

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 2024
(English translation)

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Independent Auditors' Report


A. Separate statement of financial position

EUR'000	Notes	31.12.2024	31.12.2023
Assets			
Cash, cash balances at central banks and other demand deposits	4	527,411	437,328
thereof: Cash and cash equivalents	4	495,426	406,307
Financial assets held for trading	5	17	178
Non-trading financial assets mandatorily at fair value through profit or loss	6	137,950	188,930
Financial assets at fair value through other comprehensive income	7	112,790	184,893
Financial assets at amortised cost	8	3,711,046	3,637,100
Debt securities	8	703,907	735,759
Loans and advances	8	2,988,707	2,875,067
thereof: Loans and advances to banks	8	13,501	38,764
thereof: Loans and advances to customers	8	2,975,206	2,836,303
Other financial assets	8	18,432	26,274
Derivatives – Hedge accounting	9	4,933	6,958
Investments in subsidiaries and joint ventures	10	49,457	50,547
Tangible assets	11	42,799	49,854
Intangible assets	12	27,128	38,947
Current tax assets		5,791	482
Deferred tax assets	13	23,970	24,551
Other assets	14	24,145	18,419
TOTAL ASSETS		4,667,437	4,638,187
Liabilities			
Financial liabilities held for trading	5	50	85
Financial liabilities at amortised cost	15	4,071,799	3,902,194
Deposits	15	3,744,659	3,720,249
thereof: Subordinated debt	15	8,021	8,024
Debt securities issued	15	295,137	139,709
Other financial liabilities	15	32,003	42,236
Derivatives – Hedge accounting	9	5,857	4,654
Provisions	16	279	337
Current tax liabilities		2,878	-
Other liabilities	17	20,480	26,057
Total liabilities		4,101,343	3,933,327
Share capital and share premium	18	367,043	367,043
Retained earnings	18	136,132	276,587
Other equity	18	62,919	61,230
Total equity	18	566,094	704,860
TOTAL EQUITY AND LIABILITIES		4,667,437	4,638,187

These separate financial statements, which include the notes on pages 13 - 72, were approved by the Board of Directors on 26 March 2025.



Chairman of the Board of
 Directors
 Andrej Zafko



Member of the Board of
 Directors
 Ladislav Korec

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

EUR'000	Notes	2024	2023
Statement of profit or loss			
Net interest income	21	128,369	129,937
<i>Interest income calculated on an effective interest rate</i>	21	174,459	159,736
<i>Other interest income</i>	21	766	809
<i>Interest expenses</i>	21	(46,856)	(30,608)
Net fee and commission income	22	58,974	49,821
<i>Fee and commission income</i>	22	85,311	80,669
<i>Fee and commission expenses</i>	22	(26,337)	(30,848)
Dividend income	23	8,614	14,701
Net gains from other financial transactions	24	39,309	3,784
Other operating income and expenses	25	(8,279)	(2,612)
Staff expenses	26	(50,649)	(51,208)
Other administrative expenses	26	(34,509)	(38,460)
Depreciation and amortization	27	(13,898)	(14,367)
Release of provisions	28	58	252
Net impairment of financial assets not valued at fair value through profit and loss	28	(5,804)	8,683
Net impairment of investments in subsidiaries and joint ventures	28	355	234
Net impairment on non-financial assets	28	(13,947)	51
Profit before special levy and before tax		108,593	100,816
Special levy		(23,887)	-
Profit after special levy and before tax		84,706	100,816
Income tax	29	(15,161)	(16,075)
Profit after special levy and after tax		69,545	84,741
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		1,689	1,090
<i>Revaluation of debt securities at fair value through other comprehensive income</i>		3,226	6,427
<i>Net impairment of debt securities at fair value through other comprehensive income</i>		(704)	(7,668)
<i>Deferred tax related to items that may be reclassified to profit or loss</i>		(833)	2,331
Total other comprehensive income		1,689	1,090
TOTAL COMPREHENSIVE INCOME		71,234	85,831

The notes on pages 13 - 72 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 2024	366,305	738	73,261	(12,031)	276,587	704,860
Total comprehensive income	-	-	-	1,689	69,545	71,234
Profit after special levy and after tax	-	-	-	-	69,545	69,545
Other comprehensive income	-	-	-	1,689	-	1,689
Other transactions	-	-	-	-	(210,000)	(210,000)
Dividends	-	-	-	-	(210,000)	(210,000)
Closing balance as of 31 December 2024	366,305	738	73,261	(10,342)	136,132	566,094

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 special levy and 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

The notes on pages 13 - 72 form an integral part of these separate financial statements.

