hierarchical relationships with the possibility of preserving the anonymity of the whistleblower.

Employees who report violations are protected by the Bank against any negative consequences. Likewise, the Bank protects the employees who have been reported against any negative effects in the event that the facts justifying the adoption of measures against this person are not discovered during the investigation. The measures taken must be proportionate.

The procedures for submitting internal reports are part of a special regulation dealing with the reporting of anti-social activity (whistleblowing).

Supervision of the application and development of internal reporting procedures is carried out by the Compliance Officer.

The Bank's share capital and shares

The Bank's share capital is EUR 366 305 193 in the following structure:

ISIN: SK1110001692

Nominal value: 1,107

Number: 9,829

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 2.97%

ISIN: SK1110004555

Nominal value: 1,107

Number: 7,848

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 2.37%

ISIN: SK1110004563

Nominal value: 1,107

Number: 10,376

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 3.14%

ISIN: SK1110007384

Nominal value: 1,107

Number: 70,285

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 21.24%

ISIN: SK1110016757

Nominal value: 1,107

Number: 178,360

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 53.90%

ISIN: SK1110017433

Nominal value: 1,107

Number: 54,201

Type of security: ordinary shares, registered shares, book entry shares

Rights and obligations:

the right to participate, vote and submit proposals at the general meeting, the right to a share of the profit and the liquidation balance, the right to preferential subscription of shares, the right to request the convening of the General meeting, the obligation to return the Bank services provided in violation of the law, the obligation to pay interest on delay in the event of a breach of the obligation to repay the share issue price

Rights and obligations:

Percentage share in the share capital: 16.38%

Qualified participation in the Bank's share capital pursuant to Act no. 566/2001 Coll. on securities and investment services as amended, the shareholder J&T Finance Group SE, Sokolovská 700/113a, 186 00 Prague 8, Czech Republic owns a share of 98.45% and a share of 98.45% of voting rights.

During the accounting period for which the annual report is prepared, the bank did not acquire its own shares, temporary shares, business shares, nor shares, temporary shares or business shares of the parent accounting unit.

The Bank has not entered into any agreements with members of its bodies or employees, ensuring compensation to be provided to them if their position or employment is terminated as a result of the takeover offer. Conditions related to the termination of the functional or the employment relationship with members of the company's bodies and employees is regulated by the Bank's mandate contracts ("Agreement on the performance of the office of member of the Board of Directors" and "Contract on the performance of the office of member of the Supervisory board").

12. Statement of responsible persons

Responsible persons of 365.bank, a. s., with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, registered in the Commercial Register of the Municipal Court Bratislava III, section: Sa, file No.: 501/B, ID number: 31 340 890, Ing. Andrej Zaľko, Chairman of the Board of Directors and managing Directors, and Ladislav Korec, MBA, FCCA, Member of the Board of Directors, hereby declare to the best of their knowledge that the annual financial statements contained in this Consolidated annual report provide a true and fair view of assets, liabilities, financial situation and operating result of 365.bank, a. s., and the companies included in its consolidation, and that this management report as well as the Consolidated annual report as a whole contain a true and fair view of the development and results of the business activities and position of 365.bank, a. s., for 2023 together with a description of the main risks and uncertainties it faces in connection with its business activities.

No other events of particular significance have occurred after the end of the accounting period for which this annual report is prepared.

13. Consolidated financial statements

365.bank, a. s.

Consolidated Financial Statements
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

for the year ended 31 December 2023
(English translation)

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Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of
365.bank, a. s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 365.bank, a. s. (the "Bank") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position as at 31 December 2023;

and, for the period then ended:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended (“the Act on Statutory Audit”) including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2023:

€ 2 848 676 thousand; impairment loss recognized for the year then ended: € 33 634 thousand; total impairment loss as at 31 December 2023: € 143 728 thousand.

Refer to Note 2 (Significant accounting policies), Note 8 (Financial assets at amortized cost: Loans and advances) and Note 28 (Impairment losses and provisions: Financial assets at amortized cost - Loans and advances).

Key audit matter

Impairment allowances represent the Management Board's best estimate of the expected credit losses (“ECLs”) within financial assets at amortized cost at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment and assumptions from the Management Board.

Impairment allowances for most performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing exposures (Stage 3) below € 300 thousand individually (together “collective impairment allowance”) are determined by modelling techniques. Historical experience, forward-looking information, identification of exposures with a significant deterioration in credit quality and management judgment are incorporated into the model's assumptions.

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the Group's

Our response

Our audit procedures in this area, performed assisted by our own information technology (IT) specialists and financial risk management specialists (FRM), included, among others:

- Updating our understanding of the Group's ECL impairment methods and assessing their compliance with the relevant requirements of the financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate;
- Making relevant inquiries of the Group's risk management, internal audit and IT personnel, in order to update our understanding of the ECL process, IT applications used therein, key data sources and assumptions used in the ECL model.

knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.

For the above reasons, impairment of loans and advances to customers was considered by us to be an increased risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.

Also, assessing and testing the Group's IT control environment for data security and access;

- Testing the design, implementation of selected key controls over the approval, recording and, monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing. Testing the design, implementation and operating effectiveness of key automatic controls such as calculation of days past due, effective interest rate collateral valuations and manual control over retail collateral valuation;
- Assessing whether the definitions of default and significant increase in credit risk, and the financial instruments standard's staging criteria, were all appropriately and consistently applied;
- For collective impairment allowance:
 - Obtaining the Group's forward-looking information used in the ECL assessment. We involved our own credit risk specialist to assist us in evaluating the information by means of comparison to publicly available information;
 - Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances;
 - Developing an independent expectation of corporate clients ECLs for selected risk-based sample of corporate loans. We developed the expectation based on external market data on staging, PDs and LGDs and based on internal information of the current loan data;
 - Developing an independent expectation of the retail ECL portfolio. We developed expectation on ECLs based on loss rates derived from the ageing report considering also the impact of the forward looking information on expected credit losses;
- For impairment allowances calculated individually:

	<ul style="list-style-type: none"> - For a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2023; - For the exposures which impairment allowances are individually calculated, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values by reference publicly available market data; • For loans and advances exposures in totality: <ul style="list-style-type: none"> - Examining whether the Group's loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.
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Responsibilities of the Statutory Body and Those Charged with Governance for the Consolidated Financial Statements

The statutory body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body;
- Conclude on the appropriateness of the statutory body'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Consolidated Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the

consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Consolidated Annual Report that we have obtained prior to the date of the auditors' report on the audit of the consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Consolidated Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Consolidated Annual Report is consistent with the consolidated financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the consolidated financial statements, in our opinion, in all material respects:

- the other information given in the Consolidated Annual Report for the year ended 31 December 2023 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the consolidated financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Consolidated Annual Report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of 365.bank, a. s. on 14 June 2023 on the basis of approval by the General Meeting of 365.bank, a. s. held on 27 December 2022. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 21 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on the same date as the date of this report.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

In addition to the statutory audit services and services disclosed in the consolidated Annual Report or the consolidated financial statements of the Group, we did not provide any other services to the Group.

Presentation of the Consolidated Financial Statements in Compliance with the Requirements of the European Single Electronic Format ("ESEF")

The statutory body is responsible for the presentation of the financial statements for the year ended 31 December 2023 included in the Annual Financial Report that complies with the requirements of the

Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). The presentation of the consolidated financial statements for the year ended 31 December 2023 in electronic XHTML format marked up using the XBRL markup language is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the compliance of the presentation of the accompanying consolidated financial statements with the requirements of the ESEF Regulation.

After management provides us with the electronic XHTML format of the accompanying consolidated financial statements marked up using the XBRL markup language, our responsibility will be to perform an engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits and Reviews of Historical Financial Information, with the objective to obtain reasonable assurance on the compliance of the consolidated financial statements with the requirements of the ESEF Regulation. Our updated auditor’s report will either state that based on the procedures performed, the presentation of the consolidated financial statements complies, in all material respects, with the requirements of the ESEF Regulation, or we will describe any material non-compliance that we would identify in this respect.

Audit firm:

KPMG Slovensko spol. s r.o.

License SKAU No. 96



Responsible auditor:

Ing. Michal Maxim, FCCA

License UDVA No. 1093

Bratislava, 20 March 2024



A. Consolidated statement of financial position

EUR'000	Notes	31.12.2023	31.12.2022
Assets			
Cash, cash balances at central banks and other demand deposits	4	438,490	594,686
thereof: Cash and cash equivalents	4	407,469	562,341
Financial assets held for trading	5	178	16
Non-trading financial assets mandatorily at fair value through profit or loss	6	192,884	186,523
Financial assets at fair value through other comprehensive income	7	184,893	232,415
Financial assets at amortised cost	8	3,655,814	3,545,098
<i>Debt securities</i>	8	737,362	512,690
<i>Loans and advances</i>	8	2,887,440	2,993,535
thereof: Loans and advances to banks	8	38,764	35,813
thereof: Loans and advances to customers	8	2,848,676	2,957,722
<i>Other financial assets</i>	8	31,012	38,873
Derivatives – Hedge accounting	9	6,958	8,089
Investments in joint ventures and associates	10	1,019	1,106
Tangible assets	11	52,142	60,095
Intangible assets	12	60,483	56,009
Current tax assets		1,529	142
Deferred tax assets	13	28,616	27,291
Other assets	14	15,811	19,799
TOTAL ASSETS		4,638,817	4,731,269
Liabilities			
Financial liabilities held for trading	5	85	2,102
Financial liabilities at amortised cost	15	3,915,060	3,953,365
<i>Deposits</i>	15	3,730,954	3,769,899
thereof: Subordinated debt	15	8,024	8,019
<i>Debt securities issued</i>	15	139,709	124,981
<i>Other financial liabilities</i>	15	44,397	58,485
Derivatives – Hedge accounting	9	4,654	37
Provisions	16	393	2,577
Current tax liabilities		35	2,773
Other liabilities	17	29,604	13,272
Total liabilities		3,949,831	3,974,126
Share capital and share premium	18	367,043	367,043
Retained earnings	18	260,712	334,830
Other equity	18	61,231	55,270
Total equity	18	688,986	757,143
TOTAL EQUITY AND LIABILITIES		4,638,817	4,731,269

These consolidated financial statements, which include the notes on pages 63 - 122, were approved by the Board of Directors on 14 March 2024.



Chairman of the Board of Directors
Andrej Zafko



Member of the Board of Directors
Ladislav Korec

B. Consolidated statement of profit or loss and other comprehensive income

EUR'000	Notes	2023	2022
Statement of profit or loss			
Net interest income	21	143,116	134,094
<i>Interest income calculated on an effective interest rate</i>	21	174,488	141,537
<i>Other interest income</i>	20	8	368
<i>Interest expenses</i>	21	(31,380)	(7,811)
Net fee and commission income	22	66,804	69,604
<i>Fee and commission income</i>	22	94,466	96,819
<i>Fee and commission expenses</i>	22	(27,662)	(27,215)
Dividend income	23	14	8,355
Net gains/(losses) from sale of subsidiaries and other financial transactions	24	3,916	22,468
Other operating income and expenses	25	8,787	4,372
Staff expenses	26	(63,110)	(59,649)
Other administrative expenses	26	(46,435)	(46,812)
Depreciation	27	(16,655)	(24,847)
Release/(creation) of provisions	28	242	(1,840)
Net impairment of financial assets not valued at fair value through profit and loss	28	1,339	7,139
Net impairment on non-financial assets	28	(308)	780
Share of the profit of investments in joint ventures and associates	10	113	243
Profit before tax		97,823	113,907
Income tax	29	(16,843)	(22,150)
Profit after tax		80,980	91,757
Profit after tax attributable to ordinary shareholders		80,980	91,757
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		863	(23,561)
<i>Revaluation of debt securities at fair value through other comprehensive income</i>		6,200	(29,700)
<i>Impairment losses for debt securities at fair value through other comprehensive income</i>		(7,668)	(183)
<i>Deferred tax related to items that may be reclassified to profit or loss</i>		2,331	6,322
Total other comprehensive income		863	(23,561)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		81,843	68,196
Total comprehensive income attributable to ordinary shareholders		81,843	68,196

The notes on pages 63 - 122 are an integral part of these consolidated financial statements.

C. Consolidated statement of changes in equity

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	TOTAL EQUITY
Opening balance as of 1 January 2023	366,305	738	68,163	(12,893)	334,830	757,143	757,143
Total comprehensive income	-	-	-	863	80,980	81,843	81,843
Profit after tax	-	-	-	-	80,980	80,980	80,980
Other comprehensive income	-	-	-	863	-	863	863
Other transactions	-	-	5,098	-	(155,098)	(150,000)	(150,000)
Transfer to legal reserve fund	-	-	3,434	-	(3,434)	-	-
Dividends	-	-	-	-	(150,000)	(150,000)	(150,000)
Other	-	-	1,664	-	(1,664)	-	-
Closing balance as of 31 December 2023	366,305	738	73,261	(12,030)	260,712	688,986	688,986

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	Non-controlling interests	TOTAL EQUITY
Opening balance as of 1 January 2022	366,305	738	63,426	10,668	297,821	738,958	116	739,074
Total comprehensive income	-	-	-	(23,561)	91,757	68,196	-	68,196
Profit after tax	-	-	-	-	91,757	91,757	-	91,757
Other comprehensive income	-	-	-	(23,561)	-	(23,561)	-	(23,561)
Other transactions	-	-	4,737	-	(54,748)	(50,011)	(116)	(50,127)
Transfer to legal reserve fund	-	-	4,737	-	(4,737)	-	-	-
Dividends	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Change in non-controlling interests without change in control	-	-	-	-	143	143	(116)	27
Other	-	-	-	-	(154)	(154)	-	(154)
Closing balance as of 31 December 2022	366,305	738	68,163	(12,893)	334,830	757,143	-	757,143

The notes on pages 63 - 122 are an integral part of these consolidated financial statements.

D. Consolidated statement of cash flows

EUR'000	Notes	2023	2022
Profit before tax		97,823	113,907
<i>Adjustments:</i>			
Net interest income	21	(143,116)	(134,094)
Dividend income	23	(14)	(8,355)
Depreciation	27	16,655	24,847
Release/(creation) of provisions	28	(242)	1,840
Losses/(gains) on derecognition of non-financial assets, net	25	277	223
Gain from sale of subsidiaries	24	-	(19,582)
Net impairment of financial assets not valued at fair value through profit and loss	28	(1,339)	(7,139)
Net impairment on non-financial assets	28	308	(780)
Share of profit in jointly controlled entities and associates		(113)	(243)
Cash flows used in operating activities before changes in working capital		(29,761)	(29,376)
<i>(Increase)/decrease in operating assets:</i>			
Cash balances at central banks	4	1,324	372,455
Financial assets held for trading	5	(162)	(14)
Non-trading financial assets mandatorily at fair value through profit or loss	6	(6,361)	131,206
Financial assets at amortised cost		101,876	169,544
<i>Loans and advances</i>		94,014	183,746
<i>Other financial assets</i>		7,862	(14,202)
Derivatives – Hedge accounting	9	1,131	(6,998)
Other assets	14	3,989	(3,714)
<i>Increase/(decrease) in operating liabilities:</i>			
Financial liabilities held for trading		(2,017)	(1,593)
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		(75,601)	(239,574)
<i>Deposits</i>		(65,172)	(237,527)
<i>Other financial liabilities</i>		(10,429)	(2,047)
Derivatives – Hedge accounting	9	(428)	6,875
Other liabilities	17	16,332	(1,012)
Cash flows from operating activities before interest and income tax		10,322	397,799
Interest received		176,629	144,459
Dividends received	23	14	8,352
Interest paid		(14,432)	(10,126)
Income tax paid		(19,962)	(20,694)
Net cash flows from operating activities		152,571	519,790
Cash flows from investing activities			
<i>Financial assets at amortised cost - debt securities</i>			
Purchase		(245,169)	(157,511)
Proceeds from sale and maturity		25,000	22,576
<i>Financial assets at fair value through other comprehensive income - debt securities</i>			
Purchase		-	(15,676)
Proceeds from sale and maturity		57,481	134,125
<i>Investments in subsidiaries, joint ventures and associates</i>			
Proceeds from disposal of subsidiary, net of cash held by subsidiary		-	24,672
<i>Tangible and intangible assets</i>			
Purchase	11,12	(12,521)	(19,819)
Proceeds from sale		615	814
Net cash flows used in investing activities		(174,594)	(10,819)
Cash flows from financing activities			
<i>Dividends paid</i>			
Owners of the parent		(150,000)	(49,229)
<i>Debt securities issued</i>			
Proceeds from issue of debt securities		77,480	60,000
Repayment of debt securities		(65,000)	-
<i>Financial liabilities at amortised cost - received loans</i>			
Loan paid		10,000	10,035
Loan repayments		-	(10,100)
<i>Financial liabilities at amortised cost - lease liabilities</i>			
Lease payments		(5,329)	(6,059)
Net cash flows (used in)/from financing activities		(132,849)	4,647
Net (decrease)/increase in cash and cash equivalents	4	(154,872)	513,618
Cash and cash equivalents at the beginning of the period	4	562,341	48,723
Cash and cash equivalents at the end of the period	4	407,469	562,341

The notes on pages 63 - 122 are an integral part of these consolidated financial statements.

E. Notes to the consolidated financial statements

1. General information

365.bank, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992 and commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. and provides both digital and branch network services. Poštová banka (365.bank, a. s., organizational unit Poštová banka) continues to provide its services at Slovenská pošta's offices. The registered office of the Bank is Dvořákovo nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2020294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of 365.bank group.

The Bank operates in the Slovak Republic through a network of branches, and, under a contract with Slovenská pošta, a.s., the Bank sells its products and services through post offices and financial services compartments located throughout the Slovak Republic.

Consolidated financial statements are the financial statements of the Bank and its subsidiaries, joint ventures and associates ('the Group').

The principal activities of the Group are as follows:

- accepting and providing deposits in euro and in foreign currencies,
- providing loans and guarantees in euro and foreign currencies,
- providing banking services to the public,
- providing services on the capital market,
- provision of investment services,
- managing pension funds,
- mediation of life and non-life insurance services,
- leasing, rental and factoring services.

The shareholder's structure is as follows:

Name of shareholder	Address	31 December 2023		31 December 2022	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech Republic	325,794	98.45%	325,794	98.45%
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak Republic	4,918	1.49%	4,918	1.49%
Ministerstvo dopravy Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak Republic	100	0.03%	100	0.03%
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, The Republic of Austria	87	0.03%	87	0.03%
Total		330,899	100.00%	330,899	100.00%

Members of the Board of Directors

Andrej Zaťko	Chairman
Peter Hajko	Board member
Zuzana Žemlová	Board member
Ladislav Korec	Board member

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Patrik Tkáč	Board member since 1 August 2023
Jan Kotek	Board member till 4 May 2023

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the Board of Directors on 22 March 2023 and are available at its registered office or on its homepage.

The Group's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic. The consolidated financial statements are available at the registered office of J&T FINANCE GROUP SE.

2. Accounting policies

2.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

These financial statements are prepared as consolidated financial statements under Section 22 of the Slovak Act on Accounting 431/2002, as amended.

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

These financial statements are presented in euro ("EUR"), which is the Group's functional currency. Except for otherwise indicated, financial information presented in euro has been rounded to the nearest thousand. The tables in these financial statements may contain rounding differences.

2.2 Subsidiaries, joint ventures and associates

As at 31 December 2023 the Bank held shares in the following subsidiaries, joint ventures and associates:

Company name	Activity	Ownership in %	
		31.12.2023	31.12.2022
Subsidiaries			
365.invest, správ. spol., a. s.	Asset management	100.00%	100.00%
Ahoj, a.s.	Consumer loans	100.00%	100.00%
PB Servis, a. s.	Real estate administration	100.00%	100.00%
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100.00%	100.00%
365.fintech, a.s.	Investment fund	100.00%	100.00%
Cards&Co, a. s.	Information technology services industry	100.00%	100.00%
DanubePay, a. s. *	Payment services	100.00%	100.00%
ART FOND – StredoEurópsky fond súčasného umenia, a. s.	Art and sales	100.00%	100.00%
365.nadácia	Charitable foundation	x	x
Joint ventures			
SKPAY, a. s.	Payment services	40.00%	40.00%
Monilogi s.r.o.	Cash management	8.00%	8.00%

* DanubePay, a. s. is owned by the Bank indirectly through the company Cards&Co, a. s. which owns 100.00% of the respective company.

In 2022, the Bank made a contribution to the share capital of Monilogi s.r.o., which is under common control. On 28 December 2022, the Bank sold its entire share in the subsidiary 365.life, d. s. s., a. s.

365.nadácia is not included in the consolidated financial statements.

2.3 Changes in accounting policies

The application of other accounting standards since 1 January 2023 had no significant impact on the financial statements of the Group.

2.4 Significant accounting methods and policies

(a) Basis for consolidation

Consolidated financial statements include the financial statements of the Bank and its subsidiaries.

IFRS 12 Disclosure of Interests in Other Entities requires disclosure of significant judgments and assumptions made in determining the nature of a company's shareholding or arrangement, interests in subsidiaries, joint ventures and associates, and in non-consolidated structured units. On the basis of the prepared analysis, the Group does not have investments in consolidated structured units or in non-consolidated structured companies.

Joint ventures are those entities in which the Bank has a material impact on financial and operating policies but is not controlled or controlled jointly by them. A joint venture is an agreement in which the Bank has joint control, through which it has the right to net assets of the agreement, and not the right to assets and responsibility for the liabilities under this agreement.

i. *Business combinations*

In case of business combinations in which the Group acquires control, the acquisition method is applied. The consideration transferred in the acquisition is generally measured at fair value, similar to the net assets acquired. Reported goodwill is tested for impairment on an annual basis. Profit from a bargain purchase is re-assessed first. If it still exists, is recognised in the profit or loss statement immediately. Procurement costs (transaction costs) are recognised as an expense in the period in which they arise, excluding costs relating to the issue of debt securities and equity securities.

If part of the consideration given is not the amount that relates to the settlement of relationships existing before the business combination then these amounts are recognised in the income statement.

A contingent consideration is measured at fair value at the acquisition date. If the obligation to pay a contingent consideration exists, which meets the definition of a financial instrument classified as equity, the contingent consideration is not remeasured, and its settlement is recognised in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. *Subsidiaries*

Subsidiaries are entities which are controlled by a group. The Group controls an entity when it is exposed to, or is entitled to, a variable return on its exposure to that entity, and is able to influence that return by its authority over that entity. Subsidiaries' financial statements are included in the consolidated financial statements, from the date of control to the loss of control date.

iii. *Minority interests*

Minority interests are measured at the proportion of the identifiable net assets of the entity procured at the date of acquisition. Changes in the Group's interests in the subsidiary, which do not result in the loss of control, are recognised in equity.

iv. *Loss of control*

If the Group loses control, it derecognises the assets and liabilities of the subsidiary, related non-controlling interests, and other equity. Profit or loss that arises from the loss of control is recognised in profit or loss. If the Group retains non-controlling interest in the former subsidiary, it is measured at fair value at the date when the control is lost.

v. *Transactions eliminated from consolidation*

Account balances and intragroup transactions, as well as any unrealised income, and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains on transactions with equity-settled entities are eliminated against investments in these entities, up to the Group's share in these entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the investment.

vi. *Method of consolidation*

The Bank assessed its shares and control in subsidiaries, jointly controlled entities and associates, in accordance with *IFRS 10 Consolidated Financial Statements*, *IFRS 11 Joint Arrangements* and *IFRS 12 Disclosure of Interests in Other Entities*. Subsidiaries are consolidated using the full consolidation method. The joint ventures are consolidated in accordance with *IFRS 11 Joint Arrangements* by the equity method.

Company name	Share in %		Method of consolidation
	31.12.2023	31.12.2022	
Subsidiaries			
365.invest, správ. spol., a. s.	100.00%	100.00%	full consolidation
Ahoj, a. s.	100.00%	100.00%	full consolidation
PB Servis, a. s.	100.00%	100.00%	full consolidation
PB Finančné služby, a. s.	100.00%	100.00%	full consolidation
365.fintech, a.s.	100.00%	100.00%	full consolidation
Cards&Co, a. s.	100.00%	100.00%	full consolidation
DanubePay, a. s.	100.00%	100.00%	full consolidation
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	100.00%	100.00%	full consolidation
Joint ventures			
SKPAY, a. s.	40.00%	40.00%	equity method
Monilogi s.r.o.	8.00%	8.00%	equity method

(b) Foreign currency

Transactions denominated in foreign currencies are translated into euro at the exchange rate valid on the date of the transaction. Financial assets and liabilities in foreign currencies are translated at the exchange rate valid on the balance sheet date. All resulting gains and losses are recorded in *Net gains/(losses) from financial transactions* in the statement of profit or loss.

(c) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate ('EIR') method. EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. EIR is determined on initial recognition of the financial asset and liability, and is not revised subsequently.

The calculation of EIR rate does not consider expected credit losses and includes all fees paid or received, transaction costs, and discounts or premiums, that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or retirement of a financial asset or liability.

Interest income and expenses from financial assets and liabilities at fair value through profit or loss are presented as part of *Net interest income*, and changes in the fair values of such instruments are presented at fair value in *Net gains/(losses) from financial transactions*.

(d) Fee and commission income and expenses

Fee and commission income from customer contracts are measured by consideration stipulated in the contract. The Group recognises revenue upon delivery of the service to the customer. The following paragraphs provide information on the nature and timing of the fulfilment of obligations arising from contracts and related revenue recognition principles. When deciding on the timing and amount of recognised income, the Group follows the *IFRS 15 Revenue from Contracts with Customers*.

The Group provides services to retail and corporate clients, which include account management fees, provision of overdraft and credit facilities, provision of loan commitments and financial guarantees, execution of foreign currency transactions and service fees.

Transaction-based fees such as service fees, investment management fees, sales commissions, placement fees and syndicated product fees are recognised when the related services are rendered.

Fee and commission income and all expenses which form an integral part of the EIR financial asset or liability valued at amortized cost using EIR are included in the EIR calculation. Revenue from accounting services and service fees are recognized over time as the services are rendered. Loan provision fees are recognised on a pro rata basis over the commitment period.

Fees related to services provided over time are accrued. These include commitment fees, guarantee fees and other fees arising from the provision of loans, income from asset management commissions, custody and other management and advisory fees. Payment services include, in part, service fees that are settled over time such as recurring card fees.

Income from fees for the provision of transaction services, such as collateral of the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as income from commissions for services such as the sale of collective investments and insurance products, are recognised after the completion of the transaction. Payment services include, in part, transaction-based fees, such as withdrawal fees.

The Group also provides asset management services. The management fees are based on a fixed percentage of the managed assets and are deducted from the client's asset account. Income from these fees is recognised when the related services are rendered.

(e) Net gains or losses from financial transactions

Net gains or losses from financial transactions comprise the following transactions:

- net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss;
- net gains or losses on financial assets and liabilities held for trading;
- net gains or losses on non-trading financial assets mandatorily at fair value through profit or loss;
- net gains or losses on financial assets and liabilities designated at fair value through profit or loss;
- net gains or losses from hedge accounting;
- foreign exchange differences.

(f) Dividend income

Dividend income is recognised when the right to receive income is established.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except for items recognised directly in equity and in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, calculated using the tax rate valid at the end of the reporting period, and including any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is calculated using the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial assets

i. Initial recognition

The Group initially recognises loans, advances and other financial assets on the date they are originated. All purchases and sales of securities are recognised on settlement day. Derivative instruments are initially recognised on the trade date, when the Group becomes a contractual party in relation to the instrument.

Financial assets are measured initially at fair value, plus transaction costs that are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss). Immediately after initial recognition, an expected credit loss allowance ('ECL') is recognised for financial assets measured at amortised cost or FVOCI.

ii. Classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories:

- amortised cost ('AC')
- fair value through profit or loss ('FVPL')
- fair value through other comprehensive income ('FVOCI')

The classification requirements for debt and equity instruments under *IFRS 9 Financial Instruments* are described below.

Debt instruments

Debt instruments are those instruments which meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring and other financial assets.

Classification and subsequent measurement of debt instruments depends on:

a. Business model for managing the assets

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then financial assets are classified as part of the 'other' business model and measured at FVPL.

Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The Group evaluates the business model for asset management on a portfolio basis. Financial assets are classified into groups of products with the same characteristics in relation to cash flows.

b. Cash flow characteristics of the assets

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (interest includes only consideration for the time value of money), credit risk, or other basic lending risks plus a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are treated as a whole when determining whether their cash flows represent only principal and interest payments.

The Group reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. It is expected that such changes will not occur, or they will be very infrequent.

Based on the business model and SPPI test, the Group classifies its debt instruments into one of the following measurement categories:

- *Amortised cost*

(A) Cash, cash balances at central banks and other demand deposits

Cash and cash balances at central banks comprise cash on hand, unrestricted cash balances at central banks, and other demand deposits at other credit institutions. Collateral accounts at other credit institutions, whose use is restricted, are reported within *Financial assets at amortised cost*.

(B) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation, using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in *Net interest income* using the effective interest rate method.

- *Fair value through profit or loss*

(A) Financial assets held for trading

Financial assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed to achieve short-term profit or to maintain position. These assets do not meet the criteria for amortised cost or FVOCI based on Group's business model, so they are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss, and is not part of a hedging relationship, is recognised in the profit or loss statement within *Net gains/(losses) from financial transactions* in the period in which it arises.

(B) Non-trading financial assets mandatorily at fair value through profit or loss

Assets whose cash flows do not represent solely payments of principal and interest, and therefore fail the SPPI test, are mandatorily measured at FVPL. Their measurement and subsequent recognition are the same as for financial assets held for trading.

(C) Financial assets designated at fair value through profit or loss

Under *IFRS 9 Financial Instruments*, it is permitted to irrevocably designate financial assets at FVPL, if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. The Group did not use the fair value option for any financial assets that meet the criteria for measurement at amortised cost or FVOCI.

- *Fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income

Financial assets that are held both for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are measured through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is

reclassified from equity to profit or loss and recognised in *Net gains/(losses) from financial transactions*. Interest income from these financial assets is included in *Net interest income* using the effective interest rate method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are never reclassified to profit or loss, including derecognition.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established within *Dividend income*.

Gains and losses on equity investments at FVPL (those designated at FVPL or classified as held for trading) are included within *Net gains/(losses) from financial transactions* in the statement of profit or loss.

No expected credit losses are reported for equity instruments.

The Group concluded that share certificates held in the Group's portfolio meet the definition of puttable instruments. According to *IFRS 9 Financial Instruments*, puttable instruments do not meet the definition of an equity instrument, and therefore entities cannot make an irrevocable election to present the changes in fair value of such instruments in other comprehensive income. Due to cash flow characteristics of assets, share certificates fail to meet the solely payments of principal and interest requirement. As a result, these instruments are classified as *Non-trading financial assets mandatorily at fair value through profit or loss*.

iii. Identification and measurement of credit losses

Credit loss is the difference between all contractual cash flows that are attributable to the entity in accordance with the contract, and all cash flows that are expected to be received, discounted at the original effective interest rate. In estimating cash flows, the Group considers all the terms and conditions of the financial asset during the expected life of that financial asset. Considered cash flows should also include cash flows from sale of collateral, or any other form of credit risk mitigation that is an integral part of the terms and conditions.

The Group assesses expected credit losses associated with its debt instrument assets carried at amortised cost and FVOCI, and with exposures arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

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

Note 34. *Credit risk* provides more detail of how the expected credit loss allowance is measured.

iv. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows from the financial asset, in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets, which is created or retained by the Group, is recognised as a consolidated asset or liability.

The Group enters contracts whereby it transfers assets recognised in its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Group also derecognises certain assets when it writes off assets deemed to be uncollectible.

v. *Modifications of financial assets*

If there is a change in the contractual terms, the Group evaluates whether there is a significant change in the contractual cash flows. Significant modifications to cash flows result in the derecognition of the original financial asset and a new financial asset is recognised at fair value.

If the modification does not result in the derecognition of the financial asset, the Group recalculates the gross carrying amount as the present value of changed cash flows discounted by the original EIR. Difference between the new and the original values is recognised in the statement of profit or loss as “*Net profit/(loss) from the modification of financial assets*“. The impact of the modifications was insignificant during the reported accounting periods.

(i) **Derivatives**

Derivatives are measured at fair value in the statement of financial position. Changes in fair value depend on their classification:

Hedging derivatives

Under the Group’s strategy, hedging derivatives are designed to hedge and manage selected risks.

The Group has elected to adopt *IFRS 9 Financial Instruments* for hedge accounting purposes and in the area of macro hedging derivatives, it decided to continue to apply *IAS 39 Financial Instruments: Recognition and Measurement*.

The main Group criteria for classification of hedging derivatives in the area of micro hedging are as follows:

- the relationship between hedging instrument and hedged item, in meaning of risk characteristics, function, target and strategy of hedging is formally documented at origination of the hedging transaction, together with the method that is used for assessment of effectiveness of the hedging relationship;
- the relationship between hedging instrument and hedged item is formally documented at the origination of the hedging transaction and the Group expects that it will decrease the risk of the hedged item;
- hedging meets all effectiveness criteria:
 - there is an economic relationship between the hedging instrument and hedged item;
 - the effect of credit risk does not dominate the value changes that result from that economic relationship;
 - the hedge ratio of the hedge is the same as the hedge ratio resulting from the amount of the hedging instrument used by the entity for hedging of the hedged item. However, this indication should not reflect the imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether or not recognised), that could also result in a business result inconsistent with the purpose of hedge accounting.

A hedging relationship in the area of macro hedging qualifies for hedge accounting if, and only if, all of the following conditions are met.

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The hedged item in the case of macro-hedging is a part of consumer and mortgage loans with a fixed rate denominated in EUR, excluding loans overdue for more than 90 days. The volume of the hedged item and derivative changes continuously based on the development of the loan portfolio.

Individual loans are assigned to time baskets according to their repayment schedule (when fixed to maturity) or according to refixation (currently mainly mortgage loans). For that reason, it is subject to the same risk, namely the risk of changing the swap curve in EUR.

The Group uses 3M time baskets for portfolio hedging purposes. The mapping methodology is identical to the approved methodology for mapping interest time baskets, which take into account early repayment and loans in arrears of more than 90 days.

The purpose of the hedging is to minimize the interest risk resulting from the movement of market interest rates in EUR and to eliminate the "accounting discrepancy" between the accounting of the fair value of the IRS (hedging instrument) through the P&L and the regular accounting of the portfolio of consumer and mortgage loans (hedged item).

i. Fair value hedge

The Group uses financial derivatives to manage the level of risk in relation to interest rate risk. The Group uses hedging derivatives to hedge the fair value of recognised assets. In the case of micro-hedging the Group hedges the fair value of bonds with fixed coupon. In the case of macro-hedging the Group hedges the fixed interest rate loan and advances portfolio. As the purchase of bonds with fixed coupon and origination of loans and advances with fixed interest rate increases the interest rate risk of the Group, the Group enters into interest rate swaps to hedge the changes in fair value, caused by changes in risk-free interest rates, and pays a fixed and receives a floating rate. The notional and fair values of the aforementioned hedging derivatives are described in note 9. *Hedging derivatives*.

Changes in fair value without interest component (clean price) of hedging instruments are recognised in the profit or loss statement line as Net gains/(losses) from financial transactions. For micro-hedging, changes in fair value without interest component of the hedged items attributable to the hedged risk adjust the carrying amount of the hedged item and is recognised in profit or loss as *Net gains/(losses) from financial transactions*. For macro-hedging, changes in fair value, without the interest component of the hedged items are presented also at the row *Derivatives – Hedge accounting* and in profit and loss are also included in *Net gains / (losses) from financial transactions*.

Interest expense and interest income from hedging instruments are presented together with interest income and expense from hedged items, in the consolidated profit and loss statement under *Net interest income*. The positive value of hedging instruments is recognised in the consolidated statement of financial position as an asset in *Derivatives - Hedge accounting*. The negative value of hedging instruments is recognised as a liability in *Derivatives – Hedge accounting*. A summary of hedging derivatives is presented in note 9. *Hedging derivatives*.

If the derivative expires or is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised in profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of *Net gains/(losses) from financial transactions*.

Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as a financial asset and applies classification and measurement accounting principles according to *IFRS 9 Financial Instruments*.

Otherwise, the embedded derivatives are treated as individual derivatives when:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative;
- the hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss, unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(j) Tangible and intangible assets

i. Recognition and measurement

Items of tangible and intangible assets are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of related equipment is capitalised as part of the cost of that asset. When separate parts of a particular asset have different useful lives, they are accounted for as separate items (major components) or assets.

ii. Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part of asset will flow to the Group, and its cost can be reliably measured. The costs of day-to-day maintenance of tangible assets are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation and amortisation are recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible and intangible assets. Land is not depreciated. Depreciation of tangible and intangible assets commences as soon as they are put into use.

The estimated useful lives for the current and comparative periods are as follows:

Type of asset	Period	Method
Buildings	40 years	straight line
Hardware	2 – 8 years	straight line
Fittings and other equipment	2 – 15 years	straight line
Software	individual	straight line
Other intangible assets	individual	straight line

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

iv. Goodwill

Goodwill arising in a business combination is determined as the excess of the acquisition cost of the subsidiary's share over the Group's share of the fair value of the assets, liabilities and contingent liabilities of the subsidiary. Goodwill is recognised as part of intangible assets in the statement of financial position.

Goodwill is stated at cost less impairment. Write-offs are not recognised, goodwill is tested for impairment each year and, if the goodwill is greater than the recoverable amount, the difference is recognised as a write-down in the profit and loss statement.

(k) Right-of-use assets and lease liabilities

The Group assesses whether the contract is a lease or contains a lease, according to *IFRS 16 Leases*, at the inception of the contract. The contract is a lease, or contains a lease, when it conveys a right to use the underlying asset for a period of time in exchange for consideration. In cases where the contract is a lease, or contains a lease, the Group accounts for each lease component relating to the contract separately from the non-lease components of the contract.

The Group as a lessee recognises initially the right-of-use asset and the lease liability. The right-of-use asset is measured at cost, which equals the initial measurement of the lease liability. On the commencement day, the Group recognises the lease liability as a present value of minimum lease payments over the lease term, which were not paid until the commencement day. The lease term is a non-cancellable period of a lease, together with periods covered by an option to extend the lease – if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease – if the lessee is reasonably certain not to exercise that option. Lease payments are discounted using the interest rate implicit in the lease in relation to the operating lease of cars and using the incremental borrowing rate in relation to other leasing contracts, or leasing contracts containing a lease.

Right-of-use assets are depreciated evenly over the shorter of either the lease term or the useful life.

The Group uses portfolio approach for contracts with similar characteristics when accounting for the lease.

Right-of-use assets are represented mainly by the lease of headquarter and branch premises, office space in post offices, IT lease contracts, lease of cars, and lease of other devices. The Group applies exemptions related to short term leases, i.e. lease contracts or contracts containing a lease with a lease term of 12 months or less, and to low value leases. Lease payments are recognised evenly as an expense over the lease term.

Right-of-use assets are presented in note 11. *Tangible assets*, and lease liabilities are presented in note 15. *Financial liabilities at amortised cost*.

Interest expenses relating to lease liabilities are presented separately from depreciation relating to right-of-use assets.

(l) Impairment losses on non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows which are largely independent from other assets and groups.

Impairment losses are recognised directly in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, or its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Financial liabilities

i. Initial recognition

The Group initially recognises deposits by banks and customers, loans received, and other financial liabilities on the date they are originated. Derivative instruments are initially recognised on the trade date, when the Group becomes the contractual party in relation to the instrument.

Financial liabilities are measured initially at fair value, including transaction costs which are directly attributable to their acquisition or issue (for items that are not measured at fair value through profit or loss).

ii. Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book), and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities, designated at fair value through profit or loss, are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk), and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- financial guarantee contracts and loan commitments.

iii. Derecognition

The Group derecognises a financial liability when its contractual obligations are fulfilled, cancelled or expire.

(n) Financial guarantees and loan commitments

Financial guarantees are contracts based on which the Group undertakes to make a payment in favour of the creditor in order to compensate the incurred loss, if the debtor fails to pay at the due date under the original or modified terms of the instrument.

Loan commitments are the Group's commitments to provide loan under predetermined conditions.

Provided financial guarantees and loan commitments are initially measured at fair value. Subsequently, they are measured at the higher of the originally recognised amount less impairment allowance in compliance with *IFRS 9 Financial Instruments* and the initially recognised amount less cumulative revenue recognised in accordance with *IFRS 15 Revenue from Contracts with Customers*.

Other loan commitments are measured as the total of impairment allowances in accordance with *IFRS 9 Financial Instruments* and the amounts of all fees received less cumulative income, if it is unlikely that the obligation would result in a specific loan agreement.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation arising from the past event and whose impact can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off-balance sheet exposures arising from provided loan and other commitments and from provided guarantees are calculated in accordance with *IFRS 9 Financial Instruments* on the basis of the same principles as the ECL for financial assets.

(p) Employee benefits

i. Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

ii. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed when the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(q) Offsetting

In general, financial assets and liabilities are not offset. They are presented net in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The right to offset financial assets and financial liabilities is applicable only if it is not contingent on a future event, and is enforceable by all counterparties in the normal course of business, as well as in the event of insolvency and bankruptcy. Compensation mainly concerns supplier-customer relations, and it is booked based on offsetting supporting evidence.

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

(r) New standards and interpretations not yet adopted

As at the date of approval of these financial statements, the IASB has issued and the EU has adopted the following amendments to existing standards which are not yet effective:

- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules
 - 'Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt: the income inclusion rule, the undertaxed payment rule and a qualified domestic minimum top-up tax. They are often referred to as 'global minimum top-up tax' or 'top-up tax'
 - The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and requiring entities to provide new disclosures in relation to the top-up tax and the relief.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
 - The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:
 - a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
 - a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants
 - Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).
 - The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
 - The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:
 - a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
 - a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
 - the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.
 - However, the amendments do not apply to arrangements for financing receivables or inventory.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability
 - Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.
 - IAS 21 was amended to clarify:
 - when a currency is exchangeable into another currency; and
 - how a company estimates a spot rate when a currency lacks exchangeability.
 - The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Group has decided not to adopt the new standard and amendments to existing standards before the effective date. According to the Group's estimates, compliance with these standards and amendments to existing standards in the period when they are initially applied will not have any significant impact on the Group's financial statements.

(s) New standards and interpretations effective January 1, 2023

- Effectiveness of IFRS 17 - or International Financial Reporting Standard 17
 - is a global accounting standard developed by the International Accounting Standards Board (IASB) that sets out how insurance contracts should be recognized in the financial statements, effective from January 1, 2023. Its purpose is to ensure greater transparency and comparability of financial reporting of insurance contracts. IFRS 17 requires insurers to measure and report their insurance contracts at fair value, which reflects the timing, uncertainty and risks associated with those contracts over their term. It establishes a consistent framework for reporting revenue and profits from insurance contracts, ensuring that the financial statements accurately reflect the financial performance and liabilities of insurers.
 - The Group may decide on an irrevocable election when applying the IFRS 9 or IFRS 17 standard for contracts that meet the criteria of an insurance product if they cover a significant insurance risk.
 - The Group did not identify financial contracts that meet the definition of an insurance product under IFRS 17.

3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes.

Expected credit losses

The measurement of ECL allowance for debt financial assets measured at amortised cost and FVOCI, financial guarantees and loan commitments, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- choosing the appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- establishing groups of similar financial assets for the purposes of measuring ECL.

Further information about determining ECL is included in note 34. *Credit risk*.

Determining fair values

The determination of fair value for financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Determining fair value of such instruments is also influenced by the assessment of credit risk from the counterparty.

Further information about the amounts of financial instruments at fair value, analysed according to the valuation methodology (broken down into individual valuation levels), are included in note 31. *Fair values of financial assets and liabilities*.

4. Cash, cash balances at central banks and other demand deposits

The compulsory minimum reserve account is reported within cash balances at central banks and is held at the National Bank of Slovakia ('NBS'). The account contains funds from the payment system, as well as funds that the Group is obliged to maintain at an average level set by requirement of the NBS.

The amount of set reserve depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for calculation of the compulsory minimum reserve. The account balance of compulsory minimum reserve may significantly vary depending on the amount of incoming and outgoing payments. During the reporting period, the Group fulfilled the set amount of compulsory minimum reserves.

EUR'000	31.12.2023	31.12.2022
Cash on hand	26,636	30,750
Cash balances at central banks	369,124	520,399
Other demand deposits	42,730	43,537
Total	438,490	594,686

The above-mentioned financial assets are not restricted.

Cash and cash equivalents comprise cash on hand and other deposits repayable on demand. The Group does not recognise compulsory minimum reserves as part of cash equivalents due to the obligation to maintain them at the average amount stipulated by the NBS measure.

The balance of cash and cash equivalents is as follows:

EUR'000	31.12.2023	31.12.2022
Cash on hand	26,636	30,750
Other demand deposits	338,103	488,054
Other demand deposits	42,730	43,537
Total	407,469	562,341

5. Financial assets and liabilities held for trading

EUR'000	31.12.2023	31.12.2022
Financial assets held for trading		
Derivatives	178	16
Foreign exchange	178	16
Total	178	16
Financial liabilities held for trading		
Derivatives	85	2,102
Foreign exchange	85	2,102
Total	85	2,102

The table below summarises the notional value and fair value of derivatives held for trading:

EUR'000	31 December 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	64,087	178	85	65,909	16	2,102
Total	64,087	178	85	65,909	16	2,102

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

EUR'000	31.12.2023	31.12.2022
Equity instruments	192,884	186,523
Share certificates	192,884	186,523
Total	192,884	186,523

7. Financial assets at fair value through other comprehensive income

EUR'000	31.12.2023	31.12.2022
Equity instruments	-	65
Shares	-	65
Debt securities	184,893	232,350
General governments	110,828	146,152
Credit institutions	17,684	27,114
Other financial corporations	19,599	26,248
Non-financial corporations	36,782	32,836
Total	184,893	232,415
Impairment allowances to debt securities in OCI	(764)	(8,432)

The movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(118)	(8,314)	-	-	(8,432)
Decreases due to derecognition	15	-	-	-	15
Changes due to change in credit risk (net)	3,276	4,377	-	-	7,653
Transfers:	(3,937)	3,937	-	-	-
(to)/from Stage 1	x	3,937	-	-	3,937
(to)/from Stage 2	(3,937)	x	-	-	(3,937)
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2023	(764)	-	-	-	(764)

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(355)	(8,260)	-	-	(8,615)
Increases due to origination and acquisition	(3)	-	-	-	(3)
Decreases due to derecognition	80	-	-	-	80
Changes due to change in credit risk (net)	160	(54)	-	-	106
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2022	(118)	(8,314)	-	-	(8,432)

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Debt securities	745,063	520,283	(7,701)	(7,593)	737,362	512,690
General governments	655,283	441,973	(216)	(151)	655,067	441,822
Credit institutions	44,771	32,758	-	-	44,771	32,758
Other financial corporations	1,300	1,362	-	-	1,300	1,362
Non-financial corporations	43,709	44,190	(7,485)	(7,442)	36,224	36,748
Loans and advances	3,031,176	3,170,905	(143,736)	(177,370)	2,887,440	2,993,535
General governments	60,385	60,206	(20)	(20)	60,365	60,186
Credit institutions	38,772	35,821	(8)	(8)	38,764	35,813
Other financial corporations	191,868	260,030	(2,730)	(8,514)	189,138	251,516
Non-financial corporations	331,769	497,089	(30,879)	(55,138)	300,890	441,951
Households	2,408,382	2,317,759	(110,099)	(113,690)	2,298,283	2,204,069
<i>Lending for house purchase</i>	<i>1,463,099</i>	<i>1,418,682</i>	<i>(381)</i>	<i>(890)</i>	<i>1,462,718</i>	<i>1,417,792</i>
<i>Credit for consumption</i>	<i>937,037</i>	<i>890,756</i>	<i>(107,574)</i>	<i>(110,745)</i>	<i>829,463</i>	<i>780,011</i>
<i>Other</i>	<i>8,246</i>	<i>8,321</i>	<i>(2,144)</i>	<i>(2,055)</i>	<i>6,102</i>	<i>6,266</i>
Other financial assets	32,461	40,413	(1,449)	(1,540)	31,012	38,873
Total	3,808,700	3,731,601	(152,886)	(186,503)	3,655,814	3,545,098

Loans and advances include finance lease receivables:

EUR'000	31.12.2023	31.12.2022
Minimum value of leasing payments		
Receivables from leasing	13,510	18,480
<i>Up to 1 year</i>	<i>5,447</i>	<i>6,451</i>
<i>1-5 years</i>	<i>8,062</i>	<i>11,817</i>
<i>Over 5 years</i>	<i>1</i>	<i>212</i>
Unrealized income on finance leases	(1,514)	(1,680)
Present value of future lease payments	11,996	16,800
Impairment allowances	(738)	(208)
Total	11,258	16,592

EUR'000	31.12.2023	31.12.2022
Present value of future lease payments		
Receivables from leasing	11,996	16,800
<i>Up to 1 year</i>	<i>4,760</i>	<i>5,358</i>
<i>1-5 years</i>	<i>7,235</i>	<i>11,233</i>
<i>Over 5 years</i>	<i>1</i>	<i>209</i>
Present value of future lease payments	11,996	16,800
Impairment allowances	(738)	(208)
Total	11,258	16,592

Other financial assets comprise the following:

EUR'000	31.12.2023	31.12.2022
Other financial assets, gross	32,461	40,413
Clearing and settlement items	8,921	15,277
Cash collateral	6,921	7,164
Trade receivables	9,155	10,427
Other	7,464	7,545
Impairment allowances	(1,449)	(1,540)
Total	31,012	38,873

The following table shows the gross value and impairment allowances by impairment stage:

31.12.2023	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	701,354	43,709	-	-	745,063	(216)	(7,485)	-	-	(7,701)
General governments	655,283	-	-	-	655,283	(216)	-	-	-	(216)
Credit institutions	44,771	-	-	-	44,771	-	-	-	-	-
Other financial corporations	1,300	-	-	-	1,300	-	-	-	-	-
Non-financial corporations	-	43,709	-	-	43,709	-	(7,485)	-	-	(7,485)
Loans and advances	2,669,772	167,835	179,590	13,979	3,031,176	(9,917)	(17,227)	(113,210)	(3,382)	(143,736)
General governments	60,383	-	2	-	60,385	(20)	-	-	-	(20)
Credit institutions	38,772	-	-	-	38,772	(8)	-	-	-	(8)
Other financial corporations	184,542	-	-	7,326	191,868	(499)	-	-	(2,231)	(2,730)
Non-financial corporations	187,563	87,762	52,010	4,434	331,769	(928)	(8,262)	(21,111)	(578)	(30,879)
Households	2,198,512	80,073	127,578	2,219	2,408,382	(8,462)	(8,965)	(92,099)	(573)	(110,099)
<i>Lending for house purchase</i>	1,430,340	25,555	7,204	-	1,463,099	(33)	(42)	(306)	-	(381)
<i>Credit for consumption</i>	763,436	53,423	117,959	2,219	937,037	(8,382)	(8,898)	(89,721)	(573)	(107,574)
<i>Other</i>	4,736	1,095	2,415	-	8,246	(47)	(25)	(2,072)	-	(2,144)
Other financial assets	-	32,461	-	-	32,461	-	(1,449)	-	-	(1,449)
Total	3,371,126	244,005	179,590	13,979	3,808,700	(10,133)	(26,161)	(113,210)	(3,382)	(152,886)

31.12.2022	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	476,093	44,190	-	-	520,283	(151)	(7,442)	-	-	(7,593)
General governments	441,973	-	-	-	441,973	(151)	-	-	-	(151)
Credit institutions	32,758	-	-	-	32,758	-	-	-	-	-
Other financial corporations	1,362	-	-	-	1,362	-	-	-	-	-
Non-financial corporations	-	44,190	-	-	44,190	-	(7,442)	-	-	(7,442)
Loans and advances	2,780,077	207,759	170,832	12,237	3,170,905	(16,334)	(20,527)	(131,950)	(8,559)	(177,370)
General governments	60,202	4	-	-	60,206	(20)	-	-	-	(20)
Credit institutions	35,821	-	-	-	35,821	(8)	-	-	-	(8)
Other financial corporations	252,256	-	1	7,773	260,030	(740)	-	(1)	(7,773)	(8,514)
Non-financial corporations	309,615	131,855	51,155	4,464	497,089	(8,350)	(11,341)	(34,661)	(786)	(55,138)
Households	2,122,183	75,900	119,676	-	2,317,759	(7,216)	(9,186)	(97,288)	-	(113,690)
<i>Lending for house purchase</i>	1,395,895	18,242	4,545	-	1,418,682	(34)	(99)	(757)	-	(890)
<i>Credit for consumption</i>	720,338	57,519	112,899	-	890,756	(7,124)	(9,052)	(94,569)	-	(110,745)
<i>Other</i>	5,950	139	2,232	-	8,321	(58)	(35)	(1,962)	-	(2,055)
Other financial assets	-	40,413	-	-	40,413	-	(1,540)	-	-	(1,540)
Total	3,256,170	292,362	170,832	12,237	3,731,601	(16,485)	(29,509)	(131,950)	(8,559)	(186,503)

The movements in impairment allowances for debt securities, and loans and advances, at amortised cost are as follows:

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(151)	(7,442)	-	-	(7,593)
Increases due to origination and acquisition	(10)	-	-	-	(10)
Decreases due to derecognition	1	-	-	-	1
Changes due to change in credit risk (net)	(56)	(43)	-	-	(99)
Transfers:	-	-	-	-	-
<i>(to)/from Stage 1</i>	x	-	-	-	-
<i>(to)/from Stage 2</i>	-	x	-	-	-
<i>(to)/from Stage 3</i>	-	-	x	-	-
As of 31 December 2023	(216)	(7,485)	-	-	(7,701)

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(98)	(7,514)	-	-	(7,612)
Increases due to origination and acquisition	(23)	-	-	-	(23)
Changes due to change in credit risk (net)	(30)	72	-	-	42
Transfers:	-	-	-	-	-
<i>(to)/from Stage 1</i>	x	-	-	-	-
<i>(to)/from Stage 2</i>	-	x	-	-	-
<i>(to)/from Stage 3</i>	-	-	x	-	-
As of 31 December 2022	(151)	(7,442)	-	-	(7,593)

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(16,334)	(20,527)	(131,950)	(8,559)	(177,370)
Increases due to origination and acquisition	(7,577)	-	-	(571)	(8,148)
Decreases due to derecognition	8,038	3,328	30,674	-	42,040
Changes due to change in credit risk (net)	12,177	(5,170)	(13,148)	5,748	(393)
Transfers:	(6,218)	5,066	1,152	-	-
(to)/from Stage 1	x	961	5,257	-	6,218
(to)/from Stage 2	(961)	x	(4,105)	-	(5,066)
(to)/from Stage 3	(5,257)	4,105	x	-	(1,152)
Changes due to movements in FX rates	(3)	76	62	-	135
As of 31 December 2023	(9,917)	(17,227)	(113,210)	(3,382)	(143,736)

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(7,216)	(9,186)	(97,288)	-	(113,690)
Increases due to origination and acquisition	(6,777)	-	-	(571)	(7,348)
Decreases due to derecognition	7,520	379	17,334	-	25,233
Changes due to change in credit risk (net)	7,170	(10,496)	(10,966)	(2)	(14,294)
Transfers:	(9,159)	10,338	(1,179)	-	-
(to)/from Stage 1	x	3,855	5,304	-	9,159
(to)/from Stage 2	(3,855)	x	(6,483)	-	(10,338)
(to)/from Stage 3	(5,304)	6,483	x	-	1,179
As of 31 December 2023	(8,462)	(8,965)	(92,099)	(573)	(110,099)

For the year ended 31 December 2023, the Group sold a portfolio of retail receivables in the gross amount of EUR 12.1 million (for the year ended 31 December 2022: EUR 39.3 million), for which impairment allowances were created in the amount of EUR 12.1 million (for the year ended 31 December 2022: 38.4 million).

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(9,090)	(11,341)	(34,662)	(8,559)	(63,652)
Increases due to origination and acquisition	(763)	-	-	-	(763)
Decreases due to derecognition	484	2,950	13,340	-	16,774
Changes due to change in credit risk (net)	5,004	5,325	(2,182)	5,750	13,897
Transfers:	2,941	(5,272)	2,331	-	-
(to)/from Stage 1	x	(2,894)	(47)	-	(2,941)
(to)/from Stage 2	2,894	x	2,378	-	5,272
(to)/from Stage 3	47	(2,378)	x	-	(2,331)
Changes due to movements in FX rates	(3)	76	62	-	135
As of 31 December 2023	(1,427)	(8,262)	(21,111)	(2,809)	(33,609)

The positive development of the creation of impairment allowances for the year ended 31 December 2022 in the corporate portfolio was caused by significant decrease in corporate exposure and low impacts of pandemic on customers compared to estimates. The positive impact of these effects on the creation of impairment allowances in the corporate portfolio persisted also during the year ended 31 December 2023.

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(21,360)	(35,099)	(161,716)	(8,946)	(227,121)
Increases due to origination and acquisition	(7,456)	-	-	-	(7,456)
Decreases due to derecognition	3,462	7,237	53,576	7	64,282
Changes due to change in credit risk (net)	20,050	(9,282)	(18,097)	380	(6,949)
Transfers:	(11,020)	16,617	(5,597)	-	-
(to)/from Stage 1	x	10,936	84	-	11,020
(to)/from Stage 2	(10,936)	x	(5,681)	-	(16,617)
(to)/from Stage 3	(84)	5,681	x	-	5,597
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	(16,334)	(20,527)	(131,950)	(8,559)	(177,370)

9. Hedging derivatives

The Group has designated fair value hedges. For micro-hedging, the hedged items are selected, fixed-coupon debt securities from the portfolio of *Financial assets at FVOCI* and the portfolio of *Financial assets at amortized costs*. For macro-hedging, the hedged items are selected, fixed-interest rate loans and advances to customers. In both cases, interest rate swaps are used as hedging instruments, for which the Group pays fixed interest rate and receives floating interest rate. The hedges were effective in hedging the fair value exposure to interest rate movements during the entire hedge relationship. Changes in the fair value of these interest rate swaps, due to changes in interest rates, substantially offset changes in the fair value of the hedged items caused by changes in interest rates.

The table below summarises notional and fair values of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss relating to the market or credit risks of these transactions.

EUR'000	31 December 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate swaps - portfolio fair value hedges	290,000	(1,220)	2,157	396,400	5,148	-
Interest rate swaps - micro fair value hedges	161,366	2,634	2,497	90,366	9,081	37
Total	451,366	1,414	4,654	486,766	14,229	37

The following table provides the carrying amount of the hedges, the hedge adjustment due to hedging and the statement of financial position in which the hedged item is recognised.

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	
Fair value hedges					
Portfolio fair value hedge	290,000	396,400	890	(6,140)	Financial assets at amortised cost
Micro fair value hedge (FVOCI debt sec.)	76,645	76,225	(4,509)	(9,554)	Financial assets at FV through OCI
Micro fair value hedge (AC debt sec.)	72,794	0	1,952	-	Financial assets at amortised cost

The impact of hedge accounting on profit or loss is as follows:

EUR'000	2023	2022
Fair value changes of the hedging instrument	(13,662)	18,601
Fair value changes of the hedged item attributable to the hedged risk	14,026	(19,046)
Gains/(losses) from hedge accounting, net	364	(445)

Net profit/(loss) from hedge accounting is part of the line *Net profit/(loss) from financial operations* in the Statement of profit or loss.

10. Investments in joint ventures and associates

EUR'000	SKPAY, a. s.		Monilogi s.r.o.	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Statement of financial position				
Total assets	42,612	76,272	-	-
Total liabilities	40,487	73,936	-	-
Net assets	2,125	2,336	2,095	2,139
Group share on net assets	850	934	169	172

EUR'000	SKPAY, a. s.		Monilogi s.r.o.	
	2023	2022	2023	2022
Statement of profit or loss				
Profit before tax	1,113	1,426	(2,885)	(2,587)
Profit after tax	860	1,126	(2,885)	(2,587)
Total comprehensive income for the year	860	1,126	(2,885)	(2,587)
Group share of profit/(loss) after tax	344	450	(231)	(207)

Total share in net assets and net profit of the Group, after tax:

EUR'000	31.12.2023	31.12.2022
Net assets		
Jointly controlled entity SKPAY, a.s.	850	934
Jointly controlled entity Monilogi s.r.o.	169	172
Total	1,019	1,106
EUR'000	2023	2022
Profit after tax		
Jointly controlled entity SKPAY, a.s.	344	450
Jointly controlled entity Monilogi s.r.o.	(231)	(207)
Total	113	243

The Group sold the subsidiary 365.life, d. s. s., a. s. The net assets and liabilities of 365.life, d. s. s., a. s. as at the sale date 28 December 2022 were as follows:

EUR'000	Carrying amount
Assets	
Cash, cash balances at central banks and other demand deposits	8,328
Non-trading financial assets mandatorily at fair value through profit or loss	1,627
Financial assets at amortised costs	295
Tangible assets	170
Intangible assets	3,118
Current tax assets	352
Deferred tax assets	39
Other assets	29
Total assets	13,958
Liabilities	
Financial liabilities measured at amortised costs	(283)
Other liabilities	(257)
Total liabilities	(540)
Purchase price received	33,000
Profit on sale	19,182

The profit from the sale of the company is shown in note 24. (Net profit/(loss) from financial operations).

11. Tangible assets

EUR'000	31.12.2023	31.12.2022
Tangible assets owned	20,453	24,603
Property, plant and equipment	20,453	24,603
Right of use assets	31,689	35,492
Total	52,142	60,095

EUR'000	Tangible assets owned					Total
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	
Cost						
As of 1 January 2023	23,257	12,067	23,587	1,708	53	60,672
Additions	-	-	55	-	1,306	1,361
Transfers	11	2,868	(1,599)	-	(1,280)	-
Disposals	(348)	(1,070)	(2,309)	(263)	(1)	(3,991)
As of 31 December 2023	22,920	13,865	19,734	1,445	78	58,042
Accumulated depreciation						
As of 1 January 2023	(12,094)	(9,194)	(13,857)	(769)	-	(35,914)
Transfers	-	(1,604)	1,604	-	-	-
Depreciation for the year	(1,492)	(1,341)	(1,580)	(253)	-	(4,666)
Disposals	171	1,015	2,038	225	-	3,449
As of 31 December 2023	(13,415)	(11,124)	(11,795)	(797)	-	(37,131)
Accumulated impairment losses	(103)	-	(355)	-	-	(458)
Carrying amount as at 31.12.2023	9,402	2,741	7,584	648	78	20,453

EUR'000	Tangible assets owned					Total
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	
Cost						
As of 1 January 2022	24,859	12,400	23,420	1,794	879	63,352
Additions from business combinations	1	-	149	223	2,236	2,609
Transfers	1,054	1,012	724	-	(2,790)	-
Disposals	(2,611)	(1,343)	(671)	(309)	(272)	(5,206)
Disposals from sale of subsidiary	(46)	(2)	(35)	-	-	(83)
As of 31 December 2022	23,257	12,067	23,587	1,708	53	60,672
Accumulated depreciation						
As of 1 January 2022	(11,957)	(8,848)	(12,900)	(649)	-	(34,354)
Depreciation for the year	(1,521)	(1,663)	(2,068)	(308)	-	(5,560)
Disposals	1,361	1,317	1,082	188	-	3,948
Disposals from sale of subsidiary	23	-	29	-	-	52
As of 31 December 2022	(12,094)	(9,194)	(13,857)	(769)	-	(35,914)
Accumulated impairment losses	(154)	-	-	-	-	(154)
Carrying amount as at 31.12.2022	11,009	2,873	9,729	939	53	24,603

EUR'000	Righ of use assets				Total
	Land and buildings	Hardware	Fittings and other equipment		
Cost					
As of 1 January 2023	51,836	211	4,062		56,109
Additions	164	-	123		287
Lease modifications	1,111	-	130		1,241
Contract terminations	(856)	-	(248)		(1,104)
As of 31 December 2023	52,255	211	4,067		56,533
Accumulated depreciation					
As of 1 January 2023	(18,373)	(211)	(2,033)		(20,617)
Depreciation for the year	(4,994)	-	(335)		(5,329)
Contract terminations	854	-	248		1,102
As of 31 December 2023	(22,513)	(211)	(2,120)		(24,844)
Accumulated impairment losses	-	-	-		-
Carrying amount as at 31.12.2023	29,742	-	1,947		31,689

EUR'000	Righ of use assets				Total
	Land and buildings	Hardware	Fittings and other equipment		
Cost					
As of 1 January 2022	50,376	211	4,058		54,645
Additions	476	-	109		585
Lease modifications	1,481	-	-		1,481
Contract terminations	(497)	-	(105)		(602)
As of 31 December 2022	51,836	211	4,062		56,109
Accumulated depreciation					
As of 1 January 2022	(13,237)	(159)	(1,525)		(14,921)
Depreciation for the year	(5,408)	(52)	(598)		(6,058)
Contract terminations	272	-	90		362
As of 31 December 2022	(18,373)	(211)	(2,033)		(20,617)
Accumulated impairment losses	-	-	-		-
Carrying amount as at 31.12.2022	33,463	-	2,029		35,492

Movements on the accounts of impairment losses to tangible assets were as follows:

EUR'000	31.12.2023	31.12.2022
Opening balance as at 1 January	(154)	(642)
Net (creation)/release of impairment losses	(304)	488
Closing balance	(458)	(154)

As at 31 December 2023, the Group used fully depreciated tangible assets with an acquisition cost in the amount of EUR 15,020 thousand and as at 31 December 2022 in the amount of EUR 15,152 thousand.

The Group insured its assets against natural disasters, damage caused by intentional acts, burglary and robbery. Motor vehicles are insured by compulsory motor third party liability insurance and CASCO insurance.

No lien has been established on the Group's assets.

EUR'000	31.12.2023	31.12.2022
Insurance amount of fixed assets	44,391	48,743

12. Intangible assets

EUR'000	Goodwill	Software	Other intangible assets	Assets not yet in use	Total
Cost					
As of 1 January 2023	14,024	108,926	424	11,859	135,233
Additions	-	268	-	10,892	11,160
Transfers	-	5,505	-	(5,505)	-
Disposals	-	(2,062)	-	-	(2,062)
As of 31 December 2023	14,024	112,637	424	17,246	144,331
Accumulated amortisation					
As of 1 January 2023	-	(75,755)	(248)	-	(76,003)
Amortisation for the year	-	(6,622)	(38)	-	(6,660)
Disposals	-	2,036	-	-	2,036
As of 31 December 2023	-	(80,341)	(286)	-	(80,627)
Accumulated impairment losses	(3,221)	-	-	-	(3,221)
Carrying amount as at 31.12.2023	10,803	32,296	138	17,246	60,483

EUR'000	Goodwill	DAC	Software	Other intangible assets	Assets not yet in use	Total
Cost						
As of 1 January 2022	14,024	3,406	101,619	410	7,291	126,750
Additions	-	43	1,307	-	15,860	17,210
Transfers	-	-	9,109	15	(9,124)	-
Disposals	-	-	(2,875)	(1)	(2,168)	(5,044)
Disposals from sale of subsidiary	-	(3,449)	(234)	-	-	(3,683)
As of 31 December 2022	14,024	-	108,926	424	11,859	135,233
Accumulated amortisation						
As of 1 January 2022	-	-	(65,565)	(187)	-	(65,752)
Amortisation for the year	-	-	(13,192)	(36)	-	(13,228)
Disposals	-	-	2,437	(25)	-	2,412
Disposals from sale of subsidiary	-	-	565	-	-	565
As of 31 December 2022	-	-	(75,755)	(248)	-	(76,003)
Accumulated impairment losses	(3,221)	-	-	-	-	(3,221)
Carrying amount as at 31.12.2022	10,803	-	33,171	176	11,859	56,009

As at 31 December 2023, the Group used fully depreciated tangible assets with an acquisition cost in the amount of EUR 14,219 thousand and as at 31 December 2022 in the amount of EUR 30,765 thousand.

The Group tests impairment of goodwill on an annual basis, or more frequently, when events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. For the purpose of impairment testing, management considers the subsidiaries to be separate cash generating units.

The recoverable amount of the subsidiaries was determined by the value-in-use method using expected future cash flows based on the most recent financial and business plans of these companies. The discount rate applied to future cash flows after the approved plan period is adjusted by the projected growth rate. Both the discount rate and the projected growth rate were determined with respect to market share, planning deviation, company size and area of operation. The Group used the following discount rates:

	31.12.2023	31.12.2022
365.invest, správ. spol., a. s.	10.14%	10.14%
Cards&Co, a. s.	10.14%	10.14%
Ahoj, a.s.	11.70%	10.49%
PB Finančné služby, a. s.	10.14%	10.14%

13. Deferred tax assets and liabilities

The deferred tax assets and deferred tax liabilities are calculated using the following tax rates:

	31.12.2023	31.12.2022
Companies in SK	21.00%	21.00%

For the calculation of deferred tax on revaluation of financial assets at FVOCI, the tax rate was modified to include the effect of newly-introduced special levy.

EUR'000	31.12.2023	31.12.2022
SK		
Impairment allowances - financial assets at AC	18,092	19,212
Impairment allowances - other	-	8
Provisions for off-balance sheet exposures	67	123
Revaluation of financial assets at FVOCI - debt securities	6,356	5,494
Revaluation of financial assets at FVOCI - derivatives	(537)	(2,006)
Tangible assets	622	469
Other	4,016	3,991
Total	28,616	27,291

Movements in deferred tax were as follows:

EUR'000	1.1.2023	Profit or loss	OCI	Sale of subsidiary	31.12.2023
Impairment on financial assets at AC	19,212	(1,120)	-	-	18,092
Impairment on other assets	8	(8)	-	-	-
Provisions for off-balance sheet exposures	123	(56)	-	-	67
Revaluation of financial assets at FVOCI	3,488	-	2,331	-	5,819
Tangible assets	469	153	-	-	622
Other	3,991	25	-	-	4,016
Total	27,291	(1,006)	2,331	-	28,616

EUR'000	1.1.2022	Profit or loss	OCI	Sale of subsidiary	31.12.2022
Impairment on financial assets at amortised cost	22,176	(2,964)	-	-	19,212
Impairment on other assets	2	6	-	-	8
Provisions for off-balance sheet exposures	160	(64)	-	27	123
Revaluation of financial assets at FVOCI	(2,724)	-	6,322	(110)	3,488
Tangible assets	306	163	-	-	469
Other	4,303	(312)	-	-	3,991
Total	24,223	(3,171)	6,322	(83)	27,291

14. Other assets

EUR'000	31.12.2023	31.12.2022
Deferred expenses and prepayments	11,404	13,397
Inventories	194	301
Reinsurance assets	4	-
Prepayments	4,206	6,101
Other	3	-
Total	15,811	19,799

15. Financial liabilities measured at amortised cost

EUR'000	31.12.2023	31.12.2022
Deposits	3,730,954	3,769,899
Central banks	257,424	249,040
General governments	3,685	3,532
Credit institutions	36,110	35,123
Credit institutions excluding subordinated debt	28,086	27,104
Credit institutions - subordinated debt	8,024	8,019
Other financial corporations	102,632	127,128
Non-financial corporations	100,958	125,245
Households	3,230,145	3,229,831
Debt securities issued	139,709	124,981
Non-convertible debt securities issued	139,709	124,981
Other financial liabilities	44,397	58,485
Clearing and settlement items	9,525	7,616
Lease liabilities	32,597	36,257
Other creditors	2,275	14,612
Total	3,915,060	3,953,365

The Group issued senior unsecured and non-subordinated debt securities in November and December 2021, in December 2022 and in October 2023

The detail shown in the table below:

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	31.12.2023	31.12.2022
Debt securities issued	19.12.2022	19.12.2026	7.04%	60	1,000	EUR	60,121	60,140
Debt securities issued	2.10.2023	2.10.2026	7.75%	650	100	EUR	65,856	-
Debt securities issued	6.10.2023	6.10.2026	5.00%	416	30	EUR	12,568	-
Debt securities issued	22.11.2021	22.11.2024	3.50%	15	1,000	EUR	-	15,009
Debt securities issued	22.12.2021	22.12.2024	3.50%	500	100	EUR	-	49,832
Total							138,545	124,981

Both security issues from 2021 were redeemed early in November, resp. December 2023.

The issuance of senior priority bonds with a total nominal value of EUR 60,000 thousands, carrying a fixed annual interest rate of 7.04%, annual coupon payments, an issuance date of 19 December 2022, and maturity in 2026, was privately placed in the form of a certificate.

The issuance of senior priority bonds with a total nominal value of EUR 65,000 thousands, carrying a fixed annual interest rate of 7.75%, annual coupon payments, ISIN: XS2698768913, an issuance date of 2 October 2023, and maturity in 2026, was conducted within a debt securities program with a total nominal value of EUR 1,500,000 thousands. The issuance was privately offered to eligible counterparties and qualified investors by J&T BANKA, a.s., acting as the dealer, under an exemption from the obligation to publish a prospectus.

The issuance of senior bonds with a total nominal value of EUR 12,480 thousands, carrying a fixed annual interest rate of 5.00%, annual coupon payments, ISIN: SK4000023693, an issuance date of 6 October 2023, and maturity in 2026, was conducted within a debt securities program with a total nominal value of EUR 3,000,000 thousands. These bonds are in the form of book-entry securities. Their transferability is not restricted, and they were offered to individual investors.

The Group issued Investment certificates as a part of deferred variable component of remuneration in the amount of EUR 1,164 thousands.

The table below summarises loans received, classified under financial liabilities and measured at amortised cost:

EUR'000	31.12.2023	31.12.2022
Subordinated debt	8,024	8,019
Other received loans	20,398	10,035

In the event of bankruptcy or liquidation of the Group, subordinated debt will be subordinated to receivables of all other creditors of the Group.

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a.s.	365.bank, a. s.	8,024	3M EURIBOR + 6.00%	31.12.2026

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Other received loans				
MONETA Money Bank, a.s.	Ahoj, a.s.	20,398	3.95%	30.9.2025

The reconciliation of movements of liabilities to the cash flows from financing activities is as follows:

EUR'000	Debt securities		Subordinated debt		Other received loans	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Opening balance as at 1 January	124,981	64,794	8,019	8,014	10,035	10,100
Proceeds from issue of debt securities	77,480	60,000	-	-	-	-
Repayment of debt securities	(65,000)	-	-	-	-	-
Loans received	-	-	-	-	10,000	10,035
Loan repayments	-	-	-	-	-	(10,100)
Interest expenses	8,134	2,548	731	506	762	193
Interest paid	(7,050)	(2,361)	(726)	(501)	(399)	(193)
Closing balance	138,545	124,981	8,024	8,019	20,398	10,035

In December 2021, within the TLTRO programme, the Group received a loan from the European Central Bank (hereinafter 'the ECB') in the amount of EUR 250 million. This loan is recognised as a deposit received from the central bank. As collateral, the Group provided as at 31 December 2023 Slovak government bonds measured at amortised cost in the amount of EUR 256,644 thousand (as at 31 December 2022 Slovak government bonds measured at fair value through other comprehensive income in the amount of EUR 113,000 thousand and Slovak government bonds measured at amortised cost in the amount of EUR 351,644 thousand). The Group issued a cover bond in the amount of EUR 250,000 thousand which was not marketed and was pledged within the TLTRO programme.

16. Provisions

EUR'000	31.12.2023	31.12.2022
Commitments and guarantees given	317	577
Loan commitments	141	568
Guarantees given	176	9
Other provisions	76	2,000
Total	393	2,577

The movements in provisions for commitments and guarantees provided were as follows:

EUR'000	Commitments and guarantees given					Total
	Stage 1	Stage 2	Stage 3	POCI		
As of 1 January 2023	147	424	6	-	-	577
Increases due to origination and acquisition	484	-	-	-	-	484
Decreases due to derecognition	(229)	(88)	(14)	-	-	(331)
Changes due to change in credit risk (net)	(397)	(112)	96	-	-	(413)
Transfers:	102	(189)	87	-	-	-
to/(from) Stage 1	x	(102)	-	-	-	(102)
to/(from) Stage 2	102	x	87	-	-	189
to/(from) Stage 3	-	(87)	x	-	-	(87)
As of 31 December 2023	107	35	175	-	-	317

EUR'000	Commitments and guarantees given					Total
	Stage 1	Stage 2	Stage 3	POCI		
As of 1 January 2022	378	351	1	-	-	730
Increases due to origination and acquisition	599	-	-	-	-	599
Decreases due to derecognition	(661)	(638)	-	-	-	(1,299)
Changes due to change in credit risk (net)	(90)	629	5	-	-	544
Transfers:	(82)	82	-	-	-	-
to/(from) Stage 1	x	82	-	-	-	82
to/(from) Stage 2	(82)	x	-	-	-	(82)
to/(from) Stage 3	-	-	x	-	-	-
Changes due to movements in FX rates	3	-	-	-	-	3
As of 31 December 2022	147	424	6	-	-	577

17. Other liabilities

EUR'000	31.12.2023	31.12.2022
Estimated payables (OPEX)	10,768	5,851
Deferred income	97	393
Accrued expenses	239	267
Liabilities to employees and estimated payables to employees	10,060	6,761
Liabilities from social and health insurance and social fund	2,157	-
Tax liabilities	1,494	-
Received prepayments	3,965	-
Liabilities from dividends	824	-
Total	29,604	13,272

18. Equity

a) Share capital

	31.12.2023	31.12.2022
Nominal value per share in EUR	1,107	1,107
Number of shares	330,899	330,899
Total share capital in EUR'000	366,305	366,305

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

Under the Slovak Commercial Code, all companies are required to create a legal reserve fund to cover losses. Each entity is obliged to contribute an amount of at least 10% of its annual net profit each year, until the aggregate amount reaches a level equal to 20% of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

c) Revaluation of financial instruments measured through other comprehensive income

This item includes the revaluation of FVOCI of financial assets after deferred tax. Since 1 January 2018, under the implementation of *IFRS 9 Financial Instruments*, the Group also recognises provisions for debt securities measured at fair value through other comprehensive income within this equity item.

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR'000	31.12.2023	31.12.2022
Loan commitments given	107,067	159,599
Financial guarantees given	8,794	8,128
Total	115,861	167,727

b) Assets' management and custody

EUR'000	31.12.2023	31.12.2022
Asset management	2,278,234	2,179,623
Custody assets	121,537	106,811
Total	2,399,771	2,286,434

c) Securities provided as collateral

EUR'000	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income	-	97,657
Financial assets at amortised cost	564,300	361,079
Total	564,300	458,736

The Group has pledged debt securities in carrying amount as summarised in the table above. The pledge was provided against transactions with the Central Bank and credit institutions. These debt securities have not been derecognised from the Group's statement of financial position.

20. Offsetting of financial assets and liabilities

The following table shows the financial assets and financial liabilities that could be offset under “master netting agreements”, or similar agreements (legally enforceable):

31.12.2023	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	178	-	178	85	-	-	93
Hedging derivatives	1,414	-	1,414	-	8,641	-	(7,227)
Total assets	1,592	-	1,592	85	8,641	-	(7,134)
Financial liabilities							
Derivatives	85	-	85	85	-	-	-
Hedging derivatives	4,654	-	4,654	-	5,790	-	(1,136)
Total liabilities	4,739	-	4,739	85	5,790	-	(1,136)

31.12.2022	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	16	-	16	16	-	-	-
Hedging derivatives	14,229	-	14,229	-	15,514	-	(1,285)
Total assets	14,245	-	14,245	16	15,514	-	(1,285)
Financial liabilities							
Derivatives	2,102	-	2,102	16	2,023	-	63
Hedging derivatives	37	-	37	-	-	-	37
Total liabilities	2,139	-	2,139	16	2,023	-	100

21. Net interest income

EUR'000	2023	2022
Interest income		
Financial assets at fair value through other comprehensive income	3,598	4,498
Financial assets at amortised cost	154,119	136,762
<i>Debt securities</i>	15,454	6,224
<i>Loans and advances</i>	138,665	130,538
Derivatives - Hedge accounting, interest rate risk	4,907	(1,830)
Other assets	11,872	1,583
<i>Cash balances at central banks</i>	10,498	1,475
<i>Other demand deposits</i>	1,374	108
Interest income on liabilities	-	892
Total interest income	174,496	141,905
Interest expenses		
Financial liabilities measured at amortised cost	(31,269)	(7,726)
<i>thereof: lease liabilities</i>	(428)	(541)
Other liabilities	(3)	(2)
Interest expense on assets	(108)	(83)
Total interest expense	(31,380)	(7,811)
Net interest income	143,116	134,094

The „Interest income on liabilities“ represents the negative interest expense from the long-term targeted financial operation TLTRO with the ECB. In 2022, the interest expense on TLTRO was presented withing the line “Interest expense - Financial liabilities measured at amortized costs”.

22. Net fee and commission income

EUR'000	2023	2022
Fee and commission income		
Securities	34	-
Clearing and settlement	15,946	16,182
Asset management	25,756	29,321
Custody	3,427	3,617
Payment services	34,267	31,251
<i>Current accounts</i>	25,265	24,627
<i>Debit cards and other card payments</i>	316	292
<i>Transfers and other payment orders</i>	2,520	2,129
<i>Other fee and commission income in relation to payment services</i>	6,166	4,203
Loan servicing activities	1,536	2,542
Loan commitments given	314	148
Financial guarantees given	119	181
Commissions for brokerage	5,278	4,230
Other	7,789	9,347
Total fee and commission income	94,466	96,819
Of which: Revenue recognised under <i>IFRS 15 Revenue from Contracts with Customers</i>	94,033	96,490
Fee and commission expenses		
Securities	(35)	(165)
Clearing and settlement	(20,703)	(20,152)
Custody	(356)	(500)
Loan servicing activities	(766)	(1,190)
Other	(5,802)	(5,208)
Total fee and commission expenses	(27,662)	(27,215)
Net fee and commission income	66,804	69,604

23. Dividend income

EUR'000	2023	2022
Non-trading financial assets mandatorily at fair value through profit or loss	14	8,352
Financial assets at fair value through other comprehensive income	-	3
Total	14	8,355

24. Net gains/(losses) from sale of subsidiaries and other financial transactions

EUR'000	2023	2022
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	23	19,566
Other	-	19,582
Financial assets at fair value through other comprehensive income	23	(16)
Gains/(losses) on financial assets and liabilities held for trading, net	(558)	(6,273)
Derivatives	(558)	(6,273)
Exchange differences, net	(641)	4,679
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	4,728	4,941
Revaluation gains/(losses)	6,231	3,438
Trading gains/(losses)	(1,503)	1,503
Gains/(losses) from hedge accounting, net	364	(445)
Fair value changes of the hedging instrument	(13,662)	18,601
Fair value changes of the hedged item attributable to the hedged risk	14,026	(19,046)
Total	3,916	22,468

As at 28 December 2022, the Group sold the subsidiary 365.life, d. s. s., a. s. for EUR 33 million with a profit of EUR 19.6 million. Details of the property are given in note 10. *Investments in joint ventures and associates.*

25. Other operating income and expenses

EUR'000	2023	2022
Other operating expenses	(4,351)	(5,435)
Bank and insurance companies specific fees	(1,106)	(3,402)
<i>Resolution fund</i>	(385)	(315)
<i>Deposit protection fund</i>	(721)	(3,087)
Other	(3,245)	(2,033)
Other operating income	13,415	10,030
Operating leases other than investment property	1,382	1,277
Other	12,033	8,753
Gains/(losses) on derecognition of non-financial assets, net	(277)	(223)
Total	8,787	4,372

The amount in "Other operating income – other" comprises income from other payment services, contractual fines and other operating income.

26. Administrative expenses

EUR'000	2023	2022
Staff expenses	(63,110)	(59,649)
Wages and salaries (including bonuses)	(44,407)	(42,637)
Social expenses	(18,703)	(17,012)
Other administrative expenses	(46,435)	(46,812)
Rental expenses	(4,361)	(3,142)
<i>Short-term lease contracts</i>	(1,266)	(953)
<i>Leases of low-value assets</i>	-	(1)
<i>Variable lease payments not included in the lease liabilities</i>	(2,916)	(1,887)
Other	(179)	(301)
Real estate expenses	(2,551)	(1,625)
IT expenses	(14,949)	(14,480)
Marketing and advertisement	(6,863)	(8,929)
Legal and consulting services	(3,251)	(2,131)
Post and telecommunication	(3,612)	(4,075)
Material consumption	(1,113)	(1,206)
Repair and maintenance	(2,603)	(3,287)
Other administrative expenses	(7,132)	(7,937)
Total	(109,545)	(106,461)
	2023	2022
Average number of employees for the period	1,422	1,478
Number of employees as of balance sheet date	1,398	1,493
thereof, key management	36	64

Management consists of Board of Directors members and managers directly responsible to the Board of Directors (B-1 positions) throughout the Group.

The cost of services provided by the statutory auditor and statutory auditor network were as follows:

EUR'000	2023	2022
Audit of the financial statements	(286)	(423)
Non-audit services required by EU legislation	(21)	(31)
Non-audit services	(120)	-
Other assurance services	(113)	(30)
Total	(540)	(484)

27. Depreciation and amortisation

EUR'000	2023	2022
Property, plant and equipment	(4,666)	(5,560)
Buildings	(1,492)	(1,521)
Hardware	(1,341)	(1,663)
Fittings and other equipment	(1,580)	(2,068)
Operating lease assets	(253)	(308)
Right of use assets	(5,329)	(6,059)
Buildings	(4,994)	(5,408)
Hardware	-	(53)
Fittings and other equipment	(335)	(598)
Intangible assets	(6,660)	(13,228)
Software	(6,622)	(13,192)
Other intangible assets	(38)	(36)
Total	(16,655)	(24,847)

28. Impairment losses and provisions

EUR'000	2023	2022
Net impairment of financial assets not valued at fair value through profit or loss	1,339	7,139
Financial assets at fair value through other comprehensive income	7,668	183
<i>Debt securities</i>	7,668	183
Financial assets at amortised cost	(6,329)	6,956
<i>Debt securities</i>	(108)	18
<i>Loans and advances</i>	(6,388)	7,093
<i>Other financial assets</i>	167	(155)
Release/(creation) of provisions	242	(1,840)
Net impairment on non-financial assets	(308)	780
Total	1,273	6,079

The positive development in the creation of provisions for debt securities valued at fair value through other comprehensive income for the year ended 31 December 2023 is due to reduced risk exposure in corporate bonds.

The positive development of impairment losses and provisions for the year ended 31 December 2022 was primarily caused by a significant reduction in corporate exposure, the successful sale of impaired retail loans and the smaller impact of the pandemic crisis on clients compared to expectations. For more details, please see note 8. *Financial assets valued at amortized cost.*

The detail to net impairment of loans and advances at amortised cost is as follows:

EUR'000	2023	2022
Net impairment of loans and advances at amortised cost	(6,388)	7,093
Net (creation)/release of allowances	(8,900)	(2,813)
Creation of allowances	(100,007)	(95,833)
Release of allowances	91,107	93,020
Net effect from derecognition of loans and advances	2,512	9,906
Derecognition of loans and advances	(57,818)	(52,628)
Usage of allowances	42,040	51,681
Income from previously derecognized loans and advances	18,290	10,853

29. Income tax

EUR'000	2023	2022
Current income tax	(15,837)	(18,980)
Current year	(15,802)	(18,713)
Correction of prior period	-	(214)
Withholding tax	(35)	(53)
Deferred tax	(1,006)	(3,170)
Total	(16,843)	(22,150)

Reconciliation of the effective tax rate is as follows:

EUR'000	2023	2022
Profit before tax	97,823	113,907
Income tax rate	21.00%	21.00%
Theoretical income tax	(20,543)	(23,920)
Non - tax expenses	(1,013)	(1,985)
<i>Other</i>	(1,013)	(1,985)
Non - taxable income	(743)	1,092
<i>Dividends</i>	3	1,108
<i>Impairment allowances</i>	(1,119)	(44)
<i>Other</i>	373	28
Deferred tax	2,305	877
Correction of prior period	-	(214)
Withholding tax	(35)	(53)
Other	3,186	2,053
Total	(16,843)	(22,150)
Effective tax rate	17.22%	19.45%

Given that many parts of the Slovak tax legislation remain untested, there is uncertainty about how the tax authorities will apply them. The effect of this uncertainty cannot be quantified and will only be resolved once legislative precedents are set, or when official interpretations of the authorities are available.

30. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or it has through its financial and operational decisions, significant influence over the other party.

The following persons or companies meet the definition of related parties:

- (a) entities that directly or indirectly, through one or more intermediaries' control, or are controlled, have significant influence, or are under joint control of the reporting company;
- (b) affiliated entities in which the parent company has significant influence, and which are not a subsidiary, nor a joint venture;
- (c) individuals owning, directly or indirectly, shares in the voting right of the Group that gives them significant influence over the Group, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Group;
- (d) key management personnel, i.e. persons having authority and responsibility for planning, managing and controlling the activities of the Group, including directors and managing employees of the Group, and persons related to them;
- (e) companies in which a significant share of voting rights is owned, directly or indirectly, by any person described in points (a), (c) or (d) above, or over which such party may have a significant influence. This includes companies owned by directors or major shareholders of the Group and companies that have key member of management common with the Group.

31.12.2023	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Key management and related parties	Others
Assets	-	117,958	-	2,916	28,258
Other demand deposits	-	687	-	-	-
Non-trading financial assets mandatorily at FVPL	-	107,435	-	-	-
Financial assets at FVOCI	-	9,804	-	-	-
Financial assets at amortised cost	-	32	-	2,916	28,258
<i>Loans and advances</i>	-	-	-	2,916	28,247
<i>Other financial assets</i>	-	32	-	-	11
Other assets	-	-	-	-	-
Liabilities	-	24,800	9,960	1,183	722
Financial liabilities measured at amortised cost	-	24,800	9,960	1,183	722
<i>Deposits</i>	-	24,792	9,960	1,183	722
<i>Other financial liabilities</i>	-	8	-	-	-
Other liabilities	-	-	-	-	-
Income/expenses	-	-	-	-	-
Net interest income	1,543	118	-	29	143
Net fee and commission income	111	303	141	2	150
Net gains/(losses) from financial transactions	-	7,370	-	-	-
Net other operating expenses	-	61	-	-	-
Administrative expenses	1	(64)	-	-	(30)

31.12.2022	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Key management and related parties	Others
Assets	-	119,309	1,416	2,445	17,741
Other demand deposits	-	10,102	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100,065	-	-	-
Financial assets at FVOCI	-	8,812	-	-	-
Financial assets at amortised cost	-	330	1,416	2,445	17,741
<i>Loans and advances</i>	-	-	-	2,445	17,741
<i>Other financial assets</i>	-	330	1,416	-	-
Liabilities	41	26,066	7,679	1,776	5,667
Financial liabilities measured at amortised cost	41	26,066	7,679	1,776	5,667
<i>Deposits</i>	41	26,054	7,679	1,776	5,655
<i>Other financial liabilities</i>	-	12	-	-	12
2022	-	-	-	-	-
Income/expenses	-	-	-	-	-
Net interest income	460	(111)	-	16	760
Net fee and commission income	42	751	7,022	1	146
Net gains/(losses) from financial transactions	-	3,087	-	-	-
Net other operating expenses	-	61	90	-	-
Administrative expenses	-	(52)	(807)	-	(1,662)

The total remuneration of the members of the Board of Directors and executive officers directly supervised by the Board of Directors members of 365.bank, a. s. and its subsidiaries for the year ended 31 December 2023 is in the amount of EUR 6,429 thousand (the year ended 31 December 2022: EUR 3,308 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

31. Fair value of financial assets and liabilities

According to *IFRS 13 Fair Value Measurement*, fair value is the price that would be received when selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group measures fair values using the following fair value level hierarchy:

- **Level 1:** Quoted market price in an active market for an identical instrument;
- **Level 2:** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and where the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values for financial assets and financial liabilities is based on quoted market prices. Shares in funds are measured at prices obtained from an asset management company. The funds are not listed however they are audited annually. Prices of funds are determined using NAV, which is fair value of the net assets determined using valuation techniques corresponding to the above-mentioned fair value hierarchies.

For all other financial instruments, fair value is determined by using valuation techniques. These valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination, that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and less complicated financial instruments, like interest rate and currency swaps, that use only observable market data, and require little management judgement or estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives, like interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For fair value measurement of debt financial instruments, the Group uses models based on net present value. The key estimation parameter is the discount interest rate. Determination of the discount interest rate is based on the risk-free market rate, which corresponds to the incremental maturity of particular financial instruments, plus a risk premium. The risk premium is determined to be consistent with regular market practice.

The Group estimates future cash flows from financial instruments based on contractual maturities, and in the case of deposit products without a contractual maturity, the maturity is based on a qualified estimate.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed based on recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices and rates, or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market, and certain investments in subsidiaries. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows from the financial instrument being valued, determination of the probability of counterparty default or prepayments, and selection of appropriate discount rates.

Basic parameters entering into the valuation model to determine the fair value of equity financial instruments are forecast economic results and equity of the company, market multiples, and indicators such as EBITDA, sales etc. for comparable companies, all of which are published by reputable companies for different sectors.

Even though these valuation techniques are considered to be appropriate and in compliance with market practice, the estimations in discount interest rates and changes of basic assumptions in future cash flows, may lead to different fair value of financial instruments.

Transfers of financial instruments between individual levels can occur only if market activity has changed.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a control function, performed by the Market Risks department, which is independent from front office management. Specific controls include: verification of observable pricing inputs and reperformance of model valuations; review and approval processes for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; and review of significant unobservable inputs and valuation adjustments.

The reported fair values of financial instruments analysed according to fair value levels are as follows:

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
ASSETS								
Financial assets held for trading	-	-	178	16	-	-	178	16
Derivatives	-	-	178	16	-	-	178	16
Non-trading financial assets mandatorily at FVPL	-	6,739	192,566	179,784	318	-	192,884	186,523
Equity instruments	-	6,739	192,566	179,784	318	-	192,884	186,523
Financial assets at FVOCI	138,307	182,977	-	14,646	46,586	34,792	184,893	232,415
Equity instruments	-	-	-	-	-	65	-	65
Debt securities	138,307	182,977	-	14,646	46,586	34,727	184,893	232,350
Derivatives – Hedge accounting	-	-	5,131	8,089	-	-	5,131	8,089
Total assets	138,307	189,716	197,875	202,535	46,904	34,792	383,086	427,043

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
LIABILITIES								
Financial liabilities held for trading	-	-	85	2,102	-	-	85	2,102
Derivatives	-	-	85	2,102	-	-	85	2,102
Derivatives – Hedge accounting	-	-	306	37	-	-	306	37
Total liabilities	-	-	391	2,139	-	-	391	2,139

The following table shows the reconciliations of the opening and closing balances of the fair values of each category at level 3:

EUR'000	1.1.2023	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31.12.2023
Non-trading financial assets mandatorily at FVPL	-	-	-	318	-	-	-	318
Financial assets at fair value through OCI	34,792	134	2,179	-	(65)	9,546	-	46,586
Total	34,792	134	2,179	318	(65)	9,546	-	46,904

An unobservable input for the valuation of the portfolio included in L3 is the idiosyncratic credit spread with the following effect on the securities portfolio:

	Fair value	Price	Idiosyncratic CS	Price with 1.00% growth	Fair value with 1.00% growth of CS	Sensitivity on 1.00% growth of CS
Client no. 1	34,808	96.69%	3.00%	94.90%	34,163	(645)
Client no. 2	9,647	96.47%	1.00%	95.04%	9,504	(143)

The following table shows information regarding the investment movements between all categories of valuation:

EUR'000	31 December 2023			31 December 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets at fair value through OCI						
Transfers into the category	2,460	-	-	-	14,646	-
Transfers out of the category	(9,546)	(2,460)	9,546	(5,834)	-	(8,812)
Total assets	(7,086)	(2,460)	9,546	(5,834)	14,646	(8,812)

The estimated fair values of the Group's financial assets and liabilities that are not carried at fair value were as follows:

31 December 2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	438,490	438,490	-	438,490	-
Financial assets at amortised cost	3,655,814	3,703,383	732,893	43,915	2,926,575
Debt securities	737,362	702,482	657,145	1,603	43,734
Loans and advances	2,887,440	2,969,889	75,748	11,300	2,882,841
Other financial assets	31,012	31,012	-	31,012	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	3,915,060	3,741,863	20,398	3,721,465	-
Deposits	3,730,954	3,557,757	20,398	3,537,359	-
Debt securities issued	139,709	139,709	-	139,709	-
Other financial liabilities	44,397	44,397	-	44,397	-

31 December 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	594,686	594,686	-	594,686	-
Financial assets at amortised cost	3,545,098	3,508,805	440,711	92,750	2,975,344
Debt securities	512,690	454,168	382,551	27,288	44,329
Loans and advances	2,993,535	3,015,764	58,160	26,589	2,931,015
Other financial assets	38,873	38,873	-	38,873	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	3,953,365	3,789,415	-	3,789,415	-
Deposits	3,769,899	3,605,949	-	3,605,949	-
Debt securities issued	124,981	124,981	-	124,981	-
Other financial liabilities	58,485	58,485	-	58,485	-

32. Segment reporting

The Group classifies its business activities into three segments. Within these segments, various products and services are offered and they are also managed independently by the Group's management.

- Retail banking - loans, deposits and other transactions with retail customers.
- Corporate banking - loans, deposits and other transactions with corporate customers and investments in liquid assets, such as short-term investments and corporate or government debt securities.
- Other - asset management (fund management activities) and treasury (financing and centralized risk management activities through loans, use of derivatives for risk management).

The Board of Directors continuously monitors internal reports for each segment at least once a month.

Information related to the reported segments is presented in the table:

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest income	81,812	72,448	62,023	63,299	30,661	6,158	174,496	141,905
Interest expenses	(10,524)	(3,564)	(2,099)	(502)	(18,757)	(3,745)	(31,380)	(7,811)
Net interest income	71,288	68,884	59,924	62,797	11,904	2,413	143,116	134,094
Net intersegment income	61,958	12,067	(18,062)	(7,809)	(43,896)	(4,258)	-	-
Fee and commission income	53,657	55,107	39,341	14,182	1,468	27,530	94,466	96,819
Fee and commission expenses	(23,730)	(14,357)	(1,936)	(5,522)	(1,996)	(7,336)	(27,662)	(27,215)
Net fee and commission income	29,927	40,750	37,405	8,660	(528)	20,194	66,804	69,604
Net interest and fee margin	163,173	121,701	79,267	63,648	(32,520)	18,349	209,920	203,698
Impairment losses and provisions	(12,677)	(11,011)	21,375	19,537	(7,425)	(2,447)	1,273	6,079

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Assets	2,308,934	2,108,301	827,191	1,076,403	1,502,692	1,546,565	4,638,817	4,731,269
Liabilities	3,299,483	3,190,967	185,068	251,777	465,280	531,382	3,949,831	3,974,126

The following table shows the distribution of income from fees and commissions by segment (based on the requirements of *IFRS 15 Revenue from Contracts with Customers*):

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Fee and commission income								
Securities	-	-	-	-	34	-	34	-
Clearing and settlement	8,477	8,690	7,148	7,225	321	267	15,946	16,182
Asset management	-	2,291	25,756	-	-	27,030	25,756	29,321
Custody	-	-	3,372	3,555	55	62	3,427	3,617
Payment services	31,191	28,646	2,201	2,467	875	138	34,267	31,251
Loan servicing activities	1,090	1,940	421	583	25	19	1,536	2,542
Loan commitments given	-	-	314	134	-	14	314	148
Financial guarantees given	-	-	119	181	-	-	119	181
Commodities	5,278	4,230	-	-	-	-	5,278	4,230
Other	7,621	9,310	10	37	158	-	7,789	9,347
Total fee and commission income	53,657	55,107	39,341	14,182	1,468	27,530	94,466	96,819
Of which: Revenue recognised under IFRS 15 Revenue from Contracts with Customers	53,657	55,107	38,908	13,867	1,468	27,516	94,033	96,490

33. Risk management

The ultimate body responsible for risk management is the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Some responsibilities are delegated to permanent working groups and advisory bodies (committees).

The Group's risk management policies are based on the Risk Management Strategy, as a primary document for risk management, which is then further described in the Risk Appetite document. These documents are regularly reassessed, updated and approved by the Board of Directors. The risk management process is a dynamic and continuous process of identification, measurement, monitoring, control, and reporting of risks within the Group. For management of the risks faced by the Group, there are defined appropriate limits, and controls for risk monitoring and adherence to those limits.

Evaluation of key performance limits defined in the Group's risk profile is presented to the Board of Directors on a monthly basis. Risk management policies and systems are reviewed and amended regularly to reflect changes in legislation, market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The rights and responsibilities of the Group's Audit Committee are assigned to the Supervisory Board, who are responsible for monitoring the effectiveness of internal control and risk management systems. Its activities also cover review of the external auditor's independence, and evaluation of the findings from audit of the financial statements, made by the external auditor. They also monitor the Group's compliance with financial accounting standards. The Audit Committee is assisted in these functions by the Department of Internal control and audit.

The Group has exposure to the following main risks:

- credit risk;
- liquidity risk;
- market risk;
- operational risk;
- settlement risk.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent, to ensure that a trade is settled only when both parties have fulfilled their contractual obligations.

Limits for settlement represent a part of the process of monitoring the limits. Acceptance of risk resulting from a free settlement trades requires transaction-specific or counterparty-specific approvals of ALCO committee.

The risk to a management company is that the issuer or counterparty fails to meet its obligation. The potential credit risk impact on asset value is moderate.

Mutual funds minimise the risk of trading with securities in particular, by the fact that trading with the mutual fund assets is performed in accordance with the law in such way that the value is transferred in favour of the mutual fund, on the principle of payment versus delivery, within normal timescales of the regulated market. Risk management involves: issuer and counterparty creditworthiness testing, establishment of limits on issuer and counterparty in terms of risk and risk delimitation rules, establishment of limits in the information system, and its subsequent conversion.

34. Credit risk

Credit risk is the risk of financial loss to the Group if a debtor, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises from the Group's financial assets – primarily from loans and advances, debt securities, and off-balance sheet exposures. For risk management reporting purposes, the Group considers and consolidates all elements of its credit risk exposure (such as individual obligor default risk, management failure, country, sector or concentration risk).

Credit risk management within the Group is the responsibility of the Risk Management division. The Board of Directors has delegated responsibility for the oversight of credit risk in compliance with a formal competence order.

Credit risk management includes:

- examination of the clients' creditworthiness;
- assessing limits for clients, and economically connected parties, including monitoring portfolio concentration;
- assessing limits for counterparties, industries, countries, and banks;
- mitigation of risk by various forms of collateral;
- continuous monitoring of loan portfolio development, and prompt decision-making to minimise possible losses.

In order to mitigate credit risk, the Group assesses the creditworthiness of the client deal using a rating tool with parameters specific to each client segment, when initially providing the loan, as well as during the life of the credit loan trade. The Group has various rating models depending on the type of business.

When analysing client deals the Group uses:

- client rating;
- project assessment tools;
- scoring for retail loans.

The approval process of active bank transactions includes a review of the individual applicant of the transactions, credit limit of the counterparty, and collateral in order to mitigate credit risk. The Group monitors the development of the portfolio of active bank transactions yearly, or more often as necessary, to ensure that prompt action can be taken to minimise potential risks.

Credit risk limits are generally determined on the basis of economic analysis of the client, sector, region or country. The procedure of determining individual limits is part of the Group's internal guidelines.

To mitigate credit risk, the Group uses the following types of limits:

- financial involvement limits of the client or economically connected entities (clients);
- country limits;
- limits on banks;
- industry limits.

Compliance with the limits is continuously monitored, evaluated and applied into the Group's activities.

The tables below provide sector and geographical summaries of financial assets at amortised cost, financial assets at fair value through other comprehensive income, and off-balance sheet exposures (in gross amounts):

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
General governments	655,283	441,973	60,385	60,206	110,828	146,152	-	-	-	-
Credit institutions	44,771	32,758	38,772	35,821	17,684	27,114	-	-	-	-
Other financial corporations	1,300	1,362	191,868	260,030	19,599	26,248	-	251	-	-
Non-financial corporations	43,709	44,190	331,769	497,089	36,782	32,836	8,545	58,358	8,794	8,128
A Agriculture, forestry and fishing	-	-	28,334	37,838	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	28,139	39,095	-	-	19	44	-	76
D Electricity, gas, steam and air conditioning supply	-	-	14,371	27,213	-	-	-	-	-	-
E Water supply	-	-	555	458	-	-	-	-	147	-
F Construction	-	-	16,866	15,781	-	-	55	87	851	43
G Wholesale and retail trade	-	-	10,689	23,674	-	-	409	359	-	365
H Transport and storage	-	-	1,977	2,076	-	-	18	21	3	3
I Accommodation and food service activities	-	-	13,857	35,674	-	-	464	4,157	-	-
J Information and communication	-	-	231	79	-	-	3,000	3,000	-	150
K Financial and insurance activities	-	-	87	-	-	-	32	50,546	-	-
L Real estate activities	43,709	44,190	120,920	160,366	-	-	23	20	-	-
M Professional, scientific and technical activities	-	-	13,946	77,047	-	-	64	84	7,793	7,491
N Administrative and support service activities	-	-	60,261	70,801	-	-	28	29	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	43	3	-	-	-	-	-	-
Q Human health services and social work activities	-	-	35	24	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	17,308	1,461	36,782	32,836	4,433	-	-	-
S Other services	-	-	4,150	5,499	-	-	-	11	-	-
Households	-	-	2,408,382	2,317,759	-	-	98,271	101,241	-	-
Total	745,063	520,283	3,031,176	3,170,905	184,893	232,350	107,067	159,599	8,794	8,128

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Slovak Republic	698,340	473,073	2,744,792	2,789,414	153,357	173,087	107,025	109,046	1,002	443
Czech Republic	-	-	114,053	185,574	-	7,303	26	50,377	-	265
Cyprus	-	-	58,246	72,778	-	-	2	1	-	-
Luxembourg	1,300	1,362	99,820	107,074	9,795	9,781	-	-	-	-
Switzerland	-	-	-	1,038	-	-	2	-	-	-
France	-	-	11,715	12,644	-	-	1	1	-	-
Netherlands	1,603	1,603	2,000	2,000	-	-	-	-	-	-
Latvia	2,129	2,155	-	-	-	17,243	-	-	-	-
Lithuania	9,981	10,046	-	-	8,954	12,034	-	-	-	-
Belgium	10,728	10,854	384	-	-	-	-	-	-	-
Ireland	10,701	10,819	10	-	-	-	-	-	-	-
Romania	10,281	10,371	5	-	-	-	-	-	-	-
Poland	-	-	-	1	12,787	12,902	1	1	-	-
Sweden	-	-	-	-	-	-	-	-	7,792	7,420
Other countries	-	-	151	382	-	-	10	173	-	-
Total	745,063	520,283	3,031,176	3,170,905	184,893	232,350	107,067	159,599	8,794	8,128

Rating system

The Group uses a rating system to evaluate the financial performance of companies. The rating system evaluate quantitative and qualitative indicators of economic activities (e.g. liquidity ratio, profitability, gearing etc.), and compares them with the subjective assessment of the client by the Group. The Group categorises clients into rating levels from best to worst, the worst level representing the highest probability of default. The Group has established processes for creation of ratings, their regular update, and control for assigning the ratings, and these are defined in the Group's internal guidelines.

The Group uses internal credit risk ratings that reflect its assessment of the probability of default by individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information, collected at the time of application (such as disposable income, level of collateral for retail exposures, or turnover and industry type for corporate exposures) is entered into this rating model. This is supplemented with external data, such as credit bureau scoring information on retail customers. In addition, the models enable inclusion of expert judgements, to be entered into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of other data inputs into the model.

The rating methods are subject to regular validation and recalibration, so that they reflect the latest projections in the light of all actually observed defaults.

The following table shows the assignment of external and internal ratings to each level of credit risk:

Credit risk	External rating Moody's	Internal rating corporate	Internal rating retail	1YPD
Low credit risk	Aaa – Aa3			
Low credit risk	A1 – A3	1 – 3	A1 – A3	0.20% –
Low credit risk	Baa1 – Baa3			1.00%
Low credit risk	Ba1 – Ba2			
Moderate credit risk	Ba3			
Moderate credit risk	B1 – B3	4C – 5C	B1 – C1	2.00% –
Moderate credit risk	Caa1			8.00%
High credit risk	Caa2 – Caa3	6 – 8	C2 – C3	12.00% –
High credit risk	Ca – C		D – F	35.00%
Default	D	9 – 10	Default	100.00%

Measurement of expected credit losses

IFRS 9 *Financial Instruments* outlines a three-stage model for impairment, based on changes in credit quality since initial recognition:

- **Stage 1:** A financial instrument that is not impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group. This includes all financial instruments, where no significant increase in credit risk has been identified, from the date of initial recognition,
- **Stage 2:** If significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired,
- **Stage 3:** If the financial instrument is impaired, the financial instrument is moved to Stage 3.

Financial instruments in *Stage 1* have their ECL measured, at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in *Stages 2* or *3* have their ECL measured based on expected credit losses on a lifetime basis. The Group has a defined remedial period for returning from *Stage 3 to Stage 2* and from *Stage 2 to Stage 1*. Direct movement from Stage 3 to Stage 1 is not allowed except retail loans without any forbearance indicator.

Purchased or originated credit-impaired financial assets ('*POCI*') are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

A pervasive concept in measuring ECL is that it should consider forward-looking information.

The Group sets the level of significance at EUR 300 thousand (for the year ended 31 December 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (for the year ended 31 December 2022: EUR 300 thousand) are assessed individually in the staging process.

The same principles are also applied for measurement of provisions for off-balance sheet exposures, arising from loan and other commitments, and guarantees given.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

i. Quantitative criteria:

Remaining Lifetime PD at the reporting date has increased compared to the expected residual Lifetime PD at the initial recognition date, and it exceeds the relevant threshold.

These thresholds are determined separately for retail and corporate portfolios, by assessing how the Lifetime PD changes prior to an instrument becoming problematic.

The protection criterion applies, and the financial asset is considered to have experienced a significant increase in credit risk, when the borrower is past due with contracted payments for more than 30 days. The Group does not benefit from the exception of low credit risk for any financial instrument.

The following thresholds apply to retail portfolios:

- deterioration of the internal rating to the non-fundable rating (rating E, F);
- forbearance indicator.

The following thresholds apply to corporate portfolios:

- deterioration of the internal rating to rating 7 and higher;
- forbearance indicator;
- non-compliance with financial covenants.

ii. Qualitative criteria:

The Group uses the following indicators to assess whether SICR has occurred:

- the debtor violates the financial covenants or contracts;
- actual or expected significant adverse change in operating results of the borrower;
- negative information about the borrower from external sources;
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- actual or expected concession, restructuring or change in the repayment schedule.

The assessment of SICR for individually assessed exposures is carried out at the level of each loan on an ongoing basis. The criteria used to identify SICR are monitored and reassessed, in order to assess their suitability, at least once a year.

Definition of default and credit impaired financial assets

The Group defines a financial asset as defaulted when it fully complies with the definition of credit impairment, or when one or more events occur that have a detrimental effect on the estimated future cash flows of that financial asset.

Retail:

- A receivable is considered defaulted if it is more than 90 days overdue, while the significance threshold is set at EUR 100 or 1.00% of the amount of the debtor's balance sheet exposure to the receivable;
- The loan has been called to repay.
- A receivable is an unauthorized debit balance on a personal account with no limit of authorized overdraft in the account.
- The sum of defaulted receivables of the debtor more than 90 days overdue is more than 20 percent of all debtor's receivables.
- The loan is credit impaired with forbearance indicator (forbearance non-performing).

Non-retail:

Assessed by 2 types of criteria:

- I. Criteria, if identified by the Group, that the receivable immediately becomes defaulted:
 - A receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the Bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1.00% of the total obligation of the borrower, for a period of more than 90 consecutive days
 - The Borrower has declared bankruptcy or other form of reorganisation;
 - The Borrower has asked the Bank for concession due to economic or contractual reasons, related to the borrower's financial difficulties and a significant reduction in the quality of the loan;
 - The loan was forfeited;
 - Fraud.

- II. Criteria subject to a qualified assessment at the Group, whether the receivable is defaulted:
 - The receivable is overdue (up to 90 days);
 - The Group recognises a specific concession to the loan agreement, resulting from a significant reduction in the quality of the loan;
 - Signs of impairment, leading to the assumption that the borrower will not pay its credit obligations to the Group in full amount and in time, without the Group taking any actions such as realisation of the collateral;
 - Significant impairment of main collateral;
 - Failure of the debtor in another financial institution, or failure of another client's loans and advances in the Group;
 - Any other warning signs identified in the client monitoring and engagement process that, according to the Bank's assessment, will result in the debtor not paying his credit commitments to the Group in full and in time, without the Group taking steps toward loan collateral.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information ('*FLI*').

i. Individually assessed exposures

Considering the abundance and high diversity of corporate exposures, the Group does not identify a reliable correlation between macroeconomic indicators and ECL. Using future-oriented information for individually assessed exposures would lead to unpredictable results due to a lack of reliable correlation, and the Group therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Group assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

For the year ended 31 December 2023, measures for the forward looking element for rating, which determines the amount of ECL in connection with the current economic situation and the strong impact of several external factors such as:

- global instability and uncertain macroeconomic development;
- war in Ukraine;
- growing inflation and growth in interest rates.

To consider the forward-looking element in the current environment of growing interest rates, the measures are aimed at a general update of the internal ratings of corporate clients based on the gearing (the ratio of interest-bearing debt to equity).

The Group regularly carries out detailed monitoring of each corporate client at least once a year. As part of this revision, all aspects of the credit relationship are re-evaluated, from assessing the business model, financial situation, re-assessing collateral, evaluating the fulfilment of contractual conditions. In 2022, the Group implemented the so-called ESG questionnaire, the completion of which is part of the Group's information request for the client. By evaluating the ESG questionnaire, the Group assesses the client's compliance with requirements in this area, while the information serves the Group to assess the sustainability of the client's business model and the possible impact on its PD. Currently, we do not have a client in our portfolio whose ability to fulfil its obligations to the Group would be threatened as a result of the new requirements placed on companies due to the implementation of ESG legislation.

The Group also regularly assesses the impact of the economic and political situation on its clients. Currently, the Group has one client in its portfolio that is economically linked to Ukraine and no client with economic relationships with Russia. The Group and the client took transactional measures to completely mitigate the effects of the conflict.

Lastly but importantly, due to the current situation, the Group implemented a forward-looking element in its rating policy. Individual financing industries face different opportunities and challenges, therefore we assess each client on an individual basis in combination with its industry in which the client operates and adjust the PD accordingly.

ii. Portfolio-based exposures

In assessing the amount of expected loss of portfolio exposures, the Group considers estimated future economic conditions. This is achieved by appropriate PD value modifications via a multiplier. The FLI setting consists of determining the values of two parameters:

- the coefficient of increase of 12-month marginal PD values,
- the number of months during which the PD will revert to the original values.

As at 31 December 2023, the setting of FLI parameters for retail portfolio-assessed exposures is based on the assumption of a worsening of the macroeconomic situation in Slovakia. The Group implemented Merton-Vasicek model to assessed relevant macroeconomic component.

For modelling the impact of macro variables on the probability of default, the Group uses available time series published by the Statistical Office of the Slovak Republic, the ECB and the ARDAL agency. Specifically analysed variables and their lagging equivalents: unemployment, inflation, GDP, base interest rate, average coupons of Slovak government bonds for individual years, EURIBOR rates, dummy variables. Based on the results of statistical methods, the final model contains exactly one variable unemployment. Models with multiple variables and their interactions are either insignificant or the result of the variable coefficients is uninterpretable or counterintuitive.

Weighted value of unemployment rate 6.50% was used, based of three scenarios of macroeconomic development with following input values and weights:

- baseline, 80.00%, 5.50%
- positive 10.00%, 5.00%
- negative 10.00%, 6.50%

The resulting impact on the probability of default of retail clients is a relative increase of 10.00% for all retail rating categories.

For the weighted average across individual scenarios, the Group used the predictions of the base scenario from the NBS published in December 2023 and internal estimates of the variables for the negative and optimistic scenario. The starting point for the negative scenario is primarily risk factors, namely the increase in price of the inputs driven by the development on the food and energy markets, escalation of the war conflicts and limited recovery of the world trade.

Calculation of ECL

The Group calculates ECL on an individual or portfolio basis. Individual basis is an individual estimate of cash flows at the exposure level. In calculating the ECL on a portfolio basis, exposures are classified from common risk characteristics into a homogenous group.

The aggregation of the exposures follows a business purpose and also considers the risk perspective. Separate portfolios are created for retail secured and unsecured loans, while the Group also creates additional portfolios by the amount of LTV or product type. Corporate exposures are aggregated into instalment loans, overdrafts, guarantees and bonds. Other portfolios mainly represent money-market exposures to financial institutions and government bonds.

i. Individual calculation:

The individual basis for calculating ECL is used for individually assessed exposures in Stage 3:

The ECL calculation is generally based on three scenarios (or at least two scenarios), and each scenario is given a certain probability:

- **Contractual scenario** - scenario based on the expectation of maturity of all contractual cash flows on time and in full amount
- **Going concern** - scenario based on the expectation of both contractual cash flows and cash flows from collateral recovery
- **Gone concern** - the worst scenario based on the expectation of both contractual cash flows and cash flow from collateral recovery. Compared to the Going concern scenario, the Group expects lower cash flow values

The ECL is subsequently calculated as the probability-weighted amount of expected cash flows from each scenario discounted by the original EIR.

ii. Portfolio calculation:

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula

$ECL = PD \times EAD \times LGD$, where:

- PD: The probability of default. It is the probability that the borrower will not fulfil its financial liabilities. PD depends on the rating and the following rules apply:
 - *Stage 1*: uses a 12-month PD, i.e. probability of default over the next 12 months;
 - *Stage 2*: the PD is used over the lifetime, i.e. probability of default over the entire lifetime of the exposure;
 - *Stage 3*: the PD is equal to 1 because the exposure is already defaulted.
- EAD: Unsecured Exposure at default.
- LGD: Loss given default means the ratio of credit loss in case of default to EAD.

The Group calculates the ECL on an individual or portfolio basis. An individual basis represents an individual estimate.

ECL sensitivity analysis

The Group prepares ECL scenarios when changing parameters for retail loan portfolio. One of the recalculation scenarios is the assessment of ECL in case of deteriorated or improved credit quality of clients, which the Group implements through the adjustment of client ratings. The second scenario is the ECL assessment when at PD and the third scenario represents a change in LGD parameter.

Changes in the credit quality of clients

Scenario of deterioration of the client's rating by 1 rating for retail loans under the following assumptions:

- PD values are allocated according to PD values ratings calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the deterioration of the client's rating is realised by 1 rating level lower, while clients from the worst rating level remain at the same rating level;
- for clients who reach the lowest rating level after the rating level deteriorates, the ECL is calculated in Stage 2, while the EAD is calculated on a straight-line basis.

Scenario of improving the client's rating by 1 level for retail loans under the following assumptions:

- PD values are allocated according to ratings from PD values calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the improvement of the client's rating is realised by 1 rating level higher, while clients from the worst rating level remain at the same rating level;
- Stage remains unchanged

ECL scenarios impact compared to the actual ECL value:

31.12.2023	Value of ECL	Deterioration by one rating grade		Improvement by one rating grade	
		EUR'000	in %	EUR'000	in %
Consumer credit	78,565	5,265	6.70%	(2,891)	-3.68%
Mortgage loans	317	56	17.59%	(27)	-8.40%
Corporate exposures	40,116	5,001	12.47%	(2,218)	-5.53%
Total	118,998	10,322	8.67%	(5,136)	-4.32%

31.12.2022	Value of ECL	Deterioration by one rating grade		Improvement by one rating grade	
		EUR'000	in %	EUR'000	in %
Consumer credit	86,377	5,651	6.54%	(3,165)	-3.66%
Mortgage loans	840	52	6.18%	(22)	-2.57%
Corporate exposures	77,101	22,225	28.83%	(5,511)	-7.15%
Total	164,318	27,928	17.00%	(8,698)	-5.29%

The corporate portfolio is regularly monitored and assessed on a regular basis. The classification into the relevant rating is also performed on an individual basis according to the specific situation of the clients. The corporate portfolio does not show signs of a homogeneous portfolio. Therefore, a sensitivity analysis through change would not provide additional relevant information. In corporate portfolios, the Group assesses the sensitivity to changes in PD, which can be seen below.

PD changes

When changing the PD, the Group tests the ECL sensitivity to PD changes in 10% movements upwards and downwards. This analysis does not change the Stage assignment.

The effects of stressing PD parameters are as follows:

PD change	Value of ECL	31 December 2023				31 December 2022				
		Increase by 10.00% EUR'000	in %	Decrease by 10.00% EUR'000	in %	Increase by 10.00% EUR'000	in %	Decrease by 10.00% EUR'000	in %	
Consumer credit	78,565	1,250	1.59%	(1,250)	-1.59%	86,377	1,272	1.47%	(1,272)	-1.47%
Mortgage loans	317	8	2.59%	(8)	-2.59%	840	7	0.78%	(7)	-0.78%
Corporate loans	40,116	832	2.07%	(832)	-2.07%	77,101	1,079	1.40%	(1,660)	-2.15%
Other	1,894	30	1.58%	(30)	-1.58%	3,048	25	0.82%	(25)	-0.82%
Total	120,892	2,120	1.75%	(2,120)	-1.75%	167,366	2,383	1.42%	(2,964)	-1.77%

A change of the LGD parameter

A change of the LGD parameter would result in a change in the impairment allowances as follows:

31.12.2023	ECL	LGD +5.00%		LGD -5.00%		LGD +10.00%		LGD -10.00%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	78,565	5,253	6.69%	(5,253)	-6.69%	10,507	13.37%	(10,507)	-13.37%
Mortgage loans	317	25	7.98%	(25)	-7.98%	51	15.95%	(51)	-15.95%
Corporate exposures	40,116	2,046	5.10%	(2,046)	-5.10%	4,093	10.20%	(4,093)	-10.20%
Other	1,894	6	0.30%	(6)	-0.30%	11	0.61%	(11)	-0.61%
Total	120,892	7,330	6.06%	(7,330)	-6.06%	14,662	12.13%	(14,662)	-12.13%

31.12.2022	ECL	LGD +5.00%		LGD -5.00%		LGD +10.00%		LGD -10.00%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	86,377	5,331	6.17%	(5,331)	-6.17%	10,647	12.33%	(10,662)	-12.34%
Mortgage loans	840	63	7.53%	(63)	-7.53%	127	15.07%	(127)	-15.07%
Corporate exposures	77,101	3,523	4.57%	(3,523)	-4.57%	7,046	9.14%	(7,046)	-9.14%
Other	3,048	10	0.32%	(10)	-0.32%	19	0.64%	(19)	-0.64%
Total	167,366	8,927	5.33%	(8,927)	-5.33%	17,839	10.66%	(17,854)	-10.67%

PD and LGD values are estimated by statistical models. PD values are recalculated and recalibrated on a monthly basis, reflecting the changes to ECL in individual portfolios. LGD values are recalculated and recalibrated at least once a year. Back testing of PD and LGD is performed on an annual basis.

The tables below summarise the classification of financial assets and off-balance sheet exposures (gross) by credit risk ratings:

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at AC - Debt securities										
Low credit risk	701,354	474,490	-	-	-	-	-	-	701,354	474,490
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	43,709	44,190	-	-	-	-	43,709	44,190
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	1,603	-	-	-	-	-	-	-	1,603
Gross amount	701,354	476,093	43,709	44,190	-	-	-	-	745,063	520,283
Impairment allowance	(216)	(151)	(7,485)	(7,442)	-	-	-	-	(7,701)	(7,593)
Carrying amount	701,138	475,942	36,224	36,748	-	-	-	-	737,362	512,690

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at AC - Loans and advances										
Low credit risk	1,317,218	1,165,424	1,987	11,492	775	285	-	-	1,319,980	1,177,201
Moderate credit risk	1,140,952	1,278,996	27,691	29,214	17,773	18,441	-	-	1,186,416	1,326,651
High credit risk	211,218	299,284	133,882	161,656	6,200	4,510	11,760	4,464	363,060	469,914
Default	-	-	-	-	154,218	145,645	2,219	7,773	156,437	153,418
Not rated	384	36,373	4,275	5,397	624	1,951	-	-	5,283	43,721
Gross amount	2,669,772	2,780,077	167,835	207,759	179,590	170,832	13,979	12,237	3,031,176	3,170,905
Impairment allowance	(9,917)	(16,334)	(17,227)	(20,527)	(113,210)	(131,950)	(3,382)	(8,559)	(143,736)	(177,370)
Carrying amount	2,659,855	2,763,743	150,608	187,232	66,380	38,882	10,597	3,678	2,887,440	2,993,535

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at FVOCI - Debt securities										
Low credit risk	138,307	181,508	-	-	-	-	-	-	138,307	181,508
Moderate credit risk	46,586	16,115	-	-	-	-	-	-	46,586	16,115
High credit risk	-	-	-	34,727	-	-	-	-	-	34,727
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	184,893	197,623	-	34,727	-	-	-	-	184,893	232,350
Impairment allowance in OCI	(764)	(118)	-	(8,314)	-	-	-	-	(764)	(8,432)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loan and other commitments given										
Low credit risk	83,329	83,555	-	-	-	-	-	-	83,329	83,555
Moderate credit risk	16,901	68,668	-	-	-	-	-	-	16,901	68,668
High credit risk	3,168	396	157	4,464	-	-	-	-	3,325	4,860
Default	-	-	71	-	-	18	-	-	71	18
Not rated	3,000	-	441	2,498	-	-	-	-	3,441	2,498
Gross amount	106,398	152,619	669	6,962	-	18	-	-	107,067	159,599
Provision	106	138	35	424	-	6	-	-	141	568

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial guarantees given										
Low credit risk	-	76	-	-	-	-	-	-	-	76
Moderate credit risk	7,943	518	-	-	-	-	-	-	7,943	518
High credit risk	-	7,534	-	-	-	-	-	-	-	7,534
Default	-	-	-	-	851	-	-	-	851	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	7,943	8,128	-	-	851	-	-	-	8,794	8,128
Provision	1	9	-	-	175	-	-	-	176	9

Collateral

The Group generally requires collateral in order to mitigate its credit risk from exposures on financial assets. The following collateral types are accepted:

- cash;
- guarantees issued by banks, governments or reputable third parties;
- securities;
- receivables;
commercial and residential real estate;
- tangible assets.

Estimates of fair value are based on the value of collateral assessed at the time before executing the deal and are reassessed on a regular basis. Generally, collateral is not held on exposures against credit institutions, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of received collateral is shown in the following table (including received collateral from reverse repurchase agreements). Received collateral value is disclosed up to the gross carrying amount of the asset (so called claimable value).

EUR'000	31.12.2023	31.12.2022
Real-estates	1,553,882	1,525,759
Securities	190,690	199,665
Other	29,342	68,860
Total	1,773,914	1,794,284

Collateral in default loans and advances at amortised cost:

EUR'000	31.12.2023	31.12.2022
Gross amount	157,094	178,605
Impairment allowances	(94,265)	(120,159)
Carrying amount	62,829	58,446
Collateral	28,768	19,253

The Group's assessment of the net realisable value of the collateral is based on independent expert appraisals, which are reviewed by the Group's specialists, or internal evaluations prepared by the Group. The realisable value of collateral is derived from this value using a correction coefficient, that is the result of the current market situation, and reflects the Group's ability to realise the collateral in case of involuntary sale, for a price that is possibly lower than the market price. The Group, at least annually, updates the values of the collateral and the correction coefficient.

Mortgage classification by LTV categories is shown in the following table:

EUR'000	31.12.2023	31.12.2022
LTV < 50%	363,509	320,376
LTV 50 - 60%	271,778	234,401
LTV 60 - 70%	411,913	407,853
LTV 70 - 80%	326,413	350,051
LTV 80 - 90%	66,795	85,474
LTV 90 - 100%	11,692	12,354
LTV > 100%	10,999	8,173
Total	1,463,099	1,418,682

Net value of assets acquired by ownership of the collateral as at 31 December 2023 is EUR 0 (as at 31 December 2022: EUR 0).

Recovery of receivables

The Group takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In case of default receivables, the activities of taking possession of collateral, representing the Group in bankruptcy, and restructuring proceedings are realised separately.

In the retail segment, the recovery process for overdue receivables is defined and centrally operated by a workflow system. The system provides complex evidence of problematic receivables, uses a segmented strategy of recovery, and it also processes numerous task flows, automated collection tasks, etc. The Group also uses outsourced services of collection companies.

Forbearance

The following tables show the gross amount and the amount of the impairment allowance for the financial assets to which the concession was applied:

31.12.2023	Grace period	Interest rate reduction	Extension of maturity	Rescheduled payments	Other measures
Gross amount					
Households	15,525	8,470	35,328	-	3,451
Non-financial corporations	3,530	4,221	23,118	-	-
Total	19,055	12,691	58,446	-	3,451
Impairment allowances					
Households	(5,623)	(3,657)	(6,999)	-	(920)
Non-financial corporations	(792)	(77)	(3,799)	-	-
Total	(6,415)	(3,734)	(10,798)	-	(920)

31.12.2022	Grace period	Interest rate	Extension of maturity	Rescheduled payments	Other measures
Gross amount					
Households	22,409	6,401	31,472	1	2,573
Non-financial corporations	9,515	-	14,194	6,421	-
Total	31,924	6,401	45,666	6,422	2,573
Impairment allowances					
Households	(10,976)	(3,287)	(5,733)	-	(931)
Non-financial corporations	(1,260)	-	(7,713)	(6,421)	-
Total	(12,236)	(3,287)	(13,446)	(6,421)	(931)

35. Liquidity risk

Liquidity risk arises from financing of the Group's activities and management of its positions. It includes financing the Group's assets with instruments of appropriate maturity, and the Group's ability to dispose of its assets for acceptable prices within acceptable time periods. The Group promotes a conservative and prudent approach to liquidity risk management.

The Group has a system of limits and indicators consisting of the following elements:

- short-term liquidity management - performed by monitoring the liabilities and receivables due, and fulfilling the compulsory minimum reserves;
- long-term liquidity management – performed by using the method of liquidity gap analysis (the classification of assets and liabilities based on their maturity into different maturity ranges). Liquidity gap analysis uses the Liquidity at Risk deposit stability model, as well as other behavioural assumptions.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, where possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group finances its assets mostly from primary sources. In addition to this, the Group has open credit lines from several financial institutions and is also able to finance its assets from interbank deposits. Due to its structure of assets, the Group has at its disposal sufficient amount of bonds which are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the European Central Bank.

The Group monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Group maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity position is monitored daily and the liquidity stress testing is conducted monthly, under a variety of scenarios covering both normal and more severe market conditions. The Group also has a contingency plan and communication crisis plan, which describes the principles and procedures of management in extraordinary conditions and secures the availability of financial back-up sources. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee (“ALCO”). Reports on the liquidity position, including any exceptions and remedial action taken, is submitted to ALCO at least once a month.

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are:

- *Primary liquidity ratio and Liquidity coverage ratio* - tracking short-term liquidity under stress scenarios;
- *Net stable funding ratio* - structural funding monitoring;
- *Modified liquidity gap indicator* - management of structural medium- to long-term liquidity;
- *Analysis of survival time in stress conditions.*

Cash flows expected by the Group for certain assets and liabilities may differ significantly from their contractual flows. For example, for on hand deposits from clients (current accounts, term deposits without notice period) the Group expects that they will remain in the Group over a longer period, or more precisely, their value will increase over time as a result of receiving new funds. Receivables from clients may also be prematurely repaid or prolonged.

The liquidity coverage ratio is defined by Regulation of the European Parliament and of the Council no. 575/2013, as the ratio of the sum of the liquid assets to the sum of the net cash outflows. The ratio must not fall below 1.

The value of ratio was as follows:

	31.12.2023	31.12.2022
End of the period	4.67	3.00
Average for the period	3.92	1.90
Maximum for the period	4.96	3.00
Minimum for the period	3.02	1.27

The Net Stable Funding Ratio requirement stipulated in Article 413 par. 1 (EU Regulation No. 575/2013 of 26 June 2013) equals the ratio of the available stable funding of the institution to the required stable funding of the institution. The value of the indicator must not fall below 1.

The value of the indicator is as follows:

	31.12.2023	31.12.2022
End of the period	1.41	1.32

The following table provides an overview of the distribution of assets and liabilities, according to their contractual maturity as current (with a maturity up to 1 year) and non-current (with a maturity over one year):

EUR'000	31 December 2023			31 December 2022		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	438,490	-	438,490	594,686	-	594,686
Financial assets held for trading	178	-	178	16	-	16
Non-trading financial assets mandatorily at fair value through profit or loss	379	192,505	192,884	2,841	183,682	186,523
Financial assets at fair value through other comprehensive income	37,432	147,461	184,893	49,266	183,149	232,415
Financial assets at amortised cost	466,758	3,189,056	3,655,814	418,139	3,126,959	3,545,098
<i>Debt securities</i>	41,857	695,505	737,362	24,764	487,926	512,690
<i>Loans and advances</i>	393,889	2,493,551	2,887,440	354,502	2,639,033	2,993,535
<i>Other financial assets</i>	31,012	-	31,012	38,873	-	38,873
Derivatives – Hedge accounting	1,074	5,884	6,958	8,089	-	8,089
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	1,019	1,019	-	1,106	1,106
Tangible assets	-	52,142	52,142	-	60,095	60,095
Intangible assets	-	60,483	60,483	-	56,009	56,009
Current tax assets	1,529	-	1,529	142	-	142
Deferred tax assets	-	28,616	28,616	-	27,291	27,291
Other assets	15,811	-	15,811	19,799	-	19,799
Total assets	961,651	3,677,166	4,638,817	1,092,978	3,638,291	4,731,269
Liabilities						
Financial liabilities held for trading	85	-	85	2,102	-	2,102
Financial liabilities measured at amortised cost	3,216,779	698,281	3,915,060	3,189,767	763,598	3,953,365
<i>Deposits</i>	3,200,486	530,468	3,730,954	3,164,014	605,885	3,769,899
<i>Debt securities issued</i>	-	139,709	139,709	-	124,981	124,981
<i>Other financial liabilities</i>	16,293	28,104	44,397	25,753	32,732	58,485
<i>thereof: lease liabilities</i>	5,070	27,527	32,597	3,524	32,732	36,256
Derivatives – Hedge accounting	-	4,654	4,654	37	-	37
Provisions	393	-	393	2,577	-	2,577
Current tax liabilities	35	-	35	2,773	-	2,773
Other liabilities	29,604	-	29,604	13,272	-	13,272
Total liabilities	3,246,896	702,935	3,949,831	3,210,528	763,598	3,974,126

The Group monitors residual maturity based on expected recovery or expected maturity of the individual assets and liabilities. Historical experience shows that short-term liabilities are usually prolonged, or their volume grows over time. The maturity of these liabilities is determined in the range of 1-10 years, based on their volatility and the use of statistical models.

The following tables show the residual maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives. Undiscounted cash flows in the table are presented based on their earliest contractual maturities. Expected cash flows may be different from the analysis below:

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,695,288	533,553	684,324	40,318	3,953,483	3,915,060
<i>Deposits</i>	2,682,878	519,745	521,695	25,850	3,750,168	3,730,954
<i>Debt securities issued</i>	-	9,886	147,365	-	157,251	139,709
<i>Other financial liabilities</i>	12,410	3,922	15,264	14,468	46,064	44,397
<i>thereof: lease liabilities</i>	1,317	3,790	14,686	14,468	34,261	32,597
Derivatives – Hedge accounting	-	-	3,378	1,276	4,654	4,654
Total	2,695,288	533,553	687,702	41,594	3,958,137	3,919,714
31 December 2022						
Financial liabilities measured at amortised cost	3,089,236	165,524	727,739	49,077	4,031,576	3,953,365
<i>Deposits</i>	3,067,593	161,384	584,375	34,222	3,847,574	3,769,899
<i>Debt securities issued</i>	-	-	124,981	-	124,981	124,981
<i>Other financial liabilities</i>	21,643	4,140	18,383	14,855	59,021	58,485
<i>thereof: lease liabilities</i>	695	2,819	18,383	14,855	36,752	36,257
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	3,089,273	165,524	727,739	49,077	4,031,613	3,953,402

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Loan and other commitments given	107,067	-	-	-	107,067	107,067
Financial guarantees given	-	800	7,991	3	8,794	8,794
Total	107,067	800	7,991	3	115,861	115,861
31 December 2022						
Loan and other commitments given	159,599	-	-	-	159,599	159,599
Financial guarantees given	8,128	-	-	-	8,128	8,128
Total	167,727	-	-	-	167,727	167,727

The following table presents the maturity analysis of highly liquid assets that the Group uses for liquidity management:

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total
31 December 2023					
Cash on hand	26,627	-	-	-	26,627
Cash balances at central banks	338,113	-	-	-	338,113
Assets in level 1	-	85,079	264,865	377,000	726,944
Assets in level 2A	-	18	14,994	-	15,012
Total	364,740	85,097	279,859	377,000	1,106,696

The following tables show an analysis of the expected remaining maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives.

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Financial liabilities measured at amortised cost	269,725	809,920	1,874,527	999,311	3,953,483	3,915,060
<i>Deposits</i>	257,315	796,112	1,711,898	984,843	3,750,168	3,730,954
<i>Debt securities issued</i>	-	9,886	147,365	-	157,251	139,709
<i>Other financial liabilities</i>	12,410	3,922	15,264	14,468	46,064	44,397
<i>thereof: lease liabilities</i>	1,317	3,790	14,686	14,468	34,261	35,973
Derivatives – Hedge accounting	-	-	3,378	1,276	4,654	4,654
Total	269,725	809,920	1,877,905	1,000,587	3,958,137	3,919,714

31 December 2022						
Financial liabilities measured at AC	339,248	651,971	1,918,556	1,058,020	3,967,794	3,953,365
<i>Deposits</i>	319,612	584,312	1,840,316	1,043,165	3,787,404	3,769,899
<i>Debt securities issued</i>	-	64,840	60,141	-	124,981	124,981
<i>Other financial liabilities</i>	19,636	2,819	18,099	14,855	55,409	58,485
<i>thereof: lease liabilities</i>	695	2,819	18,099	14,855	36,468	36,256
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	339,285	651,971	1,918,556	1,058,020	3,967,831	3,953,402

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Loan and other commitments given	107,067	-	-	-	107,067	107,067
Financial guarantees given	-	800	7,991	3	8,794	8,794
Total	107,067	800	7,991	3	115,861	115,861
31 December 2022						
Loan and other commitments given	164,695	-	-	-	164,695	159,599
Financial guarantees given	-	458	7,667	3	8,128	8,128
Total	164,695	458	7,667	3	172,823	167,727

36. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing), will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group distributes its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities which are managed on a fair value basis.

Overall authority for market risk is vested in the ALCO. The members of ALCO are responsible for the development of detailed market risk management policies.

Management of market risks

Limits, indicators and methods of equity risk management are defined in accordance with the principles described in the Market Risk Management Strategy. In managing market risk, the Group uses the following limits, indicators and methods for identifying, measuring and monitoring market risk:

- Open positions in individual financial instruments;
- Value at Risk;
- Expected shortfall;
- Basis point value;
- Credit spread point value;
- Analysis of interest rate gap;
- Capital at Risk / Change of economic value of capital;
- Earnings at Risk / Change of net interest income;
- Stop loss limits for trading book;
- Stress testing;
- VaR back-testing.

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk ('VaR'). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period), from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Taking account of market data from previous years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A holding period assumes that it is possible to acquire or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99.00% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Group uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Group uses the stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

Daily reports of utilisation of VaR limits are submitted to ALCO members, and the departments responsible for risk position management. Information on market risks development is regularly submitted to ALCO.

A summary of the VaR position of the Group:

EUR'000	31.12.2023	Average	Maximum	Minimum
VaR trading book	3	4	42	-
VaR banking book	3,734	3,247	3,734	2,776
VaR total	3,734	3,641	4,901	2,777
<i>Out of which interest rate risk</i>	<i>2,258</i>	<i>1,818</i>	<i>2,310</i>	<i>956</i>
<i>Out of which credit spread risk</i>	<i>5,548</i>	<i>4,241</i>	<i>5,615</i>	<i>1,758</i>
<i>Out of which foreign exchange risk</i>	<i>3</i>	<i>4</i>	<i>49</i>	<i>-</i>

EUR'000	31.12.2022	Average	Maximum	Minimum
VaR trading book	1	2	43	-
VaR banking book	3,768	4,098	4,965	2,210
VaR total	3,768	4,098	4,965	2,210
<i>Out of which interest rate risk</i>	<i>3,169</i>	<i>3,745</i>	<i>4,942</i>	<i>1,446</i>
<i>Out of which credit spread risk</i>	<i>1,730</i>	<i>1,588</i>	<i>4,060</i>	<i>1,232</i>
<i>Out of which foreign exchange risk</i>	<i>1</i>	<i>2</i>	<i>43</i>	<i>-</i>

Interest rate risk

The main source of the Group's interest rate risk is so-called revaluation risk which arises due to timing differences in maturity dates (fixed rate positions) and in revaluation (variable rate positions) assets, liabilities, and positions in commitments, contingencies and derivative financial instruments of the Group.

Other sources of interest rate risk are:

- *Yield curve risk* – risk of changes in the yield curve, due to the fact that a change in interest rates on the financial market will occur to different extents at different periods of time for interest-sensitive financial instruments,
- *Different interest base risk* - reference rates, relating to the active and passive transactions, are dissimilar and do not move simultaneously,
- *Risk from provisioning* - resulting from the decrease of interest sensitive exposure, with increasing volume of impairment loss allowances. Reducing exposure affects the Group's interest sensitivity, based on a short or long position,
- *Option risk* – arising from potential embedded options in financial instruments in the portfolio of the Group, allowing early withdrawals and repayments by counterparties, and subsequent deviation from their contractual maturities.

On the asset side of the statement of financial position, the Group manages its interest rate risk by providing a majority of corporate loans with variable rates. The Group continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Group is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Group uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Group for interest rate risk management of liabilities comprise:

- Stability of deposits, especially over longer time periods;
- Fast and flexible reactions to significant changes in inter-bank interest rates, through adjustments to interest rates on deposit products;
- Continuously evaluating interest rate levels offered to clients, compared to competitors, and actual or expected development of interest rates on the local market;
- Managing the structure of liabilities in compliance with the expected development of money market rates, in order to optimise interest revenues and minimise interest rate risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows, or fair values of financial instruments, because of a change in market interest rates.

The monitoring of established limits is the responsibility of the ALCO Committee, in conjunction with the Risk Management Division, during their daily activities. The determination of interest rates for banking products falls within the competence of the ALCO Committee.

Sensitivity of economic value of capital and net interest income due to movements in interest rates:

The economic value of the equity would decrease by EUR 161 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2023 or a decrease of EUR 207 thousand as at 31 December 2022.

Net interest income would decrease by EUR 104 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2023 or a decrease of EUR 174 thousand as at 31 December 2022.

Change in the economic value of capital (Δ EVE) as a reaction to different scenarios of the development of interest rates (the most negative scenario for the Group involves a parallel increase in interest rates by 200.00%):

	31.12.2023	31.12.2022
End of the period	(32,121)	(48,709)
Average for the period	(29,222)	(65,919)
Maximum for the period	(38,070)	(76,207)
Minimum for the period	(23,664)	(48,709)
BIS IRRBB Scenario	31.12.2023	31.12.2022
short up	(22,630)	(42,310)
short down	11,415	21,601
long up	(8,241)	(8,754)
long down	4,150	4,170
paralell up	(32,121)	(48,709)
paralell down	17,102	24,734
steepening	3,466	9,669
flattering	(12,168)	(27,484)

The economic value of capital represents the difference discounted cash flows of interest rate sensitive assets recorded in the banking book, and the cash flows of interest sensitive liabilities recorded in the banking book.

Interest rate sensitive assets and liabilities are assets and liabilities for which fair value is variable, depending on changes in market interest rates. Particular assets and liabilities are divided into re-pricing gaps, based on their contractual re-pricing period, volatility of interest margins (for selected liability products), or roll forward (for assets and liabilities where it is not possible to use statistical models). In case the asset or the liability does not bear any interest risk, it is assigned a one-day maturity.

Changes in the economic value reflect the impact of a parallel interest shock on the value of interest sensitive assets and liabilities of the Group. The scenario of parallel decrease in rates does not consider the decrease of interest rates below 0%, which results in minimal change in economic value of the Group's capital. It should be emphasised that this measure highlights the effect of a shift in interest curves on the present structure of assets and liabilities and excludes assumptions of future changes in the structure of the balance sheet.

Share price risk

Share price risk is a risk of movements in the prices of equity instruments held in the Group's portfolio, and financial derivatives derived from these instruments. The main source of the Group's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Group:

- Follows an investment strategy which is updated on a regular basis;
- Prefers for publicly traded stocks;
- Monitors limits to minimise share price risk;
- Performs a risk analysis, which usually includes forecasts of the development of the share price, various models and scenarios for the development of external and internal factors with an impact on the statement of profit or loss, asset concentration, and the adequacy of own resources.

Share price risk is expressed above as part of the VaR ratio.

Foreign exchange risk

The Group is exposed to foreign exchange risk when trading in foreign currency on its own account, as well as on the account of its clients. The Group assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e. the Group has unsecured foreign exchange positions. The Group reduces its foreign exchange risk through limits on its unsecured foreign exchange positions and keeps them at an acceptable level according to its size and business activities. The main currencies in which the Group holds significant positions are czech crowns and american dollars.

IBOR reform

Risk Management

IBOR rates ('Interbank Offered Rates') are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, so-called 'iborization'. As part of this iborization, IBOR rates will be gradually replaced by so-called risk-free interest rates.

The Group used only USD LIBOR of the rates terminated as at 1 July 2023.

Non - derivative financial assets and liabilities

Currently, there was only one contract terminated in June 2023 with interest rates linked to the USD LIBOR rate. The Group will only offer loan contracts in USD with fixed interest rate.

Regarding the financial markets, the Group does not carry out transactions linked to ending float rates. The changes will only affect the interest on some collateral accounts. The Group concluded amendments to the relevant framework agreements (ISDA, GMRA, GMSLA).

Other balance sheet and off-balance sheet positions do not comprise any financial instruments that are the subject of IBOR reform.

Derivatives

The Group only records interest rate swaps with the EURIBOR reference rate as for derivatives. EURIBOR is compatible with European Parliament Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. The final date for the transition to the alternative risk-free rate is not yet known.

Hedge accounting

The Group uses interest rate derivatives for hedge accounting. Float rate interest rate swaps are linked to the EURIBOR reference rate.

37. Operational risk

Operational risk is the risk of loss, including the damage caused to the Group (by the Group's own activities) as a result of inappropriate or incorrect internal procedures, human factor failure, failure of systems used, and by external factors other than credit, market and liquidity risks. A part of the operational risk is legal risk arising from unenforceable contracted receivables, unsuccessful legal cases, verdicts with negative impact on the Group, and compliance risk. Operational risk arises from all of the Group's operations and is faced by all business entities.

The Group continuously aims to improve the implemented process of operational risk identification, usage of key risk indicators, self-evaluation procedures, or planning for unforeseeable events, and aims to secure business continuity and manage operational risk of the Group on a consolidated basis.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in each division. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and adequacy of controls and procedures to address the risks identified;
- requirements for reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where it is effective.

Internal audit performs audits and inspections, in accordance with the Statute of internal control and internal audit, and the plan of audit activities for the year, approved by the Supervisory Board. Results of audits and inspections performed by internal audit are discussed with management of the department to which they relate. Reports from audits and controls are then submitted to the Board of Directors and the Supervisory Board (which also carries out activities of the Audit Committee).

Legal risk

Legal risk represents a risk of loss arising mainly from unenforceable contracts, threats of unsuccessful legal cases, or verdicts with negative impact on the Group. Legal risk management is the responsibility of the Legal Services department.

Compliance risk

The Group, in the management of compliance risk, is focused mainly on:

- Managing the risk of money laundering and financing the terrorism;
- Risk of legal sanctions and penalties from regulators;
- Loss of the Group's reputation, which may be suffered as a result of a failure to comply with the requirements of generally applicable laws, legal standards, guidelines and standards related to banking activities.

Risks related to outsourcing

Outsourcing activities present a separate group of operational risks. Outsourcing involves long-term performance of activities by a third party, which support the Group's activities and are carried out on a contractual basis, in order to increase the efficiency of the Group's activities.

Risk management relating to outsourcing is a part of overall Group risk management. It is the responsibility of the Board of Directors and includes:

- Managing strategy for risks associated with outsourcing, which is approved by the Board of Directors, as well as other particular internal directives relating to outsourcing, security crisis plans for individual outsourced activities, or plans for the Group when ceasing outsourced activities;
- Examination of the quality of service providers before and during outsourcing;
- Regular inspections of performance of outsourcing companies by the Department of Internal Control and Internal Audit;
- Minimising the risk related to outsourcing when extraordinary events occur.

38. Regulatory requirements of the asset management company

The asset management company is obliged to comply with regulatory requirements of the National Bank of Slovakia ('NBS'), which are set out under Act No. 203/2011 on collective investment, and according to NBS Provision No. 7/2011 on capital resources of asset management companies. These include limits and restrictions on capital adequacy. These requirements apply to all asset management companies in Slovakia and their compliance is determined on the basis of reports submitted by the asset management company under statutory legal regulations. During the accounting period and as at the date of preparation of the financial statements, the Group met the aforementioned regulatory requirements.

The own funds of the management company are considered appropriate under this Act, unless they are below:

- a) EUR 125 thousand plus 0.02% of the value of the assets in funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
- b) EUR 125 thousand plus 0.02% of the value of the assets in alternative investment funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
- c) One quarter of the average general operating costs of the management company for the previous calendar year. If the management company exists for less than one year, a quarter of the amount of general operating costs according to its business plan.

39. Capital management

The Group's objective of the capital management is to ensure healthy capital equipment in order to fulfil all regulatory requirements for capital, maintain and build investor confidence as well as support own business.

The amount of regulatory capital and the capital adequacy is calculated in accordance with Regulation of the EU Parliament and Council No. 575/2013 (hereinafter referred to as "CRR").

According to the CRR, the Group's own resources are created by Tier I capital (CET1), additional Tier I capital (AT1) and Tier II capital (T2). As the Group does not own AT1 capital instruments, the entire volume of Tier 1 capital consists of CET1 capital.

As at 31 December 2023, the minimum capital adequacy requirements, including buffers and the Tier II requirements stipulated by the regulator were as follows:

- CET1: 10.35% (4.50% Tier I; Tier II 1.63%; capital preservation buffer 2.50%; locally systemically important bank buffer 0.25%; countercyclical buffer 1.47%)
- Tier I: 12.40% (6.00% Tier I; 2.18% Tier II; same buffers as for CET1)
- Total capital: 15.12% (8.00% Tier I; 2.90% Tier II; same buffers as for CET1)

In addition, based on the SREP (Supervisory Review and Evaluation Process) assessment, the Group maintains the Pillar II Guidance capital reserve at 0.75%.

From 2022, when the MREL requirement is effective, this requirement for the Group increases linearly during the transition period (17.90% for 2022, 19.31% for 2023) and from 1.1.2024 the final MREL requirement will be in force at the level of 20.73% (pending reassessment by the regulator).

In addition to the MREL requirement, the Group also maintains a requirement for a combined capital buffer according to the Banking Act, and other internal reserves for the prudent management of the Group's business strategy.

As at 31 December 2023, the Group fulfills all the stated limits with a surplus.

In December 2021, the Group successfully issued unsecured bonds in the amount of EUR 65 million for a period of 3 years which were redeemed early in November 2023 (EUR 15 million), respectively in December 2023 (EUR 50 million). In December 2022, the Group issued unsecured bonds in the amount of EUR 60 million for a period of 4 years, which are eligible for MREL. In October 2023, the Group issued unsecured bonds in the amount of EUR 77.48 million for a period of 3 years which are eligible for MREL.

In the coming years, the Group plans a linear increase in emissions of instruments eligible for MREL.

The dividend policy is planned so that all regulatory capital limits, including the MREL requirement, are met.

For the year ended 31 December 2023, the Group met and exceeded all regulatory capital adequacy requirements, including the requirements of Tier I, Tier II and the requirement for a combined capital buffer.

The Group's position of own funds according to the Capital Requirement Regulation is displayed in the following table:

EUR'000	31.12.2023	31.12.2022
Tier I Capital	568,544	643,060
Share capital and share premium	367,043	367,043
Reserve funds and other funds created from profit	73,261	70,004
Selected components of accumulated other comprehensive income	(13,121)	(12,893)
Profit or loss of previous years	180,316	240,999
Intangible assets	(37,728)	(29,601)
Additional valuation adjustments	(437)	(491)
Insufficient coverage for problematic exposures	(790)	(295)
Other transitional adjustments to CET1 Capital	-	8,294
Tier II Capital	6,401	8,000
Subordinated debt	6,401	8,000
Regulatory capital total	574,945	651,060

The table below summarises requirements on own funds in accordance with CRR:

EUR'000	31.12.2023	31.12.2022
Capital required to cover:		
Credit risk	187,196	199,861
Credit value adjustment risk	255	578
Operational risk	28,740	28,545
Total capital requirements	216,191	228,984
Capital ratios		
Total capital level as a percentage of total risk weighted assets	21.28%	22.75%
Tier I capital as a percentage of total risk weighted assets	21.04%	22.47%
Common Equity Tier I capital as a percentage of total risk weighted assets	21.04%	22.47%

Under *IFRS 9 Financial Instruments* transition, the Group has decided to apply gradual impact reflection to capital adequacy, by layering the initial impact (Article 473a of the CRR with the exception of paragraph 3), the impact of which is presented in the following table:

EUR'000	31.12.2023	31.12.2022
Available capital (amounts)		
Common Equity Tier I (CET1) capital	568,544	643,060
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	568,544	634,766
Tier I capital	568,544	643,060
Tier I capital as if IFRS 9 transitional arrangements were not applied	568,544	634,766
Total capital	574,945	651,060
Total capital as if IFRS 9 transitional arrangements were not applied	574,945	642,766
Risk-weighted assets (amounts)		
Risk-weighted assets	2,702,387	2,862,304
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	2,702,387	2,853,224
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	21.04%	22.47%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	21.04%	22.25%
Tier I capital (as a percentage of risk exposure amount)	21.04%	22.47%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	21.04%	22.25%
Total capital (as a percentage of risk exposure amount)	21.28%	22.75%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	21.28%	22.53%

The expected impact of the upcoming legislative changes related to the implementation of CRR III (effective from 1 January 2025) is an increase in the total capital requirement by 2.50%.

The result is an expected slight decrease in capital adequacy by 0.44% and Tier I adequacy by 0.43%.

40. Post balance-sheet events

After the date of preparation of the financial statements no events with a material impact which would require an adjustment or a disclosure in the financial statements occurred.

14. Individual financial statements

365.bank, a. s.

Separate Financial Statements
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

for the year ended 31 December 2023
(English translation)

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Translation of the Independent Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of
365.bank, a. s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of 365.bank, a. s. (the "Bank"), which comprise:

- the separate statement of financial position as at 31 December 2023;

and, for the period then ended:

- the separate statement of profit or loss and other comprehensive income;
- the separate statement of changes in equity;
- the separate statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended (“the Act on Statutory Audit”) including the Code of Ethics for an Auditor that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2023:

€ 2 836 303 thousand; impairment loss recognized for the year then ended: € 34 517 thousand; total impairment loss as at 31 December 2023: € 119 768 thousand.

Refer to Note 2 (Significant accounting policies), Note 8 (Financial assets at amortized cost: Loans and advances) and Note 28 (Impairment losses and provisions: Financial assets at amortized cost - Loans and advances).

Key audit matter

Impairment allowances represent the Management Board's best estimate of the expected credit losses (“ECLs”) within financial assets at amortized cost at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment and assumptions from the Management Board.

Impairment allowances for most performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing exposures (Stage 3) below € 300 thousand individually (together “collective impairment allowance”) are determined by modelling techniques. Historical experience, forward-looking information, identification of exposures with a significant deterioration in credit quality and management judgment are incorporated into the model's assumptions.

For non-performing exposures equal to or exceeding € 300 thousand individually, the impairment assessment is based on the Bank's

Our response

Our audit procedures in this area, performed assisted by our own information technology (IT) specialists and financial risk management specialists (FRM), included, among others:

- Updating our understanding of the Bank's ECL impairment methods and assessing their compliance with the relevant requirements of the financial reporting standards. As part of the above, we identified the relevant methods, models, assumptions and sources of data, and assessed, whether such methods, models, assumptions, data and their application are appropriate;
- Making relevant inquiries of the Bank's risk management, internal audit and IT personnel, in order to update our understanding of the ECL process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank's IT control environment for data security and access;

knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.

For the above reasons, impairment of loans and advances to customers was considered by us to be an increased risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.

- Testing the design, implementation of selected key controls over the approval, recording and, monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing. Testing the design, implementation and operating effectiveness of key automatic controls such as calculation of days past due, effective interest rate collateral valuations and manual control over retail collateral valuation;
- Assessing whether the definitions of default and significant increase in credit risk, and the financial instruments standard's staging criteria, were all appropriately and consistently applied;
- For collective impairment allowance:
 - Obtaining the Bank's forward-looking information used in the ECL assessment. We involved our own credit risk specialist to assist us in evaluating the information by means of comparison to publicly available information;
 - Challenging key model parameters of loan given default (LGD) and probability of default (PD), by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances.
 - Developing an independent expectation of corporate clients ECLs for selected risk-based sample of corporate loans. We developed the expectation based on external data on staging, PDs and LGDs and based on internal information of the current loan data.
- Developing an independent expectation of the retail ECL portfolio. We developed expectation on ECLs based on loss rates derived from the ageing report considering also the impact of the forward looking information on expected credit losses.
- For impairment allowances calculated individually:
 - For a risk-based sample of loans, critically assessing, by reference to the underlying

	<p>documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 3 as at 31 December 2023;</p> <ul style="list-style-type: none"> — For the exposures which impairment allowances are individually calculated, challenging key assumptions applied in the Management Board’s estimates of future cash flows used in the impairment calculation, such as collateral values by reference publicly available market data; • For loans and advances exposures in totality: <ul style="list-style-type: none"> — Examining whether the Bank’s loan impairment and credit risk-related disclosures in the separate financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.
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Responsibilities of the Statutory Body and Those Charged with Governance for the Separate Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the separate financial statements and our auditors' report thereon. The statutory body provided the information related to the separate annual report required by the Act on Accounting in the consolidated Annual report (hereinafter referred to as the "Annual report") of the bank, and therefore we refer to this report. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the

audit of the separate financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the separate financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the separate financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2023 is consistent with the separate financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Bank and its environment obtained in the course of the audit of the separate financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of the Bank on 14 June 2023 on the basis of approval by the General Meeting of the Bank held on 27 December 2022. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is 21 years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Bank, which was issued on the same date as the date of this report.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Bank in conducting the audit.

In addition to the statutory audit services and services disclosed in the consolidated Annual Report or the separate financial statements of the Bank, we did not provide any other services to the Bank or accounting entities controlled by the Bank.

Audit firm:

KPMG Slovensko spol. s r.o.

License SKAU No. 96

Bratislava, 20 March 2024



A handwritten signature in black ink, appearing to read "Michal Maxim".

Responsible auditor:

Ing. Michal Maxim, FCCA

License UDVA No. 1093

A. Separate statement of financial position

EUR'000	Notes	31.12.2023	31.12.2022
Assets			
Cash, cash balances at central banks and other demand deposits	4	437,328	592,414
thereof: Cash and cash equivalents	4	406,307	560,069
Financial assets held for trading	5	178	16
Non-trading financial assets mandatorily at fair value through profit or loss	6	188,930	179,784
Financial assets at fair value through other comprehensive income	7	184,893	232,415
Financial assets at amortised cost	8	3,637,100	3,534,496
<i>Debt securities</i>	8	735,759	511,087
<i>Loans and advances</i>	8	2,875,067	2,988,263
thereof: Loans and advances to banks	8	38,764	35,511
thereof: Loans and advances to customers	8	2,836,303	2,952,752
<i>Other financial assets</i>	8	26,274	35,146
Derivatives – Hedge accounting	9	6,958	8,089
Investments in subsidiaries, joint ventures and associates	10	50,547	56,040
Tangible assets	11	49,854	57,095
Intangible assets	12	38,947	35,374
Current tax assets		482	-
Deferred tax assets	13	24,551	24,761
Other assets	14	18,419	20,945
TOTAL ASSETS		4,638,187	4,741,429
Liabilities			
Financial liabilities held for trading	5	85	2,102
Financial liabilities at amortised cost	15	3,902,194	3,953,969
<i>Deposits</i>	15	3,720,249	3,774,074
thereof: Subordinated debt	15	8,024	8,019
<i>Debt securities issued</i>	15	139,709	124,981
<i>Other financial liabilities</i>	15	42,236	54,914
Derivatives – Hedge accounting	9	4,654	37
Provisions	16	337	2,587
Current tax liabilities		-	2,438
Other liabilities	17	26,057	11,267
Total liabilities		3,933,327	3,972,400
Share capital and share premium	18	367,043	367,043
Retained earnings	18	276,587	345,280
Other equity	18	61,230	56,706
Total equity	18	704,860	769,029
TOTAL EQUITY AND LIABILITIES		4,638,187	4,741,429

These separate financial statements, which include the notes on pages 136 - 193, were approved by the Board of Directors on 14 March 2024.



Chairman of the Board of Directors
Andrej Zat'ko



Member of the Board of Directors
Ladislav Korec

B. Separate statement of profit or loss and other comprehensive income

EUR'000	Notes	2023	2022
Statement of profit or loss			
Net interest income	21	129,937	119,372
<i>Interest income calculated on an effective interest rate</i>	21	159,736	126,627
<i>Other interest income</i>	21	809	348
<i>Interest expenses</i>	21	(30,608)	(7,603)
Net fee and commission income	22	49,821	43,605
<i>Fee and commission income</i>	22	80,669	71,755
<i>Fee and commission expenses</i>	22	(30,848)	(28,150)
Dividend income	23	14,701	28,375
Net gains/(losses) from sale of subsidiaries and other financial transactions	24	3,784	21,507
Other operating income and expenses	25	(2,612)	(4,920)
Staff expenses	26	(51,208)	(47,842)
Other administrative expenses	26	(38,460)	(38,879)
Depreciation	27	(14,367)	(21,938)
Release/(creation) of provisions	28	252	(1,817)
Net impairment of financial assets not valued at fair value through profit and loss	28	8,683	14,195
Net impairment of investments in subsidiaries, joint ventures and associates	28	234	-
Net impairment on non-financial assets	28	51	712
Profit before tax		100,816	112,370
Income tax	29	(16,075)	(19,204)
Profit after tax		84,741	93,166
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		1,090	(23,197)
<i>Revaluation of debt securities at fair value through other comprehensive income</i>		6,427	(29,226)
<i>Impairment losses for debt securities at fair value through other comprehensive income</i>		(7,668)	(183)
<i>Deferred tax related to items that may be reclassified to profit or loss</i>		2,331	6,212
Total other comprehensive income		1,090	(23,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		85,831	69,969

The notes on pages 136 - 193 form an integral part of these separate financial statements.

C. Separate statement of changes in equity

EUR'000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Retained earnings	TOTAL EQUITY
Opening balance as of 1 January 2023	366,305	738	69,827	(13,121)	345,280	769,029
Total comprehensive income	-	-	-	1,090	84,741	85,831
Profit after tax	-	-	-	-	84,741	84,741
Other comprehensive income	-	-	-	1,090	-	1,090
Other transactions	-	-	3,434	-	(153,434)	(150,000)
Transfer to legal reserve fund	-	-	3,434	-	(3,434)	-
Dividends	-	-	-	-	(150,000)	(150,000)
Closing balance as of 31 December 2023	366,305	738	73,261	(12,031)	276,587	704,860

EUR'000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Retained earnings	TOTAL EQUITY
Opening balance as of 1 January 2022	366,305	738	63,997	10,076	307,948	749,064
Total comprehensive income	-	-	-	(23,197)	93,166	69,969
Profit after tax	-	-	-	-	93,166	93,166
Other comprehensive income	-	-	-	(23,197)	-	(23,197)
Other transactions	-	-	5,830	-	(55,834)	(50,004)
Transfer to legal reserve fund	-	-	5,830	-	(5,830)	-
Dividends	-	-	-	-	(50,000)	(50,000)
Other	-	-	-	-	(4)	(4)
Closing balance as of 31 December 2022	366,305	738	69,827	(13,121)	345,280	769,029

The notes on pages 136 - 193 form an integral part of these separate financial statements.

D. Separate statement of cash flows

EUR'000	Notes	2023	2022
Profit before tax		100,816	112,370
<i>Adjustments:</i>			
Net interest income	21	(129,937)	(119,372)
Dividend income	23	(14,701)	(28,375)
Depreciation	27	14,367	21,938
Release/(creation) of provisions	28	(252)	1,817
Losses/(gains) on derecognition of non-financial assets, net	25	412	407
Gain from sale of subsidiaries	24	-	(18,500)
Net impairment of financial assets not valued at fair value through profit and loss	28	(8,683)	(14,195)
Net impairment of investments in subsidiaries, joint ventures and associates	28	(234)	-
Net impairment on non-financial assets		(51)	(712)
Cash flows used in operating activities before changes in working capital		(38,263)	(44,622)
<i>(Increase)/decrease in operating assets:</i>			
Cash balances at central banks	4	1,324	372,455
Financial assets held for trading	5	(162)	(14)
Non-trading financial assets mandatorily at fair value through profit or loss	6	(9,145)	118,447
Financial assets at amortised cost		108,037	171,794
<i>Loans and advances</i>		99,165	185,756
<i>Other financial assets</i>		8,872	(13,962)
Derivatives – Hedge accounting	9	1,131	(6,998)
Other assets	14	2,526	(4,162)
<i>Increase/(decrease) in operating liabilities:</i>			
Financial liabilities held for trading	5	(2,017)	(1,593)
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities		(78,667)	(232,254)
<i>Deposits</i>		(69,708)	(232,317)
<i>Other financial liabilities</i>		(8,959)	63
Derivatives – Hedge accounting	9	(428)	6,875
Other liabilities	17	14,789	(2,566)
Cash flows (used in)/from operating activities before interest and income tax		(875)	377,362
Interest received		168,353	137,483
Dividends received	23	14,701	8,352
Interest paid		(13,641)	(9,919)
Income tax paid		(16,454)	(15,074)
Net cash flows from operating activities		152,084	498,204
Cash flows from investing activities			
<i>Financial assets at amortised cost - debt securities</i>			
Purchase		(245,169)	(155,911)
Proceeds from sale and maturity		25,000	22,576
<i>Financial assets at fair value through other comprehensive income - debt securities</i>			
Purchase		-	(15,676)
Proceeds from sale and maturity		57,481	123,933
<i>Investments in subsidiaries, joint ventures and associates</i>			
Purchase		(278)	-
Proceeds from sale		-	33,000
Other revenues		6,004	18,143
<i>Tangible and intangible assets</i>			
Purchase	11,12	(6,561)	(14,826)
Proceeds from sale		395	566
Net cash flows (used in)/from investing activities		(163,128)	11,805
Cash flows from financing activities			
<i>Dividends paid</i>		(149,975)	(49,229)
<i>Debt securities issued</i>			
Proceeds from issue of debt securities	15	77,480	60,000
Repayment of debt securities	0	(65,000)	-
<i>Financial liabilities at amortised cost - lease liabilities</i>			
Lease payments		(5,223)	(5,940)
Net cash flows (used in)/from financing activities		(142,718)	4,831
Net (decrease)/increase in cash and cash equivalents	4	(153,762)	514,840
Cash and cash equivalents at the beginning of the period	4	560,069	45,229
Cash and cash equivalents at the end of the period	4	406,307	560,069

The notes on pages 136 - 193 form an integral part of these separate financial statements.

E. Notes to the separate financial statements

1. General information

365.bank, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992 and commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. and provides both digital and branch network services. Poštová banka (365.bank, a. s., organizational unit Poštová banka) continues to provide its services at Slovenská pošta's offices. The registered office of the Bank is Dvořákovo nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2020294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of 365.bank group.

The Bank operates in the Slovak Republic through a network of branches, and, under a contract with Slovenská pošta, a.s., the Bank sells its products and services through post offices and financial services compartments located throughout the Slovak Republic.

The principal activities of the Bank are as follows:

- accepting and providing deposits in euro and in foreign currencies,
- providing loans and guarantees in euro and foreign currencies,
- providing banking services to the public,
- providing services on the capital market.

Shareholder's structure is as follows:

Name of shareholder	Address	31 December 2023		31 December 2022	
		Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech Republic	325,794	98.45%	325,794	98.45%
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak Republic	4,918	1.49%	4,918	1.49%
Ministerstvo dopravy Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak Republic	100	0.03%	100	0.03%
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, The Republic of Austria	87	0.03%	87	0.03%
Total		330,899	100.00%	330,899	100.00%

Members of the Board of Directors

Andrej Zaťko	Chairman
Peter Hajko	Board member
Zuzana Žemlová	Board member
Ladislav Korec	Board member

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Patrik Tkáč	Board member since 1 August 2023
Jan Kótek	Board member till 4 May 2023

The separate financial statements of the Bank for the year ended 31 December 2022, were approved by the Board of Directors on 22 March 2023 and are available at its registered office or on its homepage.

The Bank's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Sokolovská 700/113a, Karlín, 186 00 Praha 8, Prague, Czech Republic. The consolidated financial statements are available at the registered office of J&T FINANCE GROUP SE.

2. Accounting policies

2.1 Basis of preparation of the separate financial statements

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union.

These financial statements are prepared as separate financial statements under Section 17a of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements the Bank's investments in subsidiaries are accounted for at cost, decreased by impairment losses, if any.

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

These separate financial statements are presented in euro ("EUR"), which is the Bank's functional currency. Except for otherwise indicated, financial information presented in euro has been rounded to the nearest thousand. The tables in these financial statements may contain rounding differences.

2.2 Subsidiaries, joint ventures and associates

As at 31 December 2023 the Bank held shares in the following subsidiaries, joint ventures and associates:

Company name	Activity	Ownership in %	
		31.12.2023	31.12.2022
Subsidiaries			
365.invest, správ. spol., a. s.	Asset management	100.00%	100.00%
Ahoj, a.s.	Consumer loans	100.00%	100.00%
PB Servis, a. s.	Real estate administration	100.00%	100.00%
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100.00%	100.00%
365.fintech, a.s.	Investment fund	100.00%	100.00%
Cards&Co, a. s.	Information technology services industry	100.00%	100.00%
DanubePay, a. s. *	Payment services	100.00%	100.00%
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	100.00%	100.00%
365.nadácia	Charitable foundation	x	x
Joint ventures			
SKPAY, a. s.	Payment services	40.00%	40.00%
Monilogi s.r.o.	Cash management	8.00%	8.00%

* DanubePay, a. s. is owned by the Bank indirectly through the company Cards&Co, a. s. which owns 100.00% of the respective company.

In 2022, the Bank made a contribution to the share capital of Monilogi s.r.o., which is under common control. On 28 December 2022, the Bank sold its entire share in the subsidiary 365.life, d. s. s., a. s.

The Bank also prepares consolidated financial statements for the 365.bank. 365.nadácia is not included in the consolidated financial statements of the Bank.

2.3 Changes in accounting policies

The adoption of the new accounting standards from 1 January 2023 did not have a significant impact on the Bank.

2.4 Significant accounting methods and policies

(a) Foreign currency

Transactions denominated in foreign currency are translated into euro at the exchange rate valid on the date of the transaction. Financial assets and liabilities in foreign currency are translated at the exchange rate valid on the balance sheet date. All resulting gains and losses are recorded in *Net gains/(losses) from financial transactions* in the statement of profit or loss.

(b) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate ('EIR') method. EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. EIR is determined on initial recognition of the financial asset and liability, and is not revised subsequently.

The calculation of EIR rate does not consider expected credit losses and includes all fees paid or received, transaction costs, and discounts or premiums, that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or retirement of a financial asset or liability.

Interest income and expense from financial assets and liabilities at fair value through profit or loss are presented as part of *Net interest income*, and changes in the fair values of such instruments are presented at fair value in *Net gains/(losses) from financial transactions*.

(c) Fee and commission income and expenses

Fee and commission income from customer contracts are measured by consideration stipulated in the contract. The Bank recognises revenue upon delivery of the service to the customer. The following paragraphs provide information on the nature and timing of the fulfilment of obligations arising from contracts and related revenue recognition principles. When deciding on the timing and amount of recognised income, the Bank follows the *IFRS 15 Revenue from Contracts with Customers*.

The Bank provides services to retail and corporate clients, which include account management fees, provision of overdraft and credit facilities, provision of loan commitments and financial guarantees, execution of foreign currency transactions and service fees.

Transaction-based fees such as service fees, investment management fees, sales commissions, placement fees and syndicated product fees are recognised when the related services are rendered.

Fee and commission income and all expenses which form an integral part of the EIR financial asset or liability valued at amortized cost using EIR are included in the EIR calculation. Revenue from accounting services and service fees are recognized over time as the services are rendered. Loan provision fees are recognised on a pro rata basis over the commitment period.

Fees related to services provided over time are accrued. These include commitment fees, guarantee fees and other fees arising from the provision of loans, income from asset management commissions, custody and other management and advisory fees. Payment services include, in part, service fees that are settled over time such as recurring card fees.

Income from fees for the provision of transaction services, such as collateral of the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as income from commissions for services such as the sale of collective investments and insurance products, are recognised after the completion of the transaction. Payment services include, in part, transaction-based fees, such as withdrawal fees.

The Bank also provides asset management services. The management fees are based on a fixed percentage of the managed assets and are deducted from the client's asset account. Income from these fees is recognised when the related services are rendered.

(d) Net gains or losses from financial transactions

Net gains or losses from financial transactions comprise the following transactions:

- net gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss;
- net gains/(losses) on financial assets and liabilities held for trading;
- net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss;
- net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss;
- net gains/(losses) from hedge accounting;
- foreign exchange differences.

(e) Dividend income

Dividend income is recognised when the right to receive income is established.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except for items recognised directly in equity and in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, calculated using the tax rate valid at the end of the reporting period, and including any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is calculated using the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial assets

i. Initial recognition

The Bank initially recognises loans, advances and other financial assets on the date they are originated. All purchases and sales of securities are recognised on settlement day. Derivative instruments are initially recognised on the trade date when the Bank becomes a contractual party in relation to the instrument.

Financial assets are measured initially at fair value, plus transaction costs that are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss). Immediately after initial recognition, an expected credit loss allowance ('ECL') is recognised for financial assets measured at amortised cost or FVOCI.

ii. Classification and subsequent measurement

The Bank classifies its financial assets into the following measurement categories:

- amortised cost ('AC')
- fair value through profit or loss ('FVPL')
- fair value through other comprehensive income ('FVOCI')

The classification requirements for debt and equity instruments under *IFRS 9 Financial Instruments* are described below:

Debt instruments

Debt instruments are those instruments which meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring and other financial assets.

Classification and subsequent measurement of debt instruments depends on:

(B) Business model for managing the assets

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., the financial assets are held for trading purposes), then financial assets are classified as part of the 'other' business model and measured at FVPL.

Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The business model for asset management is evaluated on a portfolio basis. Financial assets are classified accordingly, together with products of the same characteristics, in relation to generated cash flows.

(C) Cash flow characteristics of the assets

Where the business model is to hold assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement (interest includes only consideration for the time value of money), credit risk, or other basic lending risks plus a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are treated as a whole when determining whether their cash flows represent only principal and interest payments.

The Bank reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. It is expected that such changes will not occur, or they will be very infrequent.

Based on the business model and SPPI test, the Bank classifies its debt instruments into one of the following measurement categories:

- *Amortised cost*

(A) Cash, cash balances at central banks and other demand deposits

Cash and cash balances at central banks comprise cash on hand, unrestricted cash balances at central banks, and other demand deposits at other credit institutions. Collateral accounts at other credit institutions, whose use is restricted, are reported within *Financial assets at amortised cost*.

(B) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent only solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in *Net interest income* using the effective interest rate method.

- *Fair value through profit or loss*

(A) Financial assets held for trading

These are financial assets that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or hold as part of a portfolio that is managed to achieve short-term profit or to maintaining position. These assets do not meet the criteria for amortised cost or FVOCI based on Bank's business model, so they are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss, and is not part of a hedging relationship, is recognised in the profit or loss statement within *Net gains/(losses) from financial transactions* in the period in which it arises.

(B) Non-trading financial assets mandatorily at fair value through profit or loss

Assets whose cash flows do not represent solely payments of principal and interest, and therefore fail the SPPI test, are mandatorily measured at FVPL. Their measurement and subsequent recognition are the same as for financial assets held for trading.

(C) Financial assets designated at fair value through profit or loss

Under *IFRS 9 Financial Instruments* it is permitted to irrevocably designate financial assets at FVPL, if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Bank did not use the fair value option for any financial assets that meet the criteria for measurement at amortised cost or FVOCI.

- *Fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income

Financial assets that are held both for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are measured through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss, and recognised in *Net gains/(losses) from financial transactions*. Interest income from these financial assets is included in *Net interest income* using the effective interest method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are never reclassified to profit or loss, including on disposal.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established within *Dividend income*.

Gains and losses on equity investments at FVPL (those designated at FVPL or classified as held for trading) are included within *Net gains/(losses) from financial transactions* in the statement of profit or loss.

No expected credit losses are recognised for equity instruments.

The Bank concluded that share certificates held in the Bank's portfolio meet the definition of puttable instruments. According to *IFRS 9 Financial Instruments*, puttable instruments do not meet the definition of an equity instrument, and therefore, entities cannot make an irrevocable election to present the changes in fair value of such instruments in other comprehensive income. Due to cash flow characteristics of the assets, share certificates fail to meet the solely payments of principal and interest ('SPPI') requirement. As a result, these instruments are classified as *Non-trading financial assets mandatorily at fair value through profit or loss*.

iii. Identification and measurement of credit losses

Credit loss is the difference between all contractual cash flows that are attributable to the entity in accordance with the contract, and all cash flows that are expected to be received, discounted at the original effective interest rate. In estimating cash flows, the Bank considers all the terms and conditions of the financial asset during the expected life of that financial asset. Considered cash flows should also include cash flows from sale of collateral, or any other form of credit risk mitigation that is an integral part of the terms and conditions.

The Bank assesses expected credit losses associated with its debt instrument assets carried at amortised cost and FVOCI, and with exposures arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

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

Note 34. *Credit risk* provides more detail of how the expected credit loss allowance is measured.

iv. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows from the financial asset, in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets, which is created or retained by the Bank, is recognised as a separate asset or liability.

The Bank enters contracts whereby it transfers assets recognised in its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Bank also derecognises certain assets when it writes off assets deemed to be uncollectible.

v. Modifications of financial assets

If any change in the contractual terms occurs, the Bank evaluates whether there is a significant change in the contractual cash flows. Significant modifications to cash flows result in the derecognition of the original financial asset and the recognition of the new financial asset at fair value.

If the modification does not result in the derecognition of a financial asset, the Bank recalculates the gross carrying amount as the present value of the changed cash flows discounted by the original EIR. The difference between the new and the original value is recognised in the statement of profit or loss as '*Net profit/(loss) from the modification of financial assets*'. The impact of the modifications was insignificant during the reported accounting periods.

(h) Derivatives

Derivatives are measured at fair value in the statement of financial position. Changes in fair value depend on their classification:

Hedging derivatives

Under the Bank's strategy, hedging derivatives are designed to hedge and manage selected risks.

The Bank has elected to adopt *IFRS 9 Financial Instruments* for micro hedge accounting purposes and in the area of macro hedging derivatives, it decided to continue to apply *IAS 39 Financial Instruments: Recognition and Measurement* standard.

The main Bank criteria for classification of hedging derivatives in the area of micro hedging are as follows:

- the relationship between hedging instrument and hedged item, in meaning of risk characteristics, function, target and strategy of hedging is formally documented at origination of the hedging transaction, together with the method that is used for assessment of effectiveness of the hedging relationship;
- the relationship between hedging instrument and hedged item is formally documented at the origination of the hedging transaction, and the Bank expects that it will decrease the risk of the hedged item;
- hedging meets all effectiveness criteria:
 - there is an economic relationship between the hedging instrument and hedged item;
 - the effect of credit risk does not dominate the value changes that result from that economic relationship;
 - the hedge ratio of the hedge is the same as the hedge ratio resulting from the amount of the hedging instrument used by the entity for hedging of the hedged item. However, this indication should not reflect the imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether or not recognised), that could also result in a business result inconsistent with the purpose of hedge accounting.

A hedging relationship in the area of macro hedging qualifies for hedge accounting if, and only if, all of the following conditions are met.

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The hedged item in the case of macro-hedging is a part of consumer and mortgage loans with a fixed rate denominated in EUR, excluding loans overdue for more than 90 days. The volume of the hedged item and derivative changes continuously based on the development of the loan portfolio.

Individual loans are assigned to time baskets according to their repayment schedule (when fixed to maturity) or according to refixation (currently mainly mortgage loans). For that reason, it is subject to the same risk, namely the risk of changing the swap curve in EUR.

The Bank uses 3M time baskets for portfolio hedging purposes. The mapping methodology is identical to the approved methodology for mapping interest time baskets, which take into account early repayment and loans in arrears of more than 90 days.

The purpose of the hedging is to minimize the interest risk resulting from the movement of market interest rates in EUR and to eliminate the "accounting discrepancy" between the accounting of the fair value of the IRS (hedging instrument) through the P&L and the regular accounting of the portfolio of consumer and mortgage loans (hedged item).

i. Fair value hedge

The Bank uses financial derivatives to manage the level of risk in relation to interest rate risk. The Bank uses hedging derivatives to hedge the fair value of recognised assets. In the case of micro-hedging the Bank hedges the fair value of bonds with fixed coupon. In the case of macro-hedging the Bank hedges the fixed interest rate loan and advances portfolio. As the purchase of bonds with fixed coupon and origination of loans and advances with fixed interest rate increases the interest rate risk of the Bank, the Bank enters into interest rate swaps to hedge the changes in fair value, caused by changes in risk-free interest rates, and pays a fixed and receives a floating rate. The notional and fair values of the aforementioned hedging derivatives are described in note 9. *Hedging derivatives*.

Changes in fair value without interest component (clean price) of hedging instruments are recognised in a separate profit and loss statement line as Net gains/(losses) from financial transactions. For micro-hedging, changes in fair value without the interest component of the hedged items attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss as *Net gains/(losses) from financial transactions*. For macro-hedging, changes in fair value without the interest component of the hedged items are presented also at the row *Derivatives – Hedge accounting*, and in profit and loss are also included in *Net gains/(losses) from financial transactions*.

Interest expense and interest income from hedging instruments are presented, together with interest income and expense from hedged items, in the profit and loss statement under *Net interest income*. The positive value of hedging instruments is recognised in the statement of financial position as an asset in *Derivatives – Hedge accounting*. The negative value of hedging instruments is recognised as a liability in *Derivatives – Hedge accounting*. A summary of hedging derivatives is presented in note 9. *Hedging derivatives*.

If the derivative expires or is sold, terminated, exercised or no longer meets the criteria for hedge accounting, then hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised in profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of *Net gains/(losses) from financial transactions*.

Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Bank assesses the entire contract as a financial asset, and applies classification and measurement accounting principles according to *IFRS 9 Financial Instruments*.

Otherwise, the embedded derivatives are treated as separate derivatives when:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative;
- the hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss, unless the Bank chooses to designate the hybrid contracts at fair value through profit or loss.

(i) Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control is established to the date control is lost.

If the bank loses control, it derecognizes the subsidiary's assets and liabilities, related non-controlling interests and other equity. The gain or loss arising due to the loss of control is recognized in the statement of profit or loss. If the bank retains a non-controlling interest in the former subsidiary, it is measured at fair value as at the date when control was lost.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An impairment represents the difference between the carrying amount of investment, and the present value of expected future cash-flows, discounted by the actual market rate of return of similar financial assets. The value adjustments on investments in subsidiaries are recognised in the separate statement of profit or loss and other comprehensive income as *Net impairment losses for investments in subsidiaries, joint ventures and associates*.

(j) Tangible and intangible assets

i. Recognition and measurement

Items of tangible and intangible assets are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of related equipment is capitalised as part of the cost of that asset. When separate parts of a particular asset have different useful lives, they are accounted for as separate items (major components) or assets.

ii. Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part of asset will flow to the Bank, and its cost can be reliably measured. The costs of day-to-day maintenance of tangible assets are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation and amortisation are recognised in profit or loss on a straight-line basis, over the estimated useful lives of each item of tangible and intangible assets. Land is not depreciated. Depreciation of tangible and intangible assets commences as soon as they are put into use.

The estimated useful lives for the current and comparative periods are as follows:

Type of asset	Period	Method
Buildings	40 years	straight line
Hardware	2 – 8 years	straight line
Fittings and other equipment	2 – 15 years	straight line
Software	individually	straight line
Other intangible assets	individually	straight line

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

(k) Right-of-use assets and lease liabilities

The Bank assesses whether the contract is a lease or contains a lease, according to *IFRS 16 Leases*, at the inception of the contract. The contract is a lease, or contains a lease, when it conveys a right to use the underlying asset for a period of time in exchange for consideration. In cases where the contract is a lease, or contains a lease, the Bank accounts for each lease component relating to the contract separately from the non-lease components of the contract.

The Bank as a lessee recognises initially the right-of-use asset and the lease liability. The right-of-use asset is measured at cost, which equals the initial measurement of the lease liability. On the commencement day, the Bank recognises the lease liability as a present value of minimum lease payments over the lease term, which were not paid until the commencement day. The lease term is a non-cancellable period of a lease, together with periods covered by an option to extend the lease – if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease – if the lessee is reasonably certain not to exercise that option. Lease payments are discounted using the interest rate implicit in the lease in relation to the operating lease of cars and using the incremental borrowing rate in relation to other leasing contracts, or leasing contracts containing a lease.

Right-of-use assets are depreciated evenly over the shorter of either the lease term or the useful life.

The Bank uses a portfolio approach for contracts with similar characteristics when accounting for the lease.

Right-of-use assets are represented mainly by the lease of headquarter and branch premises, office space in post offices, IT lease contracts, lease of cars, and lease of other devices. The Bank applies exemptions related to short term leases, i.e., lease contracts or contracts containing a lease with a lease term of 12 months or less, and to low value leases. Lease payments are recognised evenly as an expense over the lease term.

Right-of-use assets are presented in note 11. *Tangible assets*, and lease liabilities are presented in note 15. *Financial liabilities at amortised cost*.

Interest expenses relating to lease liabilities are presented separately from depreciation relating to right-of-use assets.

(l) Impairment losses on non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows which are largely independent from other assets and groups.

Impairment losses are recognised directly in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, or its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Financial liabilities

i. Initial recognition

The Bank initially recognises deposits by banks and customers, loans received, and other financial liabilities on the date they are originated. Derivative instruments are initially recognised on the trade date when the Bank becomes the contractual party in relation to the instrument.

Financial liabilities are measured initially at fair value, including transaction costs which are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss).

ii. Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in the trading booking), and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities, designated at fair value through profit or loss, are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk), and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability;
- financial guarantee contracts and loan commitments.

iii. Derecognition

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

(n) Financial guarantees and loan commitments

Financial guarantees are contracts based on which the Bank undertakes to make a payment in favour of the creditor in order to compensate the incurred loss, if the debtor fails to pay at the due date under the original terms of the instrument.

Loan commitments are the Bank's commitments to provide loan under predetermined conditions.

Provided financial guarantees and loan commitments are initially measured at fair value. Subsequently, they are measured at the higher of the originally recognised amount less impairment allowance in compliance with *IFRS 9 Financial Instruments* or the initially recognised amount less, if appropriate, cumulative revenue recognised in accordance with *IFRS 15 Revenue from Contracts with Customers*.

Other loan commitments are measured as the total of impairment allowances in accordance with *IFRS 9 Financial Instruments* and the amounts of all fees received less cumulative income, if it is unlikely that the obligation would result in a specific loan agreement.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation arising from the past event and whose impact can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off-balance sheet exposures arising from provided loan and other commitments and from provided guarantees are calculated in accordance with *IFRS 9 Financial Instruments* on the basis of the same principles as the ECL for financial assets.

(p) Employee benefits

i. Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

ii. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, or profit-sharing plans, if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(q) Offsetting

In general, financial assets and liabilities are not offset. They are presented net in the statement of financial position only when the Bank has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The right to offset financial assets and financial liabilities is applicable only if it is not contingent on a future event and is enforceable by all counterparties in the normal course of business, as well as in the event of insolvency and bankruptcy. Compensation mainly concerns supplier-customer relations, and it is booked based on offsetting supporting evidence.

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

(r) New standards and interpretations not yet adopted

As at the date of approval of these financial statements, the IASB has issued and the EU has adopted the following amendments to existing standards which are not yet effective:

- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules
 - 'Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt: the income inclusion rule, the undertaxed payment rule and a qualified domestic minimum top-up tax. They are often referred to as 'global minimum top-up tax' or 'top-up tax'
 - The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and requiring entities to provide new disclosures in relation to the top-up tax and the relief.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
 - The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:
 - a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
 - a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants
 - Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).
 - The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
 - The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:
 - a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
 - a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
 - the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.
 - However, the amendments do not apply to arrangements for financing receivables or inventory.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability
 - Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.
 - IAS 21 was amended to clarify:
 - when a currency is exchangeable into another currency; and
 - how a company estimates a spot rate when a currency lacks exchangeability.
 - The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Bank has decided not to adopt the new standard and amendments to existing standards before the effective date. According to the Bank's estimates, compliance with these standards and amendments to existing standards in the period when they are initially applied will not have any significant impact on the Bank's financial statements.

(s) New standards and interpretations effective January 1, 2023

- Effectiveness of IFRS 17 - or International Financial Reporting Standard 17
 - is a global accounting standard developed by the International Accounting Standards Board (IASB) that sets out how insurance contracts should be recognized in the financial statements, effective from January 1, 2023. Its purpose is to ensure greater transparency and comparability of financial reporting of insurance contracts. IFRS 17 requires insurers to measure and report their insurance contracts at fair value, which reflects the timing, uncertainty and risks associated with those contracts over their term. It establishes a consistent framework for reporting revenue and profits from insurance contracts, ensuring that the financial statements accurately reflect the financial performance and liabilities of insurers.
 - The Company may decide on an irrevocable election when applying the IFRS 9 or IFRS 17 standard for contracts that meet the criteria of an insurance product, if they cover a significant insurance risk.
 - 365.bank, a. s. did not identify financial contracts that meet the definition of an insurance product under IFRS 17.

3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes.

Expected credit losses

The measurement of ECL allowance for debt financial assets, measured at amortised cost and FVOCI, financial guarantees and loan commitments, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- choosing the appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL ;
- establishing groups of similar financial assets for the purposes of measuring ECL.

Further information about determining ECL is included in note 34. *Credit risk*.

Determining fair values

The determination of fair value for financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions, and other risks affecting the specific instrument. Determining fair value of such instruments is also influenced by the assessment of credit risk from the counterparty.

Further information about the amounts of financial instruments at fair value, analysed according to the valuation methodology (broken down into individual valuation levels), are included in note 31. *Fair values of financial assets and liabilities*.

4. Cash, cash balances at central banks and other demand deposits

The compulsory minimum reserve account is reported within cash balances at central banks and is held at the National Bank of Slovakia ('NBS'). The account contains funds from the payment system, as well as funds that the Bank is obliged to maintain at an average level set by requirement of the NBS.

The amount of set reserve depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for calculation of the compulsory minimum reserve. The account balance of compulsory minimum reserve may significantly vary depending on the amount of incoming and outgoing payments. During the reporting period, the Bank fulfilled the set amount of compulsory minimum reserves.

EUR'000	31.12.2023	31.12.2022
Cash on hand	26,633	30,745
Cash balances at central banks	369,124	520,399
Other demand deposits	41,571	41,270
Total	437,328	592,414

The above-mentioned financial assets are not restricted.

Cash and cash equivalents comprise cash on hand and other deposits repayable on demand. The Bank does not recognise compulsory minimum reserves as part of cash equivalents due to the obligation to maintain them at the average amount stipulated by the NBS measure.

The balance of cash and cash equivalents is as follows:

EUR'000	31.12.2023	31.12.2022
Cash on hand	26,633	30,745
Other demand deposits	338,103	488,054
Other demand deposits	41,571	41,270
Total	406,307	560,069

5. Financial assets and liabilities held for trading

EUR'000	31.12.2023	31.12.2022
Financial assets held for trading		
Derivatives	178	16
Foreign exchange	178	16
Total	178	16
Financial liabilities held for trading		
Derivatives	85	2,102
Foreign exchange	85	2,102
Total	85	2,102

The table below summarises the notional amount and fair value of derivatives held for trading:

EUR'000	31 December 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange	64,087	178	85	65,909	16	2,102
Total	64,087	178	85	65,909	16	2,102

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

EUR'000	31.12.2023	31.12.2022
Equity instruments	188,930	179,784
Share certificates	188,930	179,784
Total	188,930	179,784

7. Financial assets at fair value through other comprehensive income

EUR'000	31.12.2023	31.12.2022
Equity instruments	-	65
Shares	-	65
Debt securities	184,893	232,350
General governments	110,828	144,682
Credit institutions	17,684	27,045
Other financial corporations	19,599	25,896
Non-financial corporations	36,782	34,727
Total	184,893	232,415
Out of which: Impairment allowances to debt securities in OCI	(764)	(8,432)

The movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(118)	(8,314)	-	-	(8,432)
Decreases due to derecognition	15	-	-	-	15
Changes due to change in credit risk (net)	3,276	4,377	-	-	7,653
Transfers:	(3,937)	3,937	-	-	-
(to)/from Stage 1	x	3,937	-	-	3,937
(to)/from Stage 2	(3,937)	x	-	-	(3,937)
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2023	(764)	-	-	-	(764)

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(355)	(8,260)	-	-	(8,615)
Increases due to origination and acquisition	(3)	-	-	-	(3)
Decreases due to derecognition	80	-	-	-	80
Changes due to change in credit risk (net)	160	(54)	-	-	106
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2022	(118)	(8,314)	-	-	(8,432)

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Debt securities	743,460	518,680	(7,701)	(7,593)	735,759	511,087
General governments	655,283	441,974	(216)	(152)	655,067	441,822
Credit institutions	43,168	31,154	-	-	43,168	31,154
Other financial corporations	1,300	1,362	-	-	1,300	1,362
Non-financial corporations	43,709	44,190	(7,485)	(7,441)	36,224	36,749
Loans and advances	2,994,843	3,142,556	(119,776)	(154,293)	2,875,067	2,988,263
General governments	60,385	60,206	(20)	(20)	60,365	60,186
Credit institutions	38,772	35,519	(8)	(8)	38,764	35,511
Other financial corporations	247,696	305,072	(2,717)	(8,501)	244,979	296,571
Non-financial corporations	333,166	503,021	(30,758)	(54,915)	302,408	448,106
Households	2,314,824	2,238,738	(86,273)	(90,849)	2,228,551	2,147,889
<i>Lending for house purchase</i>	<i>1,463,099</i>	<i>1,418,681</i>	<i>(381)</i>	<i>(890)</i>	<i>1,462,718</i>	<i>1,417,791</i>
<i>Credit for consumption</i>	<i>843,479</i>	<i>811,736</i>	<i>(83,748)</i>	<i>(87,904)</i>	<i>759,731</i>	<i>723,832</i>
<i>Other</i>	<i>8,246</i>	<i>8,321</i>	<i>(2,144)</i>	<i>(2,055)</i>	<i>6,102</i>	<i>6,266</i>
Other financial assets	27,631	36,622	(1,357)	(1,476)	26,274	35,146
Total	3,765,934	3,697,858	(128,834)	(163,362)	3,637,100	3,534,496

Loans and advances include finance lease receivables:

EUR'000	31.12.2023	31.12.2022
Minimum value of leasing payments		
Receivables from leasing	12,778	17,986
<i>Up to 1 year</i>	<i>4,781</i>	<i>5,751</i>
<i>1-5 years</i>	<i>7,996</i>	<i>12,023</i>
<i>Over 5 years</i>	<i>1</i>	<i>212</i>
Unrealized income on finance leases	(1,347)	(1,655)
Present value of future lease payments	11,431	16,331
Impairment allowances	(178)	(203)
Total	11,253	16,128

EUR'000	31.12.2023	31.12.2022
Present value of future lease payments		
Receivables from leasing	11,431	16,331
<i>Up to 1 year</i>	<i>4,099</i>	<i>4,669</i>
<i>1-5 years</i>	<i>7,331</i>	<i>11,453</i>
<i>Over 5 years</i>	<i>1</i>	<i>209</i>
Present value of future lease payments	11,431	16,331
Impairment allowances	(178)	(203)
Total	11,253	16,128

Other financial assets comprise the following:

EUR'000	31.12.2023	31.12.2022
Other financial assets, gross	27,631	36,622
Clearing and settlement items	8,921	15,277
Cash collateral	6,917	7,164
Trade receivables	5,547	7,172
Other	6,246	7,009
Impairment allowances	(1,357)	(1,476)
Total	26,274	35,146

The following table shows the gross value and impairment allowances by the impairment stage:

31.12.2023	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	699,751	43,709	-	-	743,460	(216)	(7,485)	-	-	(7,701)
General governments	655,283	-	-	-	655,283	(216)	-	-	-	(216)
Credit institutions	43,168	-	-	-	43,168	-	-	-	-	-
Other financial corporations	1,300	-	-	-	1,300	-	-	-	-	-
Non-financial corporations	-	43,709	-	-	43,709	-	(7,485)	-	-	(7,485)
Loans and advances	2,653,067	174,302	153,495	13,979	2,994,843	(8,543)	(16,780)	(91,071)	(3,382)	(119,776)
General governments	60,383	-	2	-	60,385	(20)	-	-	-	(20)
Credit institutions	38,772	-	-	-	38,772	(8)	-	-	-	(8)
Other financial corporations	240,370	-	-	7,326	247,696	(486)	-	-	(2,231)	(2,717)
Non-financial corporations	180,291	97,861	50,580	4,434	333,166	(836)	(9,319)	(20,025)	(578)	(30,758)
Households	2,133,251	76,441	102,913	2,219	2,314,824	(7,193)	(7,461)	(71,046)	(573)	(86,273)
Lending for house purchase	1,430,340	25,555	7,204	-	1,463,099	(33)	(42)	(306)	-	(381)
Credit for consumption	698,175	49,791	93,294	2,219	843,479	(7,113)	(7,394)	(68,668)	(573)	(83,748)
Other	4,736	1,095	2,415	-	8,246	(47)	(25)	(2,072)	-	(2,144)
Other financial assets	-	27,631	-	-	27,631	-	(1,357)	-	-	(1,357)
Total	3,352,818	245,642	153,495	13,979	3,765,934	(8,759)	(25,622)	(91,071)	(3,382)	(128,834)

31.12.2022	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	474,490	44,190	-	-	518,680	(152)	(7,441)	-	-	(7,593)
General governments	441,974	-	-	-	441,974	(152)	-	-	-	(152)
Credit institutions	31,154	-	-	-	31,154	-	-	-	-	-
Other financial corporations	1,362	-	-	-	1,362	-	-	-	-	-
Non-financial corporations	-	44,190	-	-	44,190	-	(7,441)	-	-	(7,441)
Loans and advances	2,779,220	205,070	146,029	12,237	3,142,556	(15,237)	(20,411)	(110,086)	(8,559)	(154,293)
General governments	60,202	4	-	-	60,206	(20)	-	-	-	(20)
Credit institutions	35,519	-	-	-	35,519	(8)	-	-	-	(8)
Other financial corporations	297,298	-	1	7,773	305,072	(727)	-	(1)	(7,773)	(8,501)
Non-financial corporations	316,878	132,091	49,588	4,464	503,021	(8,345)	(12,092)	(33,692)	(786)	(54,915)
Households	2,069,323	72,975	96,440	-	2,238,738	(6,137)	(8,319)	(76,393)	-	(90,849)
Lending for house purchase	1,395,894	18,242	4,545	-	1,418,681	(34)	(99)	(757)	-	(890)
Credit for consumption	667,479	54,594	89,663	-	811,736	(6,045)	(8,185)	(73,674)	-	(87,904)
Other	5,950	139	2,232	-	8,321	(58)	(35)	(1,962)	-	(2,055)
Other financial assets	-	36,622	-	-	36,622	-	(1,476)	-	-	(1,476)
Total	3,253,710	285,882	146,029	12,237	3,697,858	(15,389)	(29,328)	(110,086)	(8,559)	(163,362)

The movements in impairment allowances for debt securities, and loans and advances, at amortised cost are as follows:

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(152)	(7,441)	-	-	(7,593)
Increases due to origination and acquisition	(10)	-	-	-	(10)
Decreases due to derecognition	1	-	-	-	1
Changes due to change in credit risk (net)	(55)	(44)	-	-	(99)
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2023	(216)	(7,485)	-	-	(7,701)

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(98)	(7,514)	-	-	(7,612)
Increases due to origination and acquisition	(23)	-	-	-	(23)
Changes due to change in credit risk (net)	(31)	73	-	-	42
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2022	(152)	(7,441)	-	-	(7,593)

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(15,237)	(20,411)	(110,086)	(8,559)	(154,293)
Increases due to origination and acquisition	(4,918)	-	-	(571)	(5,489)
Decreases due to derecognition	1,725	3,319	30,349	-	35,393
Changes due to change in credit risk (net)	12,155	(4,863)	(8,562)	5,748	4,478
Transfers:	(2,265)	5,099	(2,834)	-	-
(to)/from Stage 1	x	1,547	718	-	2,265
(to)/from Stage 2	(1,547)	x	(3,552)	-	(5,099)
(to)/from Stage 3	(718)	3,552	x	-	2,834
Changes due to movements in FX rates	(3)	76	62	-	135
As of 31 December 2023	(8,543)	(16,780)	(91,071)	(3,382)	(119,776)

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(6,137)	(8,319)	(76,393)	-	(90,849)
Increases due to origination and acquisition	(4,290)	-	-	(571)	(4,861)
Decreases due to derecognition	1,207	370	17,326	-	18,903
Changes due to change in credit risk (net)	7,120	(9,841)	(6,743)	(2)	(9,466)
Transfers:	(5,093)	10,329	(5,236)	-	-
(to)/from Stage 1	x	4,389	704	-	5,093
(to)/from Stage 2	(4,389)	x	(5,940)	-	(10,329)
(to)/from Stage 3	(704)	5,940	x	-	5,236
As of 31 December 2023	(7,193)	(7,461)	(71,046)	(573)	(86,273)

For the year ended 31 December 2023, the Bank sold a portfolio of retail receivables in the gross amount of EUR 12.1 million (for the year ended 31 December 2022: EUR 39.3 million), for which impairment allowances were created in the amount of EUR 12.1 million (for the year ended 31 December 2022: 38.4 million).

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	(9,072)	(12,092)	(33,693)	(8,559)	(63,416)
Increases due to origination and acquisition	(591)	-	-	-	(591)
Decreases due to derecognition	484	2,950	13,023	-	16,457
Changes due to change in credit risk (net)	5,032	4,977	(1,819)	5,750	13,940
Transfers:	2,828	(5,230)	2,402	-	-
(to)/from Stage 1	x	(2,842)	14	-	(2,828)
(to)/from Stage 2	2,842	x	2,388	-	5,230
(to)/from Stage 3	(14)	(2,388)	x	-	(2,402)
Changes due to movements in FX rates	(3)	76	62	-	135
As of 31 December 2023	(1,322)	(9,319)	(20,025)	(2,809)	(33,475)

The positive development of the creation of impairment allowances for the year ended 31 December 2022 in the corporate portfolio was caused by significant decrease in corporate exposure and low impacts of pandemic on customers compared to estimates. The positive impact of these effects on the creation of impairment allowances in the corporate portfolio persisted also during the year ended 31 December 2023.

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	(21,004)	(33,075)	(147,085)	(8,946)	(210,110)
Increases due to origination and acquisition	(4,957)	-	-	-	(4,957)
Decreases due to derecognition	5,091	7,114	53,107	7	65,319
Changes due to change in credit risk (net)	17,106	(10,305)	(11,600)	380	(4,419)
Transfers:	(11,463)	15,855	(4,392)	-	-
(to)/from Stage 1	x	10,873	590	-	11,463
(to)/from Stage 2	(10,873)	x	(4,982)	-	(15,855)
(to)/from Stage 3	(590)	4,982	x	-	4,392
Changes due to movements in FX rates	(10)	-	(116)	-	(126)
As of 31 December 2022	(15,237)	(20,411)	(110,086)	(8,559)	(154,293)

9. Hedging derivatives

The Bank uses fair value hedges. For micro-hedging, the hedged items are selected, fixed-coupon debt securities from the portfolio of *Financial assets at FVOCI* and the portfolio of *Financial assets at amortized costs*. For macro-hedging, the hedged items are selected, fixed-interest rate loans and advances to customers. In both cases, interest rate swaps are used as hedging instruments, for which the Bank pays fixed interest rate and receives floating interest rate. The hedges were effective in hedging the fair value exposure to interest rate movements during the entire hedge relationship. Changes in the fair value of these interest rate swaps, due to changes in interest rates, substantially offset changes in the fair value of the hedged items caused by changes in interest rates.

The table below summarises notional amounts and fair value of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss associated with the market risk or credit risk of these transactions.

EUR'000	31 December 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate swaps - portfolio fair value hedges	290,000	(1,220)	2,157	396,400	5,148	-
Interest rate swaps - micro fair value hedges	161,366	2,634	2,497	90,366	9,081	37
Total	451,366	1,414	4,654	486,766	14,229	37

The following table provides the carrying amount of the hedges, the hedge adjustment due to hedging and the statement of financial position in which the hedged item is recognised.

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	
Fair value hedges					
Portfolio fair value hedge	290,000	396,400	890	(6,140)	Financial assets at amortised cost
Micro fair value hedge (FVOCI debt sec.)	76,645	76,225	(4,509)	(9,554)	Financial assets at FV through OCI
Micro fair value hedge (AC debt sec.)	72,794	-	1,952	-	Financial assets at amortised cost

The impact of hedge accounting on profit or loss is as follows:

EUR'000	2023	2022
Fair value changes of the hedging instrument	(13,662)	18,601
Fair value changes of the hedged item attributable to the hedged risk	14,026	(19,046)
Gains/(losses) from hedge accounting, net	364	(445)

Net profit/(loss) from hedge accounting is part of the line *Net profit/(loss) from financial operations* in the Statement of Comprehensive Income.

10. Investments in subsidiaries, joint ventures and associates

EUR'000	31.12.2023	31.12.2022
Investments in subsidiaries	56,604	62,566
Investments in joint ventures	732	496
Impairment allowances	(6,789)	(7,022)
Total	50,547	56,040

The decrease in investments in subsidiaries during the year ended 31 December 2023 was due to the return of capital funds to the Bank.

During the year ended 31 December 2022, the following significant changes occurred in investments:

- the Bank bought other shares in ART FOND – Stredoeurópsky fond súčasného umenia, a. s, thus acquiring control in the company with total ownership of 100.00%;
- on 28 December 2022, the Bank sold its entire share in the subsidiary 365.life, d. s. s., a. s. (sale price EUR 33 million, profit from the sale in the total value of EUR 18.5 million).

The Bank performs an impairment test at least once per accounting period based on financial and business plans of subsidiaries for a period of 5 years. The model calculates the present value of these cash flows by discounting them using an interest rate that was calculated based on the principles of the Capital Assets Pricing Model. Cash flows after the end of the five-year period are calculated as the present value of perpetuity with a certain expected growth rate. The discount rate used is derived from the long-term risk-free interest rate, adjusted for business risk and country risk. The model is most sensitive to the change in the discount rate and the growth rate of profitability.

In the calculation, the Bank used a risk rate of 11.70% (for the year ended 31 December 2022: 10.14%) and an expected permanent growth rate of 2.00% (for the year ended 31 December 2022: 2.97%).

11. Tangible assets

EUR'000	31.12.2023	31.12.2022
Tangible assets owned	18,498	21,878
<i>Property, plant and equipment</i>	18,498	21,878
Right of use assets	31,356	35,217
Total	49,854	57,095

EUR'000	Tangible assets owned				Total
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	
Cost					
As of 1 January 2023	18,136	11,772	19,644	13	49,565
Additions	-	-	-	1,202	1,202
Transfers	1	2,818	(1,681)	(1,138)	-
Disposals	(349)	(1,070)	(1,923)	-	(3,342)
As of 31 December 2023	17,788	13,520	16,040	77	47,425
Accumulated depreciation					
As of 1 January 2023	(7,148)	(8,949)	(11,436)	-	(27,533)
Transfers	-	(1,604)	1,604	-	-
Depreciation for the year	(1,477)	(1,337)	(1,324)	-	(4,138)
Disposals	192	1,037	1,618	-	2,847
As of 31 December 2023	(8,433)	(10,853)	(9,538)	-	(28,824)
Accumulated impairment losses					
	(103)	-	-	-	(103)
Carrying amount as at 31.12.2023	9,252	2,667	6,502	77	18,498

EUR'000	Tangible assets owned				Total
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	
Cost					
As of 1 January 2022	19,710	12,102	19,482	765	52,059
Additions	-	-	-	2,071	2,071
Transfers	1,054	1,012	724	(2,790)	-
Disposals	(2,628)	(1,342)	(562)	(33)	(4,565)
As of 31 December 2022	18,136	11,772	19,644	13	49,565
Accumulated depreciation					
As of 1 January 2022	(7,001)	(8,624)	(10,473)	-	(26,098)
Depreciation for the year	(1,526)	(1,663)	(1,806)	-	(4,995)
Disposals	1,379	1,338	843	-	3,560
As of 31 December 2022	(7,148)	(8,949)	(11,436)	-	(27,533)
Accumulated impairment losses					
	(154)	-	-	-	(154)
Carrying amount as at 31.12.2022	10,834	2,823	8,208	13	21,878

EUR'000	Right of use assets			Total
	Land and buildings	Hardware	Fittings and other equipment	
Cost				
As of 1 January 2023	51,267	211	4,062	55,540
Additions	-	-	123	123
Loan modifications	1,111	-	130	1,241
Contract terminations	(856)	-	(248)	(1,104)
As of 31 December 2023	51,522	211	4,067	55,800
Accumulated depreciation				
As of 1 January 2023	(18,080)	(211)	(2,032)	(20,323)
Depreciation for the year	(4,888)	-	(335)	(5,223)
Contract terminations	855	-	247	1,102
As of 31 December 2023	(22,113)	(211)	(2,120)	(24,444)
Accumulated impairment losses				
	-	-	-	-
Carrying amount as at 31.12.2023	29,409	-	1,947	31,356

EUR'000	Right of use assets			Total
	Land and buildings	Hardware	Fittings and other equipment	
Cost				
As of 1 January 2022	49,530	211	4,058	53,799
Additions	476	-	109	585
Loan modifications	1,459	-	-	1,459
Contract terminations	(198)	-	(105)	(303)
As of 31 December 2022	51,267	211	4,062	55,540
Accumulated depreciation				
As of 1 January 2022	(12,903)	(158)	(1,526)	(14,587)
Depreciation for the year	(5,289)	(53)	(598)	(5,940)
Contract terminations	112	-	92	204
As of 31 December 2022	(18,080)	(211)	(2,032)	(20,323)
Accumulated impairment losses				
	-	-	-	-
Carrying amount as at 31.12.2022	33,187	-	2,030	35,217

Movements in the impairment allowance for tangible assets are as follows:

EUR'000	2023	2022
Opening balance as at 1 January	(154)	(642)
Net creation/(release) of impairment losses	51	488
Closing balance	(103)	(154)

As at 31 December 2023, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 13 942 thousand and as at 31 December 2022 in the amount of EUR 13 865 thousand.

The Bank insured its assets against natural disasters, damage caused by intentional acts, burglary and robbery. Motor vehicles are insured by compulsory motor third party liability insurance and CASCO insurance.

No lien has been established on the bank's assets.

EUR'000	31.12.2023	31.12.2022
Insurance amount of fixed assets	43,546	45,318

12. Intangible assets

EUR'000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2023	91,031	86	9,276	100,393
Additions	-	-	8,937	8,937
Transfers	3,061	-	(3,061)	-
Disposals	(2,303)	-	(38)	(2,341)
As of 31 December 2023	91,789	86	15,114	106,989
Accumulated amortisation				
As of 1 January 2023	(64,944)	(76)	-	(65,020)
Amortisation for the year	(5,005)	(1)	-	(5,006)
Disposals	1,984	-	-	1,984
As of 31 December 2023	(67,965)	(77)	-	(68,042)
Accumulated impairment losses				
	-	-	-	-
Carrying amount as at 31.12.2023	23,824	9	15,114	38,947

EUR'000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2022	84,202	72	5,650	89,924
Additions	-	-	12,755	12,755
Transfers	9,065	15	(9,080)	-
Disposals	(2,236)	(1)	(49)	(2,286)
As of 31 December 2022	91,031	86	9,276	100,393
Accumulated amortisation				
As of 1 January 2022	(56,180)	(72)	-	(56,252)
Amortisation for the year	(11,000)	(4)	-	(11,004)
Disposals	2,236	-	-	2,236
As of 31 December 2022	(64,944)	(76)	-	(65,020)
Accumulated impairment losses				
	-	-	-	-
Carrying amount as at 31.12.2022	26,087	11	9,276	35,374

As at 31 December 2023, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 9 129 thousand and as at 31 December 2022 in the amount of EUR 25 918 thousand.

13. Deferred tax assets and liabilities

The deferred tax asset and deferred tax liabilities are calculated using the following tax rates:

	31.12.2023	31.12.2022
Companies in SR	21.00%	21.00%

For the calculation of deferred tax on revaluation of financial assets at FVOCI, the tax rate was modified to include the effect of newly-introduced special levy.

EUR'000	31.12.2023	31.12.2022
Impairment on financial assets at AC	14,750	17,878
Provisions for off-balance sheet exposures	67	123
Revaluation of financial assets at FVOCI - debt securities	6,356	5,494
Revaluation of financial assets at FVOCI - derivatives	(537)	(2,006)
Tangible assets	611	461
Other	3,304	2,811
Total deferred tax assets	24,551	24,761

Movements in deferred tax were as follows:

EUR'000	1.1.2023	Profit or loss	OCI	31.12.2023
Impairment on financial assets at AC	17,878	(3,128)	-	14,750
Provisions for off-balance sheet exposures	123	(56)	-	67
Revaluation of financial assets at FVOCI	3,488	-	2,331	5,819
Tangible assets	461	150	-	611
Other	2,811	493	-	3,304
Total	24,761	(2,541)	2,331	24,551

EUR'000	1.1.2022	Profit or loss	OCI	31.12.2022
Impairment on financial assets at AC	22,176	(4,298)	-	17,878
Provisions for off-balance sheet exposures	160	(37)	-	123
Revaluation of financial assets at FVOCI	(2,724)	-	6,212	3,488
Tangible assets	280	181	-	461
Other	3,116	(305)	-	2,811
Total	23,008	(4,459)	6,212	24,761

14. Other assets

EUR'000	31.12.2023	31.12.2022
Deferred expenses and accrued income	13,355	13,758
Inventories	127	282
Prepayments	4,937	6,905
Total	18,419	20,945

15. Financial liabilities measured at amortised cost

EUR'000	31.12.2023	31.12.2022
Deposits	3,720,249	3,774,074
Central banks	257,424	249,040
General governments	3,685	3,532
Credit institutions	15,712	25,089
Credit institutions excluding subordinated debt	7,688	17,070
Credit institutions - subordinated debt	8,024	8,019
Other financial corporations	111,671	143,491
Non-financial corporations	101,612	125,875
Households	3,230,145	3,227,047
Debt securities issued	139,709	124,981
Non-convertible debt securities issued	139,709	124,981
<i>Non-convertible</i>	139,709	124,981
Other financial liabilities	42,236	54,914
Clearing and settlement items	9,525	7,616
Lease liabilities	32,253	35,972
Other creditors	458	11,326
Total	3,902,194	3,953,969

In November and December 2021, in December 2022 and in October 2023, the Bank issued senior unsecured and non-subordinated debt securities.

The detail is shown in the table below:

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	31.12.2023	31.12.2022
Debt securities issued	19.12.2022	19.12.2026	7.04%	60	1,000	EUR	60,121	60,140
Debt securities issued	2.10.2023	2.10.2026	7.75%	650	100	EUR	65,856	-
Debt securities issued	6.10.2023	6.10.2026	5.00%	416	30	EUR	12,568	-
Debt securities issued	22.11.2021	22.11.2024	3.50%	15	1,000	EUR	-	15,009
Debt securities issued	22.12.2021	22.12.2024	3.50%	500	100	EUR	-	49,832
Total							138,545	124,981

Both security issues from 2021 were redeemed early in November, resp. December 2023.

The issuance of senior priority bonds with a total nominal value of EUR 60,000 thousands, carrying a fixed annual interest rate of 7.04%, annual coupon payments, an issuance date of 19 December 2022, and maturity in 2026, was privately placed in the form of a certificate.

The issuance of senior priority bonds with a total nominal value of EUR 65,000 thousands, carrying a fixed annual interest rate of 7.75%, annual coupon payments, ISIN: XS2698768913, an issuance date of 2 October 2023, and maturity in 2026, was conducted within a debt securities program with a total nominal value of EUR 1,500,000 thousands. The issuance was privately offered to eligible counterparties and qualified investors by J&T BANKA, a.s., acting as the dealer, under an exemption from the obligation to publish a prospectus.

The issuance of senior bonds with a total nominal value of EUR 12,480 thousands, carrying a fixed annual interest rate of 5.00%, annual coupon payments, ISIN: SK4000023693, an issuance date of 6 October 2023, and maturity in 2026, was conducted within a debt securities program with a total nominal value of EUR 3,000,000 thousands. These bonds are in the form of book-entry securities. Their transferability is not restricted, and they were offered to individual investors.

The Bank issued Investment certificates as a part of deferred variable component of remuneration in the amount of EUR 1,164 thousands.

The table below summarises loans received, classified under financial liabilities and measured at amortised cost:

EUR'000	31.12.2023	31.12.2022
Subordinated debt	8,024	8,019

In the event of bankruptcy or liquidation of the Bank, subordinated debt will be subordinated to the claims of all other creditors of the Bank.

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a.s.	365.bank, a. s.	8,024	3M EURIBOR + 6.00%	31.12.2026

The reconciliation of movements of liabilities to the cash flows from financing activities is as follows:

EUR'000	Debt securities issued		Subordinated debt	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Opening balance as at 1 January	124,981	64,794	8,019	8,014
Proceeds from issue of debt securities	77,480	60,000	-	-
Repayment of debt securities	(65,000)	-	-	-
Interest expenses	8,134	2,548	731	506
Interest paid	(7,050)	(2,361)	(726)	(501)
Closing balance	138,545	124,981	8,024	8,019

In December 2021, within the TLTRO programme, the Bank received a loan from the European Central Bank (hereinafter 'the ECB') in the amount of EUR 250 million. This loan is recognised as a deposit received from the central bank. As collateral, the Bank provided as at 31 December 2023 Slovak government bonds measured at amortised cost in the amount of EUR 256,644 thousand (as at 31 December 2022 Slovak government bonds measured at fair value through other comprehensive income in the amount of EUR 113,000 thousand and Slovak government bonds measured at amortised cost in the amount of EUR 351,644 thousand). The bank issued a cover bond in the amount of EUR 250,000 thousand which was not marketed and was pledged within the TLTRO programme.

16. Provisions

EUR'000	31.12.2023	31.12.2022
Commitments and guarantees given	318	587
<i>Loan commitments</i>	<i>142</i>	<i>578</i>
<i>Guarantees given</i>	<i>176</i>	<i>9</i>
Other provisions	19	2,000
Total	337	2,587

The movements in provisions for commitments and guarantees provided were as follows:

EUR'000	Commitments and guarantees given				Total
	Stage 1	Stage 2	Stage 3	POCI	
As of 1 January 2023	157	424	6	-	587
Increases due to origination and acquisition	484	-	-	-	484
Decreases due to derecognition	(229)	(88)	(14)	-	(331)
Changes due to change in credit risk (net)	(409)	(112)	98	-	(423)
Transfers:	102	(189)	87	-	-
to/(from) Stage 1	x	(102)	-	-	(102)
to/(from) Stage 2	102	x	87	-	189
to/(from) Stage 3	-	(87)	x	-	(87)
Changes due to movements in FX rates	1	-	-	-	1
As of 31 December 2023	106	35	177	-	318

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2022	411	351	1	-	763
Increases due to origination and acquisition	599	-	-	-	599
Decreases due to derecognition	(661)	(638)	-	-	(1,299)
Changes due to change in credit risk (net)	(113)	629	5	-	521
Transfers:	(82)	82	-	-	-
to/(from) Stage 1	x	82	-	-	82
to/(from) Stage 2	(82)	x	-	-	(82)
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	3	-	-	-	3
As of 31 December 2022	157	424	6	-	587

17. Other liabilities

EUR'000	31.12.2023	31.12.2022
Estimated payables (OPEX)	10,461	5,439
Deferred income	146	137
Liabilities to employees and estimated payables to employees	8,344	5,691
Liabilities from social and health insurance and social fund	1,698	-
Tax liabilities	1,082	-
Received prepayments	3,502	-
Liabilities from dividends	824	-
Total	26,057	16,958

18. Equity

a) Share capital

	31.12.2023	31.12.2022
Nominal value per share in EUR	1,107	1,107
Number of shares	330,899	330,899
Total share capital in EUR'000	366,305	366,305

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

Under the Slovak Commercial Code, all companies are required to create a legal reserve fund to cover losses. The Bank is obliged to contribute an amount of at least 10% of its annual net profit each year, until the aggregate amount reaches a level equal to 20% of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

c) Revaluation of financial instruments measured through other comprehensive income

This item includes the revaluation at FVOCI of financial assets after deferred tax. Since 1 January 2018, through the implementation of *IFRS 9 Financial Instruments*, the Bank also recognises impairment allowances for debt securities measured at fair value through other comprehensive income within this equity item.

d) Distribution of profit in the previous period

The General Meeting of shareholders dated 28 April 2023 decided to distribute the profit for the previous period as follows:

EUR'000	
Profit for the year	93,166
Dividends	80,000
Transfer to retained earnings	9,732
Transfer to legal reserve fund	3,434

The General meeting dated 28 April 2023 decided on the payment of dividends in the amount of EUR 8 million from retained earnings from 2012 and EUR 52 million from retained earnings from 2013.

The extraordinary General meeting dated 20 November 2023 decided on the payment of dividends in the amount of EUR 10 million from retained earnings from 2015.

e) *Proposal of distribution of profit for current period*

Profit distribution for the current period is subject to the approval of the Shareholders' meeting.

19. Off-balance sheet items

a) *Loan commitments, financial guarantees and other commitments given*

EUR'000	31.12.2023	31.12.2022
Loan commitments given	107,165	164,695
Financial guarantees given	8,794	8,128
Total	115,959	172,823

b) *Assets in custody*

EUR'000	31.12.2023	31.12.2022
Asset management	886,420	821,142
Custody assets	121,537	106,811
Total	1,007,957	927,953

c) *Securities provided as collateral*

EUR'000	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income	-	97,657
Financial assets at amortised cost	564,300	361,079
Total	564,300	458,736

The Bank has pledged debt securities at carrying amount as summarised in the table above. The pledge was provided against transactions with central bank and credit institutions. These debt securities have not been derecognised from the Bank's statement of financial position.

20. Offsetting of financial assets and liabilities

The following table shows the financial assets and financial liabilities that could be offset under 'master netting agreements' or similar agreements (legally enforceable):

31.12.2023	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	178	-	178	85	-	-	93
Hedging derivatives	1,414	-	1,414	-	8,641	-	(7,227)
Total assets	1,592	-	1,592	85	8,641	-	(7,134)
Financial liabilities							
Derivatives	85	-	85	85	-	-	-
Hedging derivatives	4,654	-	4,654	-	5,790	-	(1,136)
Total liabilities	4,739	-	4,739	85	5,790	-	(1,136)
31.12.2022	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting			Net values after possible offsetting
				Financial instruments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	16	-	16	16	-	-	-
Hedging derivatives	8,089	-	8,089	-	15,514	-	(7,425)
Total assets	8,105	-	8,105	16	15,514	-	(7,425)
Financial liabilities							
Derivatives	2,102	-	2,102	16	2,023	-	63
Hedging derivatives	37	-	37	-	-	-	37
Total liabilities	2,139	-	2,139	16	2,023	-	100

21. Net interest income

EUR'000	2023	2022
Interest income		
Financial assets at fair value through other comprehensive income	3,598	4,498
Financial assets at amortised cost	140,226	121,869
<i>Debt securities</i>	15,454	6,224
<i>Loans and advances</i>	124,772	115,645
Derivatives - Hedge accounting, interest rate risk	4,907	(1,830)
Other assets	11,814	1,547
<i>Cash balances at central banks</i>	10,498	1,476
<i>Other demand deposits</i>	1,316	71
Interest income on liabilities	-	891
Total interest income	160,545	126,975
Interest expenses		
Financial liabilities measured at amortised cost	(30,497)	(7,518)
<i>thereof: lease liabilities</i>	(419)	(527)
Other liabilities	(3)	(2)
Interest expense on assets	(108)	(83)
Total interest expense	(30,608)	(7,603)
Net interest income	129,937	119,372

The „Interest income on liabilities“ represents the negative interest expense from the long-term targeted financial operation TLTRO with the ECB. In 2022, the interest expense on TLTRO was presented withing the line “Interest expense - Financial liabilities measured at amortized costs”.

22. Net fee and commission income

EUR'000	2023	2022
Fee and commission income		
Securities	34	-
Clearing and settlement	15,946	16,160
Custody	3,427	3,617
Payment services	34,395	31,368
<i>Current accounts</i>	25,393	24,744
<i>Debit cards and other card payments</i>	316	292
<i>Transfers and other payment orders</i>	2,520	2,129
<i>Other fee and commission income in relation to payment services</i>	6,166	4,203
Loan servicing activities	1,536	2,558
Loan commitments given	314	148
Financial guarantees given	119	181
Commissions for brokerage	17,136	8,419
Other	7,762	9,304
Total fee and commission income	80,669	71,755
Of w hich: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	80,236	71,426
Fee and commission expenses		
Securities	(35)	(165)
Clearing and settlement	(24,054)	(23,147)
Custody	(332)	(461)
Loan servicing activities	(766)	(1,190)
Other	(5,661)	(3,187)
Total fee and commission expenses	(30,848)	(28,150)
Net fee and commission income	49,821	43,605

23. Dividend income

EUR'000	2023	2022
Non-trading financial assets mandatorily at fair value through profit or loss	14	8,352
Financial assets at fair value through other comprehensive income	-	2
Investments in subsidiaries, joint ventures and associates	14,687	20,021
Total	14,701	28,375

24. Net gains/(losses) from sale of subsidiaries and other financial transactions

EUR'000	2023	2022
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	24	18,409
Financial assets at fair value through other comprehensive income	-	18,500
Financial assets at fair value through other comprehensive income	24	(91)
<i>Equity instruments</i>	24	-
<i>Debt securities</i>	-	(91)
<i>thereof: reclassified from other comprehensive income</i>	-	(91)
Gains/(losses) on financial assets and liabilities held for trading, net	(558)	(6,273)
Derivatives	(558)	(6,273)
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	4,610	5,122
Revaluation gains/(losses)	6,113	3,619
Trading gains/(losses)	(1,503)	1,503
Gains/(losses) from hedge accounting, net	364	(445)
Fair value changes of the hedging instrument	(13,662)	18,601
Fair value changes of the hedged item attributable to the hedged risk	14,026	(19,046)
Exchange differences, net	(656)	4,694
Total	3,784	21,507

As at 28 December 2022, the Bank sold the subsidiary 365.life, d. s. s., a. s. for EUR 33 million with a profit of EUR 18.5 million.

25. Other operating income and expenses

EUR'000	2023	2022
Other operating expenses	(5,736)	(6,230)
Bank and insurance companies specific fees	(1,106)	(3,402)
<i>Resolution fund</i>	(385)	(315)
<i>Deposit protection fund</i>	(721)	(3,087)
Other	(4,630)	(2,828)
Other operating income	3,536	1,717
Other	3,536	1,717
Gains/(losses) on derecognition of non-financial assets, net	(412)	(407)
Total	(2,612)	(4,920)

The amount in "Other operating income – other" comprises income from other payment services, contractual fines and other operating income.

26. Administrative expenses

EUR'000	2023	2022
Staff expenses	(51,208)	(47,842)
Wages and salaries (including bonuses)	(35,728)	(34,060)
Social expenses	(15,480)	(13,782)
Other administrative expenses	(38,460)	(38,879)
Rental expenses	(1,567)	(1,005)
<i>Short-term lease contracts</i>	(1,441)	(1,120)
<i>Variable lease payments not included in the lease liabilities</i>	-	257
<i>Other</i>	(126)	(142)
Real estate expenses	(3,908)	(2,967)
IT expenses	(12,400)	(12,257)
Marketing and advertisement	(6,453)	(8,449)
Legal and consulting services	(2,965)	(1,647)
Post and telecommunication	(3,183)	(3,540)
Material consumption	(838)	(898)
Repair and maintenance	(2,598)	(3,344)
Other administrative expenses - Rest	(4,548)	(4,772)
Total	(89,668)	(86,721)
	2023	2022
Average number of employees for the period	1,171	1,200
Number of employees as of balance sheet date	1,152	1,194
thereof, key management	16	22

Management consists of Board of Directors members and managers directly responsible to the Board of Directors (B-1 positions).

The cost of services provided by the statutory auditor and the statutory auditor network were as follows:

EUR'000	2023	2022
Audit of the financial statements	(193)	(176)
Non-audit services required by EU legislation	(21)	(31)
Non-audit services	(120)	-
Other assurance services	(109)	-
Total	(443)	(207)

27. Depreciation and amortisation

EUR'000	2023	2022
Property, plant and equipment	(4,138)	(4,995)
Buildings	(1,477)	(1,526)
Hardware	(1,337)	(1,663)
Fittings and other equipment	(1,324)	(1,806)
Right of use assets	(5,223)	(5,940)
Buildings	(4,888)	(5,289)
Hardware	-	(53)
Fittings and other equipment	(335)	(598)
Intangible assets	(5,006)	(11,003)
Software	(5,005)	(10,999)
Other intangible assets	(1)	(4)
Total	(14,367)	(21,938)

28. Impairment losses and provisions

EUR'000	2023	2022
Net impairment of financial assets not valued at fair value through profit or loss	8,683	14,195
Financial assets at fair value through other comprehensive income	7,668	182
<i>Debt securities</i>	7,668	182
Financial assets at amortised cost	1,015	14,013
<i>Debt securities</i>	(108)	18
<i>Loans and advances</i>	969	13,970
<i>Other financial assets</i>	154	25
Net impairment of investments in subsidiaries, joint ventures and associates	234	-
Subsidiaries	234	-
Release/(creation) of provisions	252	(1,817)
Net impairment on non-financial assets	51	712
Total	9,220	13,090

The positive development in the creation of provisions for debt securities valued at fair value through other comprehensive income for the year ended 31 December 2023 is due to reduced risk exposure in corporate bonds.

The positive development of impairment losses and provisions for the year ended 31 December 2022 was primarily caused by a significant reduction in corporate exposure, the successful sale of impaired retail loans and the smaller impact of the pandemic crisis on clients compared to expectations. For more details, please see note 8. *Financial assets valued at amortised cost*.

The detail to net impairment of loans and advances at amortised cost is as follows:

EUR'000	2023	2022
Net impairment of loans and advances at amortised cost	969	13,970
Net (creation)/release of allowances	(1,013)	4,777
Creation of allowances	(86,539)	(85,995)
Release of allowances	85,526	90,772
Net effect from derecognition of loans and advances	1,982	9,193
Derecognition of loans and advances	(50,687)	(51,388)
Usage of allowances	35,393	49,819
Income from previously derecognized loans and advances	17,276	10,762

29. Income tax

EUR'000	2023	2022
Current income tax	(13,534)	(14,746)
Deferred tax	(2,541)	(4,458)
Total	(16,075)	(19,204)

Reconciliation of the effective tax rate is as follows:

EUR'000	2023	2022
Profit before tax	100,816	112,370
Income tax rate	21.00%	21.00%
Theoretical income tax	(21,171)	(23,598)
Non - tax expenses	(505)	(825)
<i>Other</i>	(505)	(825)
Non - taxable income	3,235	4,534
<i>Dividends</i>	3,084	4,209
<i>Impairment allowances</i>	(441)	107
<i>Other</i>	592	218
Deferred tax	2,305	877
Correction of prior period	-	(214)
Other	61	22
Total	(16,075)	(19,204)
Effective tax rate	15.94%	17.09%

Given that many parts of the Slovak tax legislation remain untested, there is uncertainty about how the tax authorities will apply them. The effect of this uncertainty cannot be quantified and will only be resolved once legislative precedents are set, or when official interpretations of the authorities are available.

30. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or it has, through its financial and operational decisions, significant influence over the other party.

The following persons or companies meet the definition of related parties:

- companies that directly or indirectly, through one or more intermediaries, control or are controlled, have significant influence, or are under joint control of the reporting company;
- affiliated companies in which the parent company has significant influence, and which are not a subsidiary, nor a joint venture;
- individuals owning, directly or indirectly, shares in the voting right of the Bank that gives them significant influence over the Bank, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Bank;
- key management personnel, i.e., persons having authority and responsibility for planning, managing and controlling the activities of the Bank, including directors and managing employees of the Bank, and persons related to them;
- companies in which a significant share of voting rights is owned, directly or indirectly, by any person described in points (a), (c) or (d) above, or over which such party may have a significant influence. This includes companies owned by directors or major shareholders of the Bank.

31.12.2023	Shareholders	Members of J&T FINANCE GROUP SE	Subsidiaries	Joint ventures	Key management and related parties	Others
Assets	-	117,958	63,415	-	2,916	28,258
Other demand deposits	-	687	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	107,435	-	-	-	-
Financial assets at FVOCI	-	9,804	-	-	-	-
Financial assets at amortised cost	-	32	62,000	-	2,916	28,258
<i>Loans and advances</i>	-	-	61,980	-	2,916	28,247
<i>Other financial assets</i>	-	32	20	-	-	11
Other assets	-	-	1,415	-	-	-
Liabilities	-	24,800	10,570	9,960	1,183	722
Financial liabilities measured at amortised cost	-	24,800	9,850	9,960	1,183	722
<i>Deposits</i>	-	24,792	9,850	9,960	1,183	722
<i>Other financial liabilities</i>	-	8	-	-	-	-
Other liabilities	-	-	720	-	-	-
2023						
Income/expenses	-	-	-	-	-	-
Net interest income	1,543	118	6,735	-	29	143
Net fee and commission income	111	303	8,504	141	2	150
Net gains/(losses) from financial transactions	-	7,370	-	-	-	-
Net other operating expenses	-	61	(1,802)	-	-	-
Administrative expenses	1	(64)	(2,615)	-	-	(30)
31.12.2022						
	Shareholders	Members of J&T FINANCE GROUP SE	Subsidiaries	Joint ventures	Key management and related parties	Others
Assets	-	119,309	51,267	1,416	2,445	17,741
Other demand deposits	-	10,102	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100,065	-	-	-	-
Financial assets at FVOCI	-	8,812	-	-	-	-
Financial assets at amortised cost	-	330	51,267	1,416	2,445	17,741
<i>Loans and advances</i>	-	-	49,152	-	2,445	17,741
<i>Other financial assets</i>	-	330	2,115	1,416	-	-
Liabilities	41	26,066	12,861	7,679	1,776	5,667
Financial liabilities measured at amortised cost	41	26,066	12,861	7,679	1,776	5,667
<i>Deposits</i>	41	26,054	12,437	7,679	1,776	5,655
<i>Other financial liabilities</i>	-	12	423	-	-	12
2022						
Income/expenses	-	-	-	-	-	-
Net interest income	460	(111)	1,180	-	16	760
Net fee and commission income	42	751	4,307	7,022	1	146
Net gains/(losses) from financial transactions	-	3,087	-	-	-	-
Net other operating expenses	-	61	(626)	90	-	-
Administrative expenses	-	(52)	(4,989)	(807)	-	(1,662)

The total remuneration of the members of the Board of Directors, members of the Supervisory Board and executive officers directly supervised by the Board of Directors members of 365.bank, a. s. for the year ended 31 December 2023 is in the amount of EUR 3,235 thousand (the year ended 31 December 2022: EUR 3,308 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

31. Fair value of financial assets and liabilities

According to *IFRS 13 Fair Value Measurement*, fair value is the price that would be received when selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Bank measures fair values using the following fair value level hierarchy:

- **Level 1:** Quoted market price in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and where the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values for financial assets and financial liabilities is based on quoted market prices. Shares in funds are measured at prices obtained from an asset management company. The funds are not listed however they are audited on an annual basis. Fund prices are determined using NAV, with valuation techniques corresponding to the above-mentioned fair value hierarchies.

For all other financial instruments, fair value is determined by using valuation techniques. These valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination, that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and the uncomplicated financial instruments, like interest rate and currency swaps, that use only observable market data, and require little management judgement or estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For fair value measurement of debt financial instruments, the Bank uses models based on net present value. The key estimation parameter is the discount interest rate. Determination of the discount interest rate is based on the risk-free market rate, which corresponds to the incremental maturity of particular financial instruments, plus a risk premium. The risk premium is determined to be consistent with regular market practice.

The Bank estimates future cash flows from financial instruments based on contractual maturities, and in the case of deposit products without a contractual maturity, the maturity is based on a qualified estimate.

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed based on recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices and rates, or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans, and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows from the financial instrument being valued, determination of the probability of counterparty default or prepayments, and selection of appropriate discount rates.

Basic parameters entering into the valuation model to determine the fair value of equity financial instruments are forecast economic results and equity of the company, market multiples, and indicators such as EBITDA, sales etc. for comparable companies, all of which are published by reputable companies for different sectors.

Even though these valuation techniques are considered to be appropriate and in compliance with market practice, the estimations in discount interest rates, and changes of basic assumptions in future cash flows, may lead to different fair value of financial instruments.

Transfers of financial instruments between particular levels can occur only if market activity has changed.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a control function, performed by the Market Risks department, which is independent from front office management. Specific controls include: verification of observable pricing inputs and reperformance of model valuations; review and approval processes for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; and review of significant unobservable inputs and valuation adjustments.

The reported fair values of financial instruments analysed according to fair value levels are as follows:

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
ASSETS								
Financial assets held for trading	-	-	178	16	-	-	178	16
Derivatives	-	-	178	16	-	-	178	16
Non-trading financial assets mandatorily at FVPL	-	-	188,930	179,784	-	-	188,930	179,784
Equity instruments	-	-	188,930	179,784	-	-	188,930	179,784
Financial assets at FVOCI	138,307	182,977	-	14,646	46,586	34,792	184,893	232,415
Equity instruments	-	-	-	-	-	65	-	65
Debt securities	138,307	182,977	-	14,646	46,586	34,727	184,893	232,350
Derivatives – Hedge accounting	-	-	5,131	8,089	-	-	5,131	8,089
Total assets	138,307	182,977	194,239	202,535	46,586	34,792	379,132	420,304

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
LIABILITIES								
Financial liabilities held for trading	-	-	85	2,102	-	-	85	2,102
Derivatives	-	-	85	2,102	-	-	85	2,102
Derivatives – Hedge accounting	-	-	306	37	-	-	306	37
Total liabilities	-	-	391	2,139	-	-	391	2,139

The following table shows the reconciliations of the opening and closing balances of the fair values of each category at level 3:

EUR'000	1.1.2023	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31.12.2023
Financial assets at fair value through OCI	34,792	134	2,179	-	(65)	9,546	-	46,586
Total	34,792	134	2,179	-	(65)	9,546	-	46,586

An unobservable input for the valuation of the portfolio included in L3 is the idiosyncratic credit spread with the following effect on the securities portfolio:

	Fair value	Price	Idiosyncratic CS	Price with 1.00% growth	Fair value with 1.00% growth of CS	Sensitivity on 1.00% growth of CS
Client no. 1	34,808	96.69%	3.00%	94.90%	34,163	(645)
Client no. 2	9,647	96.47%	1.00%	95.04%	9,504	(143)

The following table shows information regarding the investment movements between all categories of valuation:

EUR'000	31 December 2023			31 December 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets at fair value through OCI	-	-	-	-	-	-
Transfers into the category	2,460	-	-	-	14,646	-
Transfers out of the category	(9,546)	(2,460)	9,546	(5,834)	-	(8,812)
Total assets	(7,086)	(2,460)	9,546	(5,834)	14,646	(8,812)

The estimated fair values of the Bank's financial assets and liabilities that are not measured at fair value were as follows:

31 December 2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	437,328	437,328	-	437,328	-
Financial assets at amortised cost	3,637,100	3,678,892	657,145	26,274	2,995,473
Debt securities	735,759	700,879	657,145	-	43,734
Loans and advances	2,875,067	2,951,739	-	-	2,951,739
Other financial assets	26,274	26,274	-	26,274	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	3,902,194	3,728,997	-	3,728,997	-
Deposits	3,720,249	3,547,052	-	3,547,052	-
Debt securities issued	139,709	139,709	-	139,709	-
Other financial liabilities	42,236	42,236	-	42,236	-

31 December 2022	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	592,414	592,414	-	592,414	-
Financial assets at amortised cost	3,534,496	3,438,747	382,551	84,579	2,971,617
Debt securities	511,087	454,168	382,551	27,288	44,329
Loans and advances	2,988,263	2,949,433	-	22,145	2,927,288
Other financial assets	35,146	35,146	-	35,146	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	3,953,969	3,785,844	-	3,785,844	-
Deposits	3,774,074	3,605,949	-	3,605,949	-
Debt securities issued	124,981	124,981	-	124,981	-
Other financial liabilities	54,914	54,914	-	54,914	-

32. Segment reporting

The Bank classifies its business activities into three segments. Within these segments, various products and services are offered and they are also managed independently by the Bank's management.

- Retail banking – loans, deposits and other transactions with retail customers.
- Corporate banking – loans, deposits and other transactions with corporate customers and investments in liquid assets, such as short-term investments and corporate or government debt securities.
- Other – asset management (fund management activities) and treasury (financing and centralized risk management activities through loans, use of derivatives for risk management).

The Board of Directors continuously monitors internal reports for each segment at least once a month.

Information related to the reported segments is presented in the table:

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest income	70,213	58,682	59,868	62,135	30,464	6,158	160,545	126,975
Interest expenses	(10,524)	(3,687)	(2,099)	(181)	(17,985)	(3,735)	(30,608)	(7,603)
Net interest income	59,689	54,995	57,769	61,954	12,479	2,423	129,937	119,372
Net intersegment income	61,958	12,067	(18,062)	(7,809)	(43,896)	(4,258)	-	-
Fee and commission income	65,643	57,070	13,582	14,177	1,444	508	80,669	71,755
Fee and commission expenses	(23,730)	(21,039)	(5,429)	(5,491)	(1,689)	(1,620)	(30,848)	(28,150)
Net fee and commission income	41,913	36,031	8,153	8,686	(245)	(1,112)	49,821	43,605
Net interest and fee margin	163,560	103,093	47,860	62,831	(31,662)	(2,947)	179,758	162,977
Impairment losses and provisions	(12,677)	(3,462)	22,022	18,995	(125)	(2,443)	9,220	13,090

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Assets	2,222,748	2,142,170	879,394	1,071,577	1,536,045	1,527,682	4,638,187	4,741,429
Liabilities	3,223,753	3,224,836	191,870	246,951	517,704	500,613	3,933,327	3,972,400

The following table shows the distribution of income from fees and commissions by segment (based on the requirements of *IFRS 15 Revenue from Contracts with Customers*):

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Fee and commission income								
Securities	-	-	-	-	34	-	34	-
Clearing and settlement	8,477	8,668	7,148	7,225	321	267	15,946	16,160
Custody	-	-	3,372	3,555	55	62	3,427	3,617
Payment services	31,191	28,763	2,201	2,467	1,003	138	34,395	31,368
Loan servicing activities	1,090	1,957	421	583	25	18	1,536	2,558
Loan commitments given	-	-	314	134	-	14	314	148
Financial guarantees given	-	-	119	181	-	-	119	181
Commissions for brokerage	17,136	8,419	-	-	-	-	17,136	8,419
Other	7,749	9,263	7	32	6	9	7,762	9,304
Total fee and commission income	65,643	57,070	13,582	14,177	1,444	508	80,669	71,755
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers	65,643	57,070	13,149	13,862	1,444	494	80,236	71,426

33. Risk management

The ultimate body responsible for risk management is the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Some responsibilities are delegated to permanent working groups and advisory bodies (committees).

The Bank's risk management policies are based on the Risk Management Strategy, as a primary document for risk management, which is further described in the Risk Appetite document. These documents are regularly reassessed, updated and approved by the Board of Directors. The risk management process is a dynamic and continuous process of identification, measurement, monitoring, control, and reporting of risks within the Bank. For management of the risks faced by the Bank, there are defined appropriate limits, and controls for risk monitoring and adherence to those limits.

Evaluation of key performance limits defined in the Bank's risk profile is presented to the Board of Directors on a monthly basis. Risk management policies and systems are reviewed and amended regularly to reflect changes in legislation, market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The rights and responsibilities of the Bank's Audit Committee are assigned to the Supervisory Board, who are responsible for monitoring the effectiveness of internal control and risk management systems. Its activities also cover review of the external auditor's independence, and evaluation of the findings from audit of the financial statements, made by the external auditor. They also monitor the Bank's compliance with financial accounting standards. The Audit Committee is assisted in these functions by the Department of Internal control and audit.

The Bank is exposed to the following main risks:

- credit risk;
- liquidity risk;
- market risk;
- operational risk;
- settlement risk.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent, to ensure that a trade is settled only when both parties have fulfilled their contractual obligations.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty-specific approval by ALCO.

34. Credit risk

Credit risk is the risk of financial loss to the Bank if a debtor, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises from the Bank's financial assets – primarily from loans and advances, debt securities, and off-balance sheet exposures. For risk management reporting purposes, the Bank considers and consolidates all elements of its credit risk exposure (such as individual obligor default risk, management failure, country, sector or concentration risk).

Credit risk management within the Bank is the responsibility of the Risk Management division. The Board of Directors has delegated responsibility for the oversight of credit risk in compliance with a formal competence order.

Credit risk management includes:

- examination of the clients' creditworthiness;
- assessing limits for clients and economically connected parties, including monitoring portfolio concentration;
- assessing limits for counterparties, industries, countries, and banks;
- mitigation of risk by various forms of collateral;
- continuous monitoring of loan portfolio development, and prompt decision-making to minimise possible losses.

In order to mitigate credit risk, the Bank assesses the creditworthiness of the client deal using a rating tool with parameters specific to each client segment, when initially providing the loan, as well as during the life of the credit loan trade. The Bank has various rating models depending on the type of business.

When analysing client deals the Bank uses:

- client rating;
- project assessment tools;
- scoring for retail loans.

The approval process of active bank transactions includes a review of the individual applicant of the transactions, credit limit of the counterparty, and collateral in order to mitigate credit risk. The Bank monitors the development of the portfolio of active bank transactions yearly, or more often as necessary, to ensure that prompt action can be taken to minimise potential risks.

Credit risk limits are generally determined on the basis of economic analysis of the client, sector, region or country. The procedure of determining individual limits is part of the Bank's internal guidelines.

To mitigate credit risk, the Bank uses the following types of limits:

- financial involvement limits of the client or economically connected entities (clients);
- country limits;
- limits on banks;
- industry limits.

The Bank continuously monitors and evaluates compliance with the limits and translates these into its activities.

The tables below provide sector and geographical summaries of financial assets at amortised cost, financial assets at fair value through other comprehensive income, and off-balance sheet exposures (in gross amounts):

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
General governments	655,283	441,974	60,385	60,206	110,828	144,682	-	-	-	-
Credit institutions	43,168	31,154	38,772	35,519	17,684	27,045	-	-	-	-
Other financial corporations	1,300	1,362	247,696	305,072	19,599	25,896	449	10,396	-	-
Non-financial corporations	43,709	44,190	333,166	503,021	36,782	34,727	8,445	12,641	8,794	8,128
A Agriculture, forestry and fishing	-	-	27,832	36,445	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	27,314	39,045	-	-	19	22	-	76
D Electricity, gas, steam and air conditioning supply	-	-	14,371	27,208	-	-	-	-	-	-
E Water supply	-	-	494	458	-	-	-	-	147	-
F Construction	-	-	15,065	15,335	-	-	55	56	851	43
G Wholesale and retail trade	-	-	18,374	23,390	-	-	410	185	-	365
H Transport and storage	-	-	1,198	1,917	-	-	18	20	3	3
I Accommodation and food service activities	-	-	13,743	35,643	-	-	464	6,004	-	-
J Information and communication	-	-	25	8,662	-	-	3,000	5,850	-	150
K Financial and insurance activities	-	-	-	-	-	-	314	394	-	-
L Real estate activities	43,709	44,190	120,775	160,331	-	-	23	10	-	-
M Professional, scientific and technical activities	-	-	13,358	77,044	-	-	65	70	7,793	7,491
N Administrative and support service activities	-	-	59,437	70,752	-	-	28	26	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	1	3	-	-	-	-	-	-
Q Human health services and social work activities	-	-	4	24	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	17,249	1,304	36,782	34,727	4,049	-	-	-
S Other services	-	-	3,926	5,460	-	-	-	4	-	-
Households	-	-	2,314,824	2,238,738	-	-	98,271	141,658	-	-
Total	743,460	518,680	2,994,843	3,142,556	184,893	232,350	107,165	164,695	8,794	8,128

EUR'000	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Slovak Republic	698,340	473,073	2,708,457	2,761,099	153,357	173,087	107,122	164,285	1,002	442
Czech Republic	-	-	114,053	185,574	-	7,303	26	398	-	265
Cyprus	-	-	58,246	72,778	-	-	2	1	-	-
Luxemburg	1,300	1,362	99,820	107,074	9,795	9,781	-	-	-	-
Switzerland	-	-	-	1,038	-	-	2	2	-	-
France	-	-	11,715	12,644	-	-	1	1	-	-
Netherlands	-	-	2,000	2,000	-	-	-	-	-	-
Lithuania	9,981	10,046	-	-	8,954	12,034	-	-	-	-
Latvia	2,129	2,155	-	-	-	17,243	-	-	-	-
Belgium	10,728	10,854	384	-	-	-	-	-	-	-
Ireland	10,701	10,819	10	-	-	-	-	-	-	-
Romania	10,281	10,371	5	-	-	-	-	-	-	-
Poland	-	-	1	-	12,787	12,902	1	-	-	-
Sweden	-	-	-	-	-	-	-	-	7,792	7,421
Other countries	-	-	152	349	-	-	11	8	-	-
Total	743,460	518,680	2,994,843	3,142,556	184,893	232,350	107,165	164,695	8,794	8,128

Rating system

The Bank uses a rating system to evaluate the financial performance of companies. The rating system evaluates quantitative and qualitative indicators of economic activities (e.g., liquidity ratio, profitability, gearing etc.), and compares them with the subjective assessment of the client by the Bank. The Bank categorises clients into rating levels from best to worst, the worst level representing the highest probability of default. The Bank has established processes for creation of ratings, their regular update, and control for assigning the ratings, and these are defined in the Bank's internal guidelines.

The Bank uses internal credit risk ratings which reflect the probability of default by individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Information regarding borrower and loan, collected at the time of application (such as disposable income, level of collateral for retail exposures, or turnover and industry type for corporate exposures) is entered into this rating model. This is supplemented with external data, such as credit bureau scoring information on retail customers. In addition, the models enable expert judgement to be included in the final internal credit rating for each exposure. In addition to this, the system also allows inclusion of an expert judgement, which is information that may not be captured from other data inputs.

The rating methods are subject to regular validation and recalibration, so that they reflect the latest projections in the light of all actually observed defaults.

The following table shows the assignment of external and internal ratings to each credit risk level:

Credit risk	External rating	Internal rating	Internal rating	1YPD
	Moody's	corporate	retail	
Low credit risk	Aaa – Aa3			
Low credit risk	A1 – A3	1 – 3	A1 – A3	0.20% –
Low credit risk	Baa1 – Baa3			1.00%
Low credit risk	Ba1 – Ba2			
Moderate credit risk	Ba3			
Moderate credit risk	B1 – B3	4C – 5C	B1 – C1	2.00% –
Moderate credit risk	Caa1			8.00%
High credit risk	Caa2 – Caa3			
High credit risk	Ca – C	6 – 8	C2 – C3	12.00% –
Default	D	9 – 10	Default	35.00%
				100%

Measurement of expected credit losses

IFRS 9 *Financial Instruments* outlines a three-stage model for impairment, based on changes in credit quality since initial recognition:

- **Stage 1:** A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank. This includes all financial instruments, where no significant increase in credit risk has been identified, from the date of initial recognition.
- **Stage 2:** If significant increase in credit risk ('SICR') since initial recognition is identified, or if information on initial credit rating is not available, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired.
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is moved to Stage 3.

Financial instruments in Stage 1 have their ECL measured, at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. The Bank has a defined remedial period for returning from Stage 3 to Stage 2 and from Stage 2 to Stage 1. Direct movement from Stage 3 to Stage 1 is not allowed except retail loans without any forbearance indicator.

Purchased or originated credit-impaired financial assets ('POCI') are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime loss basis.

A general concept in measuring ECL is that it should consider forward-looking information.

The Bank sets the level of significance at EUR 300 thousand (for the year ended 31 December 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (for the year ended 31 December 2022: EUR 300 thousand) are assessed individually in the staging process.

The same principles are also applied to measurement of provisions for off-balance sheet exposures, arising from loan and other commitments, and guarantees given.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

Significant increase in credit risk

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

i. Quantitative criteria:

Remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold.

These thresholds are determined separately for retail and corporate portfolios, by assessing how the Lifetime PD changes prior to an instrument becoming problematic.

The protection criterion applies, and the financial asset is considered to have experienced a significant increase in credit risk, when the borrower is past due with contractual payments for more than 30 days. The Bank does not benefit from the exception of low credit risk for any financial instrument.

The following thresholds apply to retail portfolios:

- deterioration of the internal rating to the non-fundable rating; (rating E, F);
- forbearance indicator.

The following thresholds apply to corporate portfolios:

- deterioration of the internal rating to the rating 7 and higher;
- forbearance indicator;
- non-compliance with financial covenants.

ii. Qualitative criteria:

The Bank uses the following indicators to assess whether SICR has occurred:

- the debtor violates the financial covenants or contracts;
- actual or expected significant adverse change in operating results of the borrower;
- negative information about the borrower from external sources;
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- significant change in collateral value (secured facilities only), which could increase risk of default;
- actual or expected concession, restructuring or change in the repayment schedule.

The assessment of SICR for individually assessed exposures is carried out at the level of each loan on an ongoing basis. The criteria used to identify SICR are monitored and reassessed, in order to assess their suitability, at least once a year.

Definition of default and credit impaired financial assets

The Bank defines a financial asset as defaulted when it fully complies with the definition of credit impairment, or when one or more events occur that have a detrimental effect on the estimated future cash flows of the financial asset.

Retail:

- A receivable is considered defaulted if it is more than 90 days overdue, while the significance threshold is set at EUR 100 or 1.00% of the amount of the debtor's balance sheet exposure to the receivable;
- The loan has been called to repay and at the same time meets point i.
- A receivable is an unauthorized debit balance on a personal account with no limit of authorized overdraft in the account.
- The sum of defaulted receivables of the debtor more than 90 days overdue is more than 20 percent of all debtor's receivables.
- The loan is credit impaired with forbore indicator (forborne non-performing).

Non-retail:

Assessed by 2 types of criteria:

- i. Criteria, if identified by the Bank, that the receivable immediately becomes defaulted:
 - A receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1% of the total obligation of the borrower, for a period of more than 90 consecutive days.
 - The Borrower has declared bankruptcy or other form of reorganisation.
 - The Borrower has asked the Bank for concession due to economic or contractual reasons, related to the borrower's financial difficulties and a significant reduction in the quality of the loan.
 - The loan was forfeited.
 - Fraud.
- ii. Criteria subject to a qualified assessment at the Bank, whether the receivable is defaulted:
 - The receivable is overdue (up to 90 days).
 - The Bank recognises a specific concession to the loan agreement, resulting from a significant reduction in the quality of the loan.
 - Signs of impairment, leading to the assumption that the borrower will not pay its credit obligations to the Bank in full amount and in time, without the Bank taking any actions such as realisation of the collateral.
 - Significant impairment of main collateral.
 - Failure of the debtor in another financial institution, or failure of another client's loans and advances in the Bank.
 - Any other warning signs identified in the client monitoring and engagement process that, according to the Bank's assessment, will result in the debtor not paying his credit commitments to the Bank in full and in time, without the bank taking steps toward loan collateral.

Forward-looking information

Both, the assessment of SICR and the calculation of ECL incorporate forward-looking information ('FLI').

i. Individually assessed exposures

Considering the abundance and high diversity of corporate exposures, the Bank does not identify a reliable correlation between macroeconomic indicators and ECL. Using future-oriented information for individually assessed exposures would lead to unpredictable results, due to a lack of reliable correlation, and the Bank therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Bank assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

For the year ended 31 December 2023, measures for the forward looking element for rating, which determines the amount of impairment allowances in connection with the current economic situation and the strong impact of several external factors such as:

- global instability and uncertain macroeconomic development;
- war in Ukraine;
- growing inflation and growth in interest rates.

To consider the forward-looking element in the current environment of growing interest rates, the measures are aimed at a general update of the internal ratings of corporate clients based on the gearing (the ratio of interest-bearing debt to equity).

The Bank regularly carries out detailed monitoring of each corporate client at least once a year. As part of this revision, all aspects of the credit relationship are re-evaluated, from assessing the business model, financial situation, re-assessing collateral, evaluating the fulfilment of contractual conditions. In 2022, the Bank implemented the so-called ESG questionnaire, the completion of which is part of the Bank's information request for the client. By evaluating the ESG questionnaire, the Bank assesses the client's compliance with requirements in this area, while the information serves the Bank to assess the sustainability of the client's business model and the possible impact on its PD. Currently, we do not have a client in our portfolio whose ability to fulfil its obligations to the Bank would be threatened as a result of the new requirements placed on companies due to the implementation of ESG legislation.

The Bank also regularly assesses the impact of the economic and political situation on its clients. Currently, the Bank has one client in its portfolio that is economically linked to Ukraine and no client with economic relationships with Russia. The Bank and the client took transactional measures to completely mitigate the effects of the conflict.

Finally yet importantly, due to the current situation, the Bank implemented a forward-looking element in its rating policy. Individual financing industries face different opportunities and challenges, therefore we assess each client on an individual basis in combination with its industry in which the client operates and adjust the PD accordingly.

ii. Portfolio-based exposures

In assessing the amount of expected loss of portfolio exposures, the Bank considers estimated future economic conditions. This is achieved by appropriate PD value modifications via a multiplier. The FLI setting consists of determining the values of two parameters:

- the coefficient of increase of 12-month marginal PD values;
- the number of months during which the PD will revert to the original values.

As at 31 December 2023, the setting of FLI parameters for retail portfolio-assessed exposures is based on the assumption of a worsening of the macroeconomic situation in Slovakia. The bank implemented Merton-Vasicek model to assess relevant macroeconomic component.

For modelling the impact of macro variables on the probability of default, the Bank uses available time series published by the Statistical Office of the Slovak Republic, the ECB and the ARDAL agency. Specifically analysed variables and their lagging equivalents: unemployment, inflation, GDP, base interest rate, average coupons of Slovak government bonds for individual years, EURIBOR rates, dummy variables. Based on the results of above mentioned statistical methods, the final model contains exactly one variable unemployment. Models with multiple variables and their interactions are either insignificant or the result of the variable coefficients is uninterpretable or counterintuitive.

Weighted value of unemployment rate 6.50% was used, based of three scenarios of macroeconomic development with following input values and weights:

- baseline; 80.00%; 5.50%
- positive; 10.00%; 5.00%
- negative; 10.00%; 6.50%

The resulting impact on the probability of default of retail clients is a relative increase of 10.00% for all retail rating categories.

For the weighted average across individual scenarios, the Bank used the predictions of the base scenario from the NBS published in December 2023 and internal estimates of the variables for the negative and optimistic scenario. The starting point for the negative scenario is primarily risk factors, namely the increase in price of the inputs driven by the development on the food and energy markets, escalation of the war conflicts and limited recovery of the world trade.

Calculation of ECL

The bank calculates ECL on an individual or portfolio basis. Individual basis is an individual estimate of cash flows at the exposure level. In calculating the ECL on a portfolio basis, exposures are classified from common risk characteristics into a homogenous group.

The aggregation of exposures follows a business purpose and also considers the risk perspective. Separate portfolios are created for retail secured and unsecured loans, while the Bank also creates additional portfolios according to the amount of LTV or product type. Corporate exposures are aggregated into instalment loans, overdrafts, guarantees and bonds. Other portfolios mainly represent money-market exposures to financial institutions and government bonds.

i. Individual calculation:

The individual basis for calculating ECL is used for individually assessed exposures in Stage 3.

The ECL calculation is generally based on three scenarios (or at least two scenarios), and each scenario is given a certain probability:

- **Contractual scenario** - scenario based on the expectation of maturity of all contractual cash flows in time and in full amount;
- **Going concern** - scenario based on the expectation of both contractual cash flows and cash flows from collateral recovery;
- **Gone concern** - the worst scenario based on the expectation of both contractual cash flows and cash flow from collateral recovery. Compared to the Going concern scenario, the Bank expects lower cash flow values.

The ECL is subsequently calculated as the probability-weighted amount of expected cash flows from each scenario, discounted by the original EIR.

ii. Portfolio calculation

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula $ECL = PD \times EAD \times LGD$, where:

- PD: The probability of default. It is the likelihood that the borrower does not meet its financial obligations. PD depends on the rating and the following rules apply:
 - Stage 1: uses a 12-month PD, i.e., probability of default over the next 12 months;
 - Stage 2: the PD is used over the lifetime, i.e., probability of default over the entire maturity of the exposure;
 - Stage 3: the PD is equal to 1 because the exposure is already defaulted.
- EAD: Unsecured Exposure at default.
- LGD: Loss given default means the ratio of credit loss in case of default to EAD.

The Bank calculates the ECL on an individual or portfolio basis. An individual basis represents an individual estimate.

ECL sensitivity analysis

The Bank prepares ECL scenarios when changing parameters for retail loan portfolios. One of the recalculation scenarios is the assessment of ECL in case of deteriorated or improved credit quality of clients, which the Bank implements through the adjustment of client ratings. The second scenario is the ECL assessment when changing PD and the third scenario represents a change in LGD parameter.

Changes in the credit quality of clients

Scenario of deterioration of the client's rating by 1 rating for retail loans under the following assumptions:

- PD values are allocated according to PD values ratings calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the deterioration of the client's rating is realised by 1 rating level lower, while clients from the worst rating level remain at the same rating level;
- for clients who reach the lowest rating level after the rating level deteriorates, the ECL is calculated in Stage 2, while the EAD is calculated on a straight-line basis.

Scenario of improving the client's rating by 1 level for retail loans under the following assumptions:

- PD values are allocated according to ratings from PD values calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the improvement of the client's rating is realised by 1 rating level higher, while clients from the worst rating level remain at the same rating level;
- stage remains unchanged

ECL scenarios impact compared to the actual ECL value:

31.12.2023	Value of ECL	Deterioration by one rating grade		Improvement by one rating grade	
		EUR'000	in %	EUR'000	in %
Consumer credit	78,565	5,265	6.70%	(2,891)	-3.68%
Mortgage loans	317	56	17.59%	(27)	-8.40%
Corporate exposures	40,116	5,001	12.47%	(2,218)	-5.53%
Total	118,998	10,322	8.67%	(5,136)	-4.32%

31.12.2022	Value of ECL	Deterioration by one rating grade		Improvement by one rating grade	
		EUR'000	in %	EUR'000	in %
Consumer credit	86,377	5,651	6.54%	(3,165)	-3.66%
Mortgage loans	840	52	6.18%	(22)	-2.57%
Corporate exposures	77,101	22,225	28.83%	(5,511)	-7.15%
Total	164,318	27,928	17.00%	(8,698)	-5.29%

The corporate portfolio is regularly monitored and assessed on a regular basis. Classification into the relevant rating is also performed on an individual basis according to the specific situation of the clients. The Bank's corporate portfolio does not show signs of a homogeneous portfolio. Therefore, a sensitivity analysis through the change would not provide additional relevant information. In corporate portfolios, the Bank assesses the sensitivity to changes in PD which can be seen below.

PD changes

When changing the PD, the Bank tests the ECL sensitivity to PD changes in 10.00% movements upwards and downwards. This analysis does not change the Stage assignment.

The effects of stressing PD parameters are as follows:

PD change	31 December 2023						31 December 2022					
	Value of ECL	Increase by 10.00%		Decrease by 10.00%		Value of ECL	Increase by 10.00%		Decrease by 10.00%			
		EUR'000	in %	EUR'000	in %		EUR'000	in %	EUR'000	in %		
Consumer credit	78,565	1,250	1.59%	(1,250)	-1.59%	86,377	1,272	1.47%	(1,272)	-1.47%		
Mortgage loans	317	8	2.59%	(8)	-2.59%	840	7	0.78%	(7)	-0.78%		
Corporate loans	40,116	832	2.07%	(832)	-2.07%	77,101	1,079	1.40%	(1,660)	-2.15%		
Other	1,894	30	1.58%	(30)	-1.58%	3,048	25	0.82%	(25)	-0.82%		
Total	120,892	2,120	1.75%	(2,120)	-1.75%	167,366	2,383	1.42%	(2,964)	-1.77%		

Changes of the LGD parameter

A change of the LGD parameter would result in a change in the impairment allowances as follows:

31.12.2023	ECL	LGD +5.00%		LGD -5.00%		LGD +10.00%		LGD -10.00%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	78,565	5,253	6.69%	(5,253)	-6.69%	10,507	13.37%	(10,507)	-13.37%
Mortgage loans	317	25	7.98%	(25)	-7.98%	51	15.95%	(51)	-15.95%
Corporate exposures	40,116	2,046	5.10%	(2,046)	-5.10%	4,093	10.20%	(4,093)	-10.20%
Other	1,894	6	0.30%	(6)	-0.30%	11	0.61%	(11)	-0.61%
Total	120,892	7,330	6.06%	(7,330)	-6.06%	14,662	12.13%	(14,662)	-12.13%

31.12.2022	ECL	LGD +5.00%		LGD -5.00%		LGD +10.00%		LGD -10.00%	
		EUR'000	in %	EUR'000	in %	EUR'000	in %	EUR'000	in %
Consumer credit	86,377	5,331	6.17%	(5,331)	-6.17%	10,647	12.33%	(10,662)	-12.34%
Mortgage loans	840	63	7.53%	(63)	-7.53%	127	15.07%	(127)	-15.07%
Corporate exposures	77,101	3,523	4.57%	(3,523)	-4.57%	7,046	9.14%	(7,046)	-9.14%
Other	3,048	10	0.32%	(10)	-0.32%	19	0.64%	(19)	-0.64%
Total	167,366	8,927	5.33%	(8,927)	-5.33%	17,839	10.66%	(17,854)	-10.67%

PD and LGD values are estimated by statistical models. PD values are recalculated and recalibrated on a monthly basis, reflecting the changes to ECL in individual portfolios. LGD values are recalculated and recalibrated at least once a year. Back testing of PD and LGD is performed on an annual basis.

The tables below summarise the classification of financial assets and off-balance sheet exposures (in gross amount) by credit risk ratings:

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at AC - Debt securities										
Low credit risk	699,751	474,490	-	-	-	-	-	-	699,751	474,490
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	43,709	44,190	-	-	-	-	43,709	44,190
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	699,751	474,490	43,709	44,190	-	-	-	-	743,460	518,680
Impairment allowance	(216)	(152)	(7,485)	(7,441)	-	-	-	-	(7,701)	(7,593)
Carrying amount	699,535	474,338	36,224	36,749	-	-	-	-	735,759	511,087

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at AC - Loans and advances										
Low credit risk	1,293,345	1,165,062	11,904	12,090	-	-	-	-	1,305,249	1,177,152
Moderate credit risk	1,156,901	1,290,716	24,880	26,924	-	-	-	-	1,181,781	1,317,640
High credit risk	202,437	287,666	133,243	160,666	-	-	11,760	4,464	347,440	452,796
Default	-	-	-	-	152,871	144,078	2,219	7,773	155,090	151,851
Not rated	384	35,776	4,275	5,390	624	1,951	-	-	5,283	43,117
Gross amount	2,653,067	2,779,220	174,302	205,070	153,495	146,029	13,979	12,237	2,994,843	3,142,556
Impairment allowance	(8,543)	(15,237)	(16,780)	(20,411)	(91,071)	(110,086)	(3,382)	(8,559)	(119,776)	(154,293)
Carrying amount	2,644,524	2,763,983	157,522	184,659	62,424	35,943	10,597	3,678	2,875,067	2,988,263

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at FVOCI - Debt securities										
Low credit risk	138,307	181,508	-	-	-	-	-	-	138,307	181,508
Moderate credit risk	46,586	16,115	-	-	-	-	-	-	46,586	16,115
High credit risk	-	-	-	34,727	-	-	-	-	-	34,727
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	184,893	197,623	-	34,727	-	-	-	-	184,893	232,350
Impairment allowance in OCI	(764)	(118)	-	(8,314)	-	-	-	-	(764)	(8,432)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loan and other commitments given										
Low credit risk	82,946	80,391	-	-	-	-	-	-	82,946	80,391
Moderate credit risk	17,382	73,928	-	-	-	-	-	-	17,382	73,928
High credit risk	3,168	396	157	4,464	-	-	-	-	3,325	4,860
Default	-	-	-	-	71	18	-	-	71	18
Not rated	3,000	3,000	441	2,498	-	-	-	-	3,441	5,498
Gross amount	106,496	157,715	598	6,962	71	18	-	-	107,165	164,695
Provision	105	148	35	424	2	6	-	-	142	578

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial guarantees given										
Low credit risk	-	76	-	-	-	-	-	-	-	76
Moderate credit risk	7,943	518	-	-	-	-	-	-	7,943	518
High credit risk	-	7,534	-	-	-	-	-	-	-	7,534
Default	-	-	-	-	851	-	-	-	851	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	7,943	8,128	-	-	851	-	-	-	8,794	8,128
Provision	1	9	-	-	175	-	-	-	176	9

Collateral

The Bank generally requires collateral in order to mitigate its credit risk from exposures on financial assets. The following collateral types are accepted:

- cash;
- guarantees issued by banks, governments or reputable third parties;
- securities;
- receivables;
- commercial and residential real estate;
- tangible assets.

Estimates of fair value are based on the value of collateral, which is assessed before executing the deal, and reassessed on a regular basis. Generally, collateral is not held on exposures against credit institutions, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of received collateral is shown in the following table (including received collateral from reverse repurchase agreements). Received collateral value is disclosed up to the gross carrying amount of the asset (so called claimable value).

EUR'000	31.12.2023	31.12.2022
Real-estates	1,553,882	1,522,139
Securities	190,690	199,665
Other	28,649	35,548
Total	1,773,221	1,757,352

Collateral in default loans and advances at amortised cost is as follows:

EUR'000	31.12.2023	31.12.2022
Gross amount	155,714	153,802
Impairment allowance	(92,988)	(119,194)
Carrying amount	62,726	34,608
Collateral	28,665	18,671

The Bank's assessment of the net realisable value of the collateral is based on independent expert appraisals, which are reviewed by the Bank specialists, or internal evaluations prepared by the Bank. The net realisable value of collateral is derived from this value using a correction coefficient, that is the result of the current market situation, and reflects the Bank's ability to realise the collateral in case of involuntary sale, for a price that is possibly lower than the market price. The Bank, at least annually, updates the values of the collateral and the correction coefficient.

Mortgage classification by LTV categories is shown in the following table:

EUR'000	31.12.2023	31.12.2022
LTV < 50%	363,509	320,376
LTV 50 - 60%	271,778	234,401
LTV 60 - 70%	411,913	407,853
LTV 70 - 80%	326,413	350,051
LTV 80 - 90%	66,795	85,474
LTV 90 - 100%	11,692	12,354
LTV > 100%	10,999	8,172
Total	1,463,099	1,418,681

Net value of assets acquired by ownership of the collateral as at 31 December 2023 is EUR 0 (as at 31 December 2022: EUR 0).

Recovery of receivables

The Bank takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In the case of defaulted receivables, the activities of taking possession of collateral, representing the Bank in bankruptcy, and restructuring proceedings are realised separately.

In the retail segment, the recovery process for overdue receivables is defined and centrally operated by a workflow system. The system provides complex evidence of problematic receivables, uses a segmented strategy of recovery, and it also processes numerous task flows, automated collection tasks, etc. The Bank also uses outsourced services of collection companies.

Forbearance

The following tables show the gross amount and the amount of the impairment allowance for the financial assets to which the concession was applied:

31.12.2023	Grace period	Interest rate reduction	Extension of maturity	Rescheduled payments	Other measures
Gross amount					
Households	15,525	8,470	35,328	-	3,451
Non-financial corporations	3,530	4,221	23,118	-	-
Total	19,055	12,691	58,446	-	3,451
Impairment allowances					
Households	(5,623)	(3,657)	(6,999)	-	(920)
Non-financial corporations	(792)	(77)	(3,799)	-	-
Total	(6,415)	(3,734)	(10,798)	-	(920)
31.12.2022					
31.12.2022	Grace period	Interest rate	Extension of maturity	Rescheduled payments	Other measures
Gross amount					
Households	22,409	6,401	31,472	1	2,573
Non-financial corporations	9,515	-	14,194	6,421	-
Total	31,924	6,401	45,666	6,422	2,573
Impairment allowances					
Households	(10,976)	(3,287)	(5,733)	-	(931)
Non-financial corporations	(1,260)	-	(7,713)	(6,421)	-
Total	(12,236)	(3,287)	(13,446)	(6,421)	(931)

35. Liquidity risk

Liquidity risk arises from financing of the Bank's activities and management of its positions. It includes financing the Bank's assets with instruments of appropriate maturity, and the Bank's ability to dispose of its assets for acceptable prices within acceptable time periods. The Bank promotes a conservative and prudent approach to liquidity risk management.

The Bank has a system of limits and indicators consisting of the following elements:

- short-term liquidity management - performed by monitoring the liabilities and receivables due, and fulfilling the compulsory minimum reserves;
- long-term liquidity management – performed by using the method of liquidity gap analysis (the classification of assets and liabilities based on their maturity into different maturity ranges). Liquidity gap analysis uses the Liquidity at Risk deposit stability model, as well as other behavioural assumptions.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank finances its assets mostly from primary sources. In addition, the Bank has open credit lines from several financial institutions and is therefore also able to finance its assets by loans and deposits from other banks. Due to its structure of assets, the Bank has at its disposal sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the ECB.

The Bank monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Bank maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored, and monthly liquidity stress testing is conducted, under a variety of scenarios covering both normal and severe market conditions. The Bank also has a contingency plan and, communication crisis plan, that describes the principles and procedures of management in extraordinary conditions and secures the availability of financial back-up sources. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee ('ALCO'). A summary report, including any exceptions and remedial actions, is submitted to ALCO at least once a month.

Exposure to liquidity risk

The key measures used by the Bank for managing liquidity risk are:

- *primary liquidity ratio* and *Liquidity coverage ratio* - tracking short-term liquidity under stress scenarios;
- *net stable financing ratio* - structural funding monitoring (stable funding);
- *modified liquidity gap indicator* - management of structural medium-to-long-term liquidity;
- *analysis of survival time in stress conditions*.

Cash flows expected by the Bank for certain assets and liabilities may differ significantly from their contractual flows. For example, for on hand deposits from clients (current accounts, term deposits without notice period) the Bank expects that they will remain in the Bank over a longer period, or more precisely, their value will increase over time as a result of receiving new funds. Receivables from clients may also be prematurely repaid or prolonged.

The liquidity coverage ratio is defined by Regulation of the European Parliament and of the Council no. 575/2013, as the ratio of the sum of the liquid assets to the sum of the net negative cash outflows. The ratio must not fall below 1.

The ratio was as follows:

	31.12.2023	31.12.2022
End of the period	4.67	3.00
Average for the period	3.92	1.90
Maximum for the period	4.96	3.00
Minimum for the period	3.02	1.27

The Net Stable Funding Ratio requirement set out in Article 413 (2) 1 (EU Regulation No. 575/2013 of 26 June 2013) equals the ratio of the available stable funding of the institution to the required stable funding of the institution. The value of the indicator must not fall below 1.

The value of the indicator is as follows:

	31.12.2023	31.12.2022
End of the period	1.41	1.32

The following table provides an overview of the distribution of assets and liabilities, according to their contractual maturity as current (with a maturity up to 1 year) and non-current (with a maturity over one year):

EUR'000	31 December 2023			31 December 2022		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	437,328	-	437,328	592,414	-	592,414
Financial assets held for trading	178	-	178	16	-	16
Non-trading financial assets mandatorily at fair value through profit or loss	-	188,930	188,930	-	179,784	179,784
Financial assets at fair value through other comprehensive income	37,432	147,461	184,893	49,266	183,149	232,415
Financial assets at amortised cost	450,799	3,186,301	3,637,100	464,995	3,069,501	3,534,496
<i>Debt securities</i>	40,254	695,505	735,759	24,764	486,323	511,087
<i>Loans and advances</i>	384,271	2,490,796	2,875,067	405,085	2,583,178	2,988,263
<i>Other financial assets</i>	26,274	-	26,274	35,146	-	35,146
Derivatives – Hedge accounting	1,074	5,884	6,958	8,089	-	8,089
Investments in subsidiaries, joint ventures and associates	-	50,547	50,547	-	56,040	56,040
Tangible assets	-	49,854	49,854	-	57,095	57,095
Intangible assets	-	38,947	38,947	-	35,374	35,374
Current tax assets	482	-	482	-	-	-
Deferred tax assets	-	24,551	24,551	-	24,761	24,761
Other assets	18,419	-	18,419	20,945	-	20,945
Total assets	945,712	3,692,475	4,638,187	1,135,725	3,605,704	4,741,429
Liabilities						
Financial liabilities held for trading	85	-	85	2,102	-	2,102
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3,225,232	676,962	3,902,194	3,201,035	752,934	3,953,969
<i>Deposits</i>	3,210,179	510,070	3,720,249	3,178,610	595,464	3,774,074
<i>Debt securities issued</i>	-	139,709	139,709	-	124,981	124,981
<i>Other financial liabilities</i>	15,053	27,183	42,236	22,425	32,489	54,914
<i>thereof: lease liabilities</i>	5,070	27,183	32,253	3,484	32,489	35,973
Derivatives – Hedge accounting	-	4,654	4,654	37	-	37
Provisions	337	-	337	2,587	-	2,587
Current tax liabilities	-	-	-	2,438	-	2,438
Other liabilities	26,057	-	26,057	11,267	-	11,267
Total liabilities	3,251,711	681,616	3,933,327	3,219,466	752,934	3,972,400

The Bank monitors residual maturity based on expected recovery or expected maturity of the individual assets and liabilities. Historical experience shows that short-term liabilities are usually prolonged, or their volume grows over time. The maturity of these liabilities is determined in the range of 1-10 years, based on their volatility and the use of statistical models.

The following tables show the residual maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives. Undiscounted cash flows in the table are presented based on their earliest contractual maturities. Actual cash flows may be different from the analysis below.

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Financial liabilities measured at amortised cost	2,703,851	533,421	662,465	40,318	3,940,055	3,902,194
<i>Deposits</i>	2,692,551	519,745	500,757	25,850	3,738,903	3,720,249
<i>Debt securities issued</i>	-	9,886	147,365	-	157,251	139,709
<i>Other financial liabilities</i>	11,300	3,790	14,343	14,468	43,901	42,236
<i>thereof: lease liabilities</i>	1,317	3,790	14,343	14,468	33,918	32,253
Derivatives – Hedge accounting	-	-	3,378	1,276	4,654	4,654
Total	2,703,851	533,421	665,843	41,594	3,944,709	3,906,848
31 December 2022						
Financial liabilities measured at AC	3,037,093	164,203	717,421	49,077	3,967,794	3,953,969
<i>Deposits</i>	3,017,457	161,384	574,341	34,222	3,787,404	3,774,074
<i>Debt securities issued</i>	-	-	124,981	-	124,981	124,981
<i>Other financial liabilities</i>	19,636	2,819	18,099	14,855	55,409	54,914
<i>thereof: lease liabilities</i>	695	2,819	18,099	14,855	36,468	35,972
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	3,037,130	164,203	717,421	49,077	3,967,831	3,954,006

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Loan and other commitments given	107,165	-	-	-	107,165	107,165
Financial guarantees given	-	800	7,991	3	8,794	8,794
Total	107,165	800	7,991	3	115,959	115,959
31 December 2022						
Loan and other commitments given	164,695	-	-	-	164,695	164,695
Financial guarantees given	-	458	7,667	3	8,128	8,128
Total	164,695	458	7,667	3	172,823	172,823

The following table presents the maturity analysis of highly liquid assets that the Bank uses for liquidity management:

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total
31 December 2023					
Cash on hand	26,627	-	-	-	26,627
Cash balances at central banks	338,113	-	-	-	338,113
Assets in level 1	-	85,079	264,865	377,000	726,944
Assets in level 2A	-	18	14,994	-	15,012
Total	364,740	85,097	279,859	377,000	1,106,696

The following tables show an analysis of the expected remaining maturity of non-derivative and off-balance sheet financial liabilities and hedging derivatives.

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Financial liabilities measured at amortised cost	278,288	809,788	1,852,668	999,311	3,940,055	3,902,194
<i>Deposits</i>	266,988	796,112	1,690,960	984,843	3,738,903	3,720,249
<i>Debt securities issued</i>	-	9,886	147,365	-	157,251	139,709
<i>Other financial liabilities</i>	11,300	3,790	14,343	14,468	43,901	42,236
<i>thereof: lease liabilities</i>	1,317	3,790	14,343	14,468	33,918	32,253
Derivatives – Hedge accounting	-	-	3,378	1,276	4,654	4,654
Total	278,288	809,788	1,856,046	1,000,587	3,944,709	3,906,848
31 December 2022						
Financial liabilities measured at AC	339,248	651,971	1,918,556	1,058,020	3,967,795	3,953,969
<i>Deposits</i>	319,612	584,312	1,840,316	1,043,165	3,787,405	3,774,074
<i>Debt securities issued</i>	-	64,840	60,141	-	124,981	124,981
<i>Other financial liabilities</i>	19,636	2,819	18,099	14,855	55,409	54,914
<i>thereof: lease liabilities</i>	695	2,819	18,099	14,855	36,468	35,972
Derivatives – Hedge accounting	37	-	-	-	37	37
Total	339,285	651,971	1,918,556	1,058,020	3,967,832	3,954,006

EUR'000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2023						
Loan and other commitments given	107,165	-	-	-	107,165	107,165
Financial guarantees given	-	800	7,991	3	8,794	8,794
Total	107,165	800	7,991	3	115,959	115,959
31 December 2022						
Loan and other commitments given	164,695	-	-	-	164,695	164,695
Financial guarantees given	-	458	7,667	3	8,128	8,128
Total	164,695	458	7,667	3	172,823	172,823

36. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing), will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in the ALCO. The members of ALCO are responsible for the development of detailed market risk management policies.

Management of market risks

Limits, indicators and methods of equity risk management are defined in accordance with the principles described in the Market Risk Management Strategy. In managing market risk, the Bank uses the following limits, indicators and methods for identifying, measuring and monitoring market risks:

- open positions in individual financial instruments;
- Value at Risk;
- Expected shortfall;
- Basis point value;
- Credit spread point value;
- analysis of interest rate gap;
- Capital at Risk / Change of economic value of capital;
- Earnings at Risk / Change of net interest income;
- Stop loss limits for trading book;
- stress testing;
- VaR back-testing.

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk ('VaR'). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period), from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Based on market data from previous years, as well as observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A holding period assumes that it is possible to acquire or dispose of positions during that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99.00 % confidence level does not reflect losses that may occur beyond this level. Within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Bank uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Bank uses the Stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

Daily reports of utilisation of VaR limits are submitted to members of ALCO, and departments responsible for risk position management. Information on market risks development is regularly submitted to ALCO.

A summary of the VaR position is as follows:

EUR'000	31.12.2023	Average	Maximum	Minimum
VaR trading book	3	4	42	-
VaR banking book	3,734	3,247	3,734	2,776
VaR total	3,734	3,641	4,901	2,777
<i>Out of which interest rate risk</i>	<i>2,258</i>	<i>1,818</i>	<i>2,310</i>	<i>956</i>
<i>Out of which credit spread risk</i>	<i>5,548</i>	<i>4,241</i>	<i>5,615</i>	<i>1,758</i>
<i>Out of which foreign exchange risk</i>	<i>3</i>	<i>4</i>	<i>49</i>	<i>-</i>

EUR'000	31.12.2022	Average	Maximum	Minimum
VaR trading book	1	2	43	-
VaR banking book	3,768	4,098	4,965	2,210
VaR total	3,768	4,098	4,965	2,210
<i>Out of which interest rate risk</i>	<i>3,169</i>	<i>3,745</i>	<i>4,942</i>	<i>1,446</i>
<i>Out of which credit spread risk</i>	<i>1,730</i>	<i>1,588</i>	<i>4,060</i>	<i>1,232</i>
<i>Out of which foreign exchange risk</i>	<i>1</i>	<i>2</i>	<i>43</i>	<i>-</i>

Interest rate risk

The main source of the Bank's interest rate risk results from revaluation risk, which is due to timing differences in maturity dates (fixed rate positions), and in revaluation (variable rate positions) of banking assets and liabilities, and positions in commitments, contingencies and derivative financial instruments.

Other sources of interest rate risk are:

- *Yield curve risk* – risk of changes in the yield curve, due to the fact that a change in interest rates on the financial market will occur to different extents at different periods of time for interest-sensitive financial instruments.
- *Different interest base risk* - reference rates, to which active and passive transactions are attached, are dissimilar and do not move simultaneously.
- *Risk from provisioning* - resulting from the decrease of interest sensitive exposure, with increasing volume of impairment loss allowances. Reducing exposure affects the Bank's interest sensitivity, based on a short or long position.
- *Option risk* - arising from potential embedded options in financial instruments in the portfolio of the Bank, allowing early withdrawals and repayments by counterparties, and subsequent deviation from their contractual maturities.

On the asset side of the statement of financial position, the Bank manages its interest rate risk by providing a majority of corporate loans with variable rates. The Bank continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Bank is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Bank uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Bank for interest rate risk management of liabilities comprise:

- stability of deposits, especially over longer time periods;
- fast and flexible reactions to significant changes in inter-bank interest rates, through adjustments to interest rates on deposit products;
- continuously evaluating interest rate levels offered to clients, compared to competitors, and actual or expected development of interest rates on the local market;
- managing the structure of liabilities in compliance with the expected development of money market rates, in order to optimise interest revenues and minimise interest rate risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows, or fair values of financial instruments, because of a change in market interest rates.

The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management Division in its day-to-day monitoring activities. Setting interest rates for banking products is under the responsibility of ALCO.

Sensitivity of economic value of capital and net interest income due to movements in interest rates is as follows:

The economic value of the equity would decrease by EUR 161 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2023 or a drop of EUR 207 thousand as at 31 December 2022.

Net interest income would decrease by EUR 104 thousand resulting from decrease of 1 basis point in interest rates as at 31 December 2023 or a decrease of EUR 174 thousand as at 31 December 2022.

Change in the economic value of capital ($\Delta E V E$) as a reaction to different scenarios of the development of interest rates is as follows (the most negative scenario for a bank involves a parallel increase in interest rates by 200.00%):

	31.12.2023	31.12.2022
End of the period	(32,121)	(48,709)
Average for the period	(29,222)	(65,919)
Maximum for the period	(38,070)	(76,207)
Minimum for the period	(23,664)	(48,709)
BIS IRRBB Scenario	31.12.2023	31.12.2022
short up	(22,630)	(42,310)
short down	11,415	21,601
long up	(8,241)	(8,754)
long down	4,150	4,170
paralell up	(32,121)	(48,709)
paralell down	17,102	24,734
steepening	3,466	9,669
flattering	(12,168)	(27,484)

The economic value of capital represents the difference discounted cash flows of interest rate sensitive assets recorded in the banking book, and the cash flows of interest sensitive liabilities recorded in the banking book. Interest rate sensitive assets and liabilities are assets and liabilities for which fair value is variable, depending on changes in market interest rates. Particular assets and liabilities are divided into re-pricing gaps, based on their contractual re-pricing period, volatility of interest margins (for selected liability products), or roll forward (for assets and liabilities where it is not possible to use statistical models). In case the asset or the liability does not bear any interest risk, it is assigned a one-day maturity.

Changes in the Bank's economic value reflect the impact of a parallel interest shock on the value of interest sensitive assets and liabilities of the Bank. The scenario of parallel decrease in rates does not consider the decrease of interest rates below 0%, which results in minimal change in economic value of the Bank's capital. It should be emphasised that this measure highlights the effect of a shift in interest curves on the present structure of assets and liabilities and excludes assumptions of future changes in the structure of the balance sheet.

Share price risk

Share price risk is the risk of movements in the prices of equity instruments held in the Bank's portfolio, and financial derivatives derived from these instruments. The main source of the Bank's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Bank:

- follows an investment strategy which is updated on a regular basis;
- prefers publicly traded stocks;
- monitors limits to minimise share price risk;
- performs a risk analysis, which usually includes forecasts of the development of the share price, various models and scenarios for the development of external and internal factors with an impact on the statement of profit or loss, asset concentration, and the adequacy of own resources.

Share price risk is expressed above as part of the VaR ratio.

Foreign exchange risk

The Bank is exposed to foreign exchange risk when trading in foreign currency for its own account, as well as for its clients. The Bank assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e., the bank has unsecured foreign exchange positions. The Bank reduces its foreign exchange risk through limits on its unsecured foreign exchange positions and keeps them at an acceptable level according to its size and business activities. The main currencies in which the Bank holds significant positions are czech crowns and american dollars. The amount of foreign exchange risk is shown above through the VaR indicator.

IBOR reform

Risk Management

IBOR rates ('Interbank Offered Rates') are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, so-called 'ibORIZATION'. As part of this ibORIZATION, IBOR rates will be gradually replaced by so-called risk-free interest rates.

The Bank used only USD LIBOR of the rates terminated as at 1 July 2023.

Non - derivative financial assets and liabilities

Currently, there was only one contract terminated in June 2023 with interest rates linked to the USD LIBOR rate. The Bank will only offer loan contracts in USD with fixed interest rate.

Regarding the financial markets, the bank does not carry out transactions linked to ending float rates. The changes will only affect the interest on some collateral accounts. The Bank concluded amendments to the relevant framework agreements (ISDA, GMRA, GMSLA).

Other balance sheet and off-balance sheet positions do not comprise any financial instruments that are the subject of IBOR reform.

Derivatives

The Bank only records interest rate swaps with the EURIBOR reference rate, as for derivatives. EURIBOR is compatible with European Parliament Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds. The final date for the transition to the risk-free rate is not yet known.

Hedge accounting

The bank uses interest rate derivatives for hedge accounting. Float rate interest rate swaps are linked to the EURIBOR reference rate.

37. Operational risk

Operational risk is the risk of loss, including the damage caused (by its own activities), to the Bank by inappropriate or incorrect procedures, human factor failure, failure of systems used, and by external factors other than credit, market and liquidity risks. A part of the operational risk is legal risk arising from unenforceable contracted receivables, unsuccessful legal proceedings, decisions with negative impact on the Bank, and compliance risk. Operational risk arises from all of the Bank's operations and is faced by all business entities.

The Bank continuously aims to improve the implemented process of operational risk identification, usage of key risk indicators, self-evaluation procedures, or planning for unforeseeable events, and aims to secure business continuity and manage operational risk of the Bank on a consolidated basis.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in each division. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and adequacy of controls and procedures to address the risks identified;
- requirements for reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where it is effective.

Internal audit performs audits and inspections, in accordance with the Statute of internal control and internal audit, and the plan of audit activities for the year, approved by the Supervisory Board. Results of audits and inspections performed by internal audit are discussed with management of the department to which they relate. Reports from audits and controls are then submitted to the Board of Directors and the Supervisory Board (which also carries out activities of the Audit Committee).

Legal risk

Legal risk represents a risk of loss arising mainly from unenforceable contracts, threats of unsuccessful legal cases, or verdicts with negative impact on the Bank. Legal risk management is the responsibility of the Legal Services department.

Compliance risk

The Bank, in the management of compliance risk, is focused mainly on:

- managing the risk of money laundering and terrorist financing;
- risk of legal sanctions and penalties from regulators;
- loss of the Bank's reputation, which may be suffered as a result of a failure to comply with the requirements of generally applicable laws, legal standards, guidelines and standards related to banking activities.

Risks related to outsourcing

Outsourcing activities present a separate group of operational risks. Outsourcing involves long-term performance of activities by a third party, which support the Bank's activities and are carried out on a contractual basis, in order to increase the efficiency of the Bank's activities.

Risk management relating to outsourcing is part of overall bank risk management. It is the responsibility of the Board of Directors and includes:

- managing strategy for risks associated with outsourcing, which is approved by the Board of Directors, as well as other particular internal directives relating to outsourcing, security crisis plans for individual outsourced activities, or plans for the Bank when ceasing outsourced activities;
- examination of the quality of service providers before and during outsourcing;
- regular inspections of performance of outsourcing companies by the Department of Internal Control and Internal Audit;
- minimising the risk related to outsourcing when extraordinary events occur, etc.

38. Capital management

The Bank's objective of the capital management is to ensure healthy capital equipment in order to fulfil all regulatory requirements for capital, maintain and build investor confidence as well as support own business.

The amount of regulatory capital and the capital adequacy is calculated in accordance with Regulation of the EU Parliament and Council No. 575/2013 (hereinafter referred to as "CRR").

According to the CRR, the Bank's own resources are created by Tier I capital (CET1), additional Tier I capital (AT1) and Tier II capital (T2). As the Bank does not own AT1 capital instruments, the entire volume of Tier I capital consists of CET1 capital.

As at 31 December 2023, the minimum capital adequacy requirements, including buffers and the Tier II requirements stipulated by the regulator were as follows:

- CET1: 10.35% (4.50% Tier I; Tier II 1.63%; capital preservation buffer 2.50%; locally systemically important bank buffer 0.25%; countercyclical buffer 1.47%)
- Tier I: 12.40% (6.00% Tier I; 2.18% Tier II; same buffers as for CET1)
- Total capital: 15.12% (8.00% Tier I; 2.90% Tier II; same buffers as for CET1)

In addition, based on the SREP (Supervisory Review and Evaluation Process) assessment, the Bank maintains the Pillar II Guidance capital reserve at 0.75%.

From 2022, when the MREL requirement is effective, this requirement for the bank increases linearly during the transition period (17.90% for 2022, 19.31% for 2023) and from 1.1.2024 the final MREL requirement will be in force at the level of 20.73% (pending reassessment by the regulator).

In addition to the MREL requirement, the bank also maintains a requirement for a combined capital buffer according to the Banking Act, and other internal reserves for the prudent management of the bank's business strategy.

As at 31 December 2023, the bank fulfills all the specified limits with a reserve.

In December 2021, the bank successfully issued unsecured bonds in the amount of EUR 65 million for a period of 3 years which were redeemed early in November 2023 (EUR 15 million), respectively in December 2023 (EUR 50 million). In December 2022, the bank issued unsecured bonds in the amount of EUR 60 million for a period of 4 years, which are eligible for MREL. In October 2023, the bank issued unsecured bonds in the amount of EUR 77.48 million for a period of 3 years which are eligible for MREL.

In the coming years, the bank plans a linear increase in the issuance of instruments eligible for MREL.

The dividend policy is planned so that all regulatory capital limits, including the MREL requirement, are met.

Throughout the year ended 31 December 2023, the Bank met and exceeded all regulatory capital adequacy requirements, including the requirements of Tier I, Tier II and the requirement for a combined capital buffer.

The Bank's position of own funds according to the CRR is displayed in the following table:

EUR'000	31.12.2023	31.12.2022
Tier I Capital	589,571	663,569
Share capital and share premium	367,043	367,043
Reserve funds and other funds created from profit	73,261	69,827
Selected components of accumulated other comprehensive income	(13,121)	(13,121)
Profit or loss of previous years	191,846	252,114
Intangible assets	(28,786)	(20,182)
Additional valuation adjustments	(435)	(485)
Other transitional adjustments to CET1 Capital	-	8,446
Insufficient coverage for non-performing exposures	(237)	(73)
Tier II Capital	6,401	8,000
Subordinated debt	6,401	8,000
Regulatory capital total	595,972	671,569

The table below summarises requirements on own funds in accordance with CRR:

EUR'000	31.12.2023	31.12.2022
Capital required to cover:		
Credit risk	188,036	201,219
Credit value adjustment risk	255	578
Operational risk	23,015	22,314
Total capital requirements	211,306	224,111
Capital ratios		
Total capital level as a percentage of total risk w eighted assets	22.56%	23.97%
Tier I capital as a percentage of total risk w eighted assets	22.32%	23.69%
Common Equity Tier I capital as a percentage of total risk w eighted assets	22.32%	23.69%

Under *IFRS 9 Finacial Instruments* transition, the Bank has decided to apply gradual impact reflection to capital adequacy, by layering the initial impact (Article 473a of the CRR with the exception of paragraph 3), the impact of which is presented in the following table:

EUR'000	31.12.2023	31.12.2022
Available capital (amounts)		
Common Equity Tier I (CET1) capital	589,571	663,569
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements w ere not applied	589,571	655,123
Tier I capital	589,571	663,569
Tier I capital as if IFRS 9 transitional arrangements w ere not applied	589,571	655,123
Total capital	595,972	671,569
Total capital as if IFRS 9 transitional arrangements w ere not applied	595,972	663,123
Risk-weighted assets (amounts)		
Risk-w eighted assets	2,641,334	2,801,388
Risk-w eighted assets as if IFRS 9 transitional arrangements w ere not applied	2,641,334	2,792,301
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	22.32%	23.69%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	22.32%	23.46%
Tier I capital (as a percentage of risk exposure amount)	22.32%	23.69%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	22.32%	23.46%
Total capital (as a percentage of risk exposure amount)	22.56%	23.97%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	22.56%	23.75%

The expected impact of the upcoming legislative changes related to the implementation of CRR III (effective from 1 January 2025) is an increase in the total capital requirement by 2.50%.

The result is an expected slight decrease in capital adequacy by 0.44% and Tier I adequacy by 0.43%.

39. Post balance-sheet events

After the date of preparation of the financial statements, no significant events have occurred that would require modification or disclosure in these separate financial statements.

15. Branches

No.	Branch	Street	ZIP code
1	BA - Aupark	Einsteinova č. 18	851 01
2	BA- Nivy	Mlynské Nivy 5A	821 09
3	BA- Eurovea	Pribinova č. 8	811 09
4	BA – Karlova Ves	Karloveská 34	842 64
5	BA – VIVO (Polus)	Vajnorská 100	831 04
6	BA - River Park	Dvořákovo nábrežie 10	811 02
7	BA - Tomášikova Mortgage branch	Tomášikova 21	821 01
8	BA - Twin City Specialised branch for investments and mortgages	Mlynské Nivy 14	821 09
9	BA – Vlast. nám.	Vlastenecké námestie č.4	851 01
10	Pezinok	Moyzesova 4/B	902 01
11	Senec	Lichnerova 44	903 01
12	Dunajská Streda	Bacsákova ul.	929 01
13	Galanta	sídlisko Jas č. 5 (OC JASPARK)	924 01
14	Hlohovec	Hollého 1	920 01
15	Malacky	Zámocká 8	901 01
16	Nové Mesto nad Váhom	Hviezdoslavova 19	915 01
17	Piešťany	Andreja Hlinku 46	921 01
18	Senica	Námestie oslobodenia 9/21	905 01
19	Sereď	Námestie Slobody 36/A	926 01
20	Skalica	Potočná 20	909 01
21	Šaľa	Nám. Sv. Juraja 2244	927 01
22	Topoľčany	Námestie M.R.Štefánika 21	955 01
23	Trnava	Hlavná ulica 33	917 01
24	Banská Bystrica	Dolná 62	974 01
25	Banská Bystrica 2 - OC Europa	Na Troskách 25	974 01
26	Brezno	Námestie M.R.Štefánika 7	977 01
27	Komárno	Mederčská 4987/4	945 01
28	Levice	P.O. Hviezdoslava 2/A	934 01
29	Lučenec	T.G. Masaryka 19	984 01
30	Nitra 1	Štefánikova trieda 65	949 01
31	Nitra Promenáda	Napervillská 4837/5	949 01
32	Nové Zámky	M.R.Štefánika 11	940 02
33	Partizánske	Hrnčírikova 1/B	958 01
34	Zvolen	Námestie SNP 19	960 01
35	Žiar nad Hronom	Nám. Matice slovenskej 2820/24	965 01
36	Bánovce nad Bebravou	Námestie Ľudovíta Štúra 8/8B	957 01

37	Dubnica nad Váhom	Nám. Matice slovenskej 35	018 41
38	Liptovský Mikuláš	Ulica 1. mája 41	031 01
39	Martin	Andreja Kmeťa 5397/23	036 01
40	Poprad	Vajanského 71	058 01
41	Považská Bystrica	Centrum 8	017 01
42	Prievidza	Gustava Švéniho 3	971 01
43	Ružomberok	Podhora 55	034 01
44	Trenčín	Nám. sv. Anny 23	911 01
45	Trenčín 2 - Laugaricio	OC Laugaricio, 7271 Belá	911 01
46	Žilina	Na priekope 19	012 03
47	Žilina 2 - OC Aupark	Veľká Okružná 59A	010 01
48	Bardejov	Dlhý rad 2	085 01
49	Humenné	Nám. Slobody 3	066 01
50	Kežmarok	Dr. Alexandra 1377/52	060 01
51	Košice 1	Toryská 3	040 11
52	Košice 2	Štúrova 1 (OD Dargov)	040 01
53	Michalovce	ul. kpt. Nálepku 26	071 01
54	Prešov	Hlavná 54	080 01
55	Prešov 2	Arm. generála Svobodu 25	080 01
56	Rožňava	Janka Kráľa 4	048 01
57	Snina	Strojárska 4031	069 01
58	Spišská Nová Ves	Letná 51	052 01
59	Stará Ľubovňa	Levočská 2/336	064 01
60	Trebišov	M. R. Štefánika 52	075 01
61	Vranov nad Topľou	Námestie Slobody 5	093 01

List of branches as at 31 December 2023.



16. Contact information

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This annual report was compiled according to Act no. 431/2002 Coll. about accounting. This annual report is also an annual financial report according to Act no. 429/2002 Coll. on the Stock Exchange (hereinafter referred to as the "Stock Exchange Act") as amended, as 365.bank is the issuer of securities that have been accepted for trading on a regulated market. The data presented in the Consolidated Financial Statements and in the Individual Financial Statements contain all the information according to § 77 par. 2 of Act no. 566/2001 Coll. on securities and investment services, as amended. This annual report contains a statement pursuant to Art. 34 par. 2 letters c) of the Stock Exchange Act. Link to the website on which the parent company's annual financial statements are published pursuant to Art. 34 par. 3 of the Stock Exchange Act - the annual financial statements of the parent company J&T Finance Group SE, Czech Republic are published at: <https://www.jtfg.com/investori>.

Method of disclosure of the annual report

365. bank, a. s., files the annual report, including individual and consolidated financial statements and the auditors' report, in the register of financial statements in accordance with the provisions of Act no. 431/2002 Coll. on accounting as amended. It publishes it on the Internet at its website <https://365.bank/informacie/vyroczne-spravy> and also as a notice of publication in Hospodárske noviny.

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