D. Separate statement of cash flows

EUR'000	Notes	2024	2023
Profit before special levy and before tax		108,593	100,816
<i>Adjustments:</i>			
Net interest income	21	(128,369)	(129,937)
Dividend income	23	(8,614)	(14,701)
Depreciation and amortization	27	13,898	14,367
Release of provisions	28	(58)	(252)
Losses from derecognition of non-financial assets, net	25	141	412
Loss from sale of investments	24	132	-
Net impairment of financial assets not valued at fair value through profit and loss	28	5,804	(8,683)
Net impairment of investments in subsidiaries and joint ventures	28	(355)	(234)
Net impairment on non-financial assets	28	13,947	(51)
Cash flows from/(used in) operating activities before changes in working capital		5,119	(38,263)
<i>(Increase)/decrease in operating assets:</i>			
Cash balances at central banks	4	(964)	1,324
Financial assets held for trading	5	160	(162)
Non-trading financial assets mandatorily at fair value through profit or loss	6	50,979	(9,145)
Financial assets at amortised cost		(128,550)	108,037
<i>Loans and advances</i>		(136,392)	99,165
<i>Other financial assets</i>		7,842	8,872
Derivatives – Hedge accounting	9	2,025	1,131
Other assets	14	(5,725)	2,526
<i>Increase/(decrease) in operating liabilities:</i>			
Financial liabilities held for trading	5	(35)	(2,017)
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities		16,040	(78,667)
<i>Deposits</i>		23,955	(69,708)
<i>Other financial liabilities</i>		(7,915)	(8,959)
Derivatives – Hedge accounting	9	(579)	(428)
Other liabilities	17	(4,144)	14,789
Cash flows used in operating activities before interest and income tax		(65,674)	(875)
Interest received		184,463	168,353
Dividends received	23	8,614	14,701
Interest paid		(41,526)	(13,641)
			(16,454)
Income tax paid		(29,678)	-
Net cash flows from operating activities		42,503	152,084
Cash flows from investing activities			
<i>Financial assets at amortised cost - debt securities</i>			
Purchase		(42,516)	(245,169)
Proceeds from sale and maturity		83,384	25,000
<i>Financial assets at fair value through other comprehensive income - debt securities</i>			
Proceeds from sale and maturity		75,108	57,481
<i>Investments in subsidiaries and joint ventures</i>			
Purchase		(500)	(278)
Proceeds from sale	10	1,459	-
Other revenues		220	6,004
<i>Tangible and intangible assets</i>			
Purchase	11,12	(8,477)	(6,561)
Proceeds from sale		3,950	395
Net cash flows from/(used in) investing activities		112,628	(163,128)
Cash flows from financing activities			
<i>Dividends paid</i>		(210,068)	(149,975)
<i>Debt securities issued</i>			
Proceeds from issue of debt securities	15	149,120	77,480
Repayment of debt securities		-	(65,000)
<i>Financial liabilities at amortised cost - lease liabilities</i>			
Lease payments		(5,064)	(5,223)
Net cash flows used in financing activities		(66,012)	(142,718)
Net increase/(decrease) in cash and cash equivalents	4	89,119	(153,762)
Cash and cash equivalents at the beginning of the period	4	406,307	560,069

The notes on pages 13 - 72 form an integral part of these separate financial statements.

E. Notes to the interim condensed 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	31.12.2024		31.12.2023	
		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	293,035	88.55%	325,794	98.45%
Investro, a. s.	Dúbravská cesta 14, 841 04 Bratislava, Slovak Republic	32,759	9.90%	x	x
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak Republic	4,918	1.49%	4,918	1.49%
Ministerstvo dopravy	Námestie slobody 6, 810 05 Bratislava, Slovak Republic	100	0.03%	100	0.03%
UNIQA Insurance Group 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
Ladislav Korec	Board member
Zuzana Žemlová	Board member till 19 December 2024

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Zuzana Žemlová	Board member since 20 December 2024
Patrik Tkáč	Board member since 1 August 2023 till 19 December 2024

The separate financial statements of the Bank for the year ended 31 December 2023, were approved by the Board of Directors on 14 March 2024 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 and joint ventures

As of 31 December 2024 the Bank held shares in the following subsidiaries and joint ventures:

Company name	Activity	Ownership in %	
		31.12.2024	31.12.2023
Subsidiaries			
365.inv est, 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	x	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	x	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.

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 2024 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 and 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.

In 2024, the Bank was again required to pay a special levy on business activities in regulated sectors. According to International Financial Reporting Standards, this special levy represents a form of income tax, and therefore, this financial statement includes the following terms:

- profit before special levy and before tax,
- profit after special levy and before tax and
- profit after special levy and after tax.

(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:

(a) 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.

(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 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 and joint ventures

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.

A joint venture is an agreement in which the bank has joint control, through which it has the right to the net assets of the agreement, rather than the right to the asset and liability for the obligations related to this agreement.

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) Financial leasing

The primary focus of financial leasing has been the financing of agricultural assets. Given that the Bank's overarching business strategy prioritizes retail banking over the corporate assets portfolio, the Bank has ceased approving new financing. All efforts are now concentrated on managing and servicing the existing portfolio, ensuring the successful fulfillment of current contracts, and providing support to clients until all obligations are fully satisfied.

As a lessor, the Bank typically retains ownership rights in the leased assets. The strategy for managing the risks associated with these rights includes:

- ongoing monitoring - throughout the duration of each lease, monitoring for any signs of financial distress or potential default at an early stage to mitigate the risk of asset deterioration or loss;
- asset protection and maintenance - mandating that lessees maintain the assets in good condition and adhere to all relevant regulatory requirements (to ensure the residual value of the assets remains intact in the event of repossession; inspections are conducted as necessary to ensure compliance);
- insurance coverage - unless otherwise agreed, all financed assets must be adequately insured, and the lessee is required to maintain appropriate insurance policies to protect against loss, damage, or theft;
- repossession and liquidation - in the event of a default, the strategy encompasses clear, legally-defined processes for the repossession and liquidation of the assets;
- residual value risk - evaluating the potential residual value of assets upon lease termination or repossession; the strategy involves determining appropriate depreciation rates and ensuring that residual values are realistic, thereby mitigating the risk of overestimating the final worth of the asset.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) New standards and interpretations not yet adopted

As of the approval date of these financial statements, the IASB has issued and the EU has adopted the following standards, interpretations, and amendments to standards that have not yet come into effect:

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

As of the approval date of these financial statements, the IASB has issued, but the EU has not approved, the following standards, interpretations, and amendments to standards that have not yet come into effect:

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)** (effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted).
- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)** (effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted).
- **IFRS 18 Presentation and Disclosure in Financial Statements** (effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted).

The bank has decided not to adopt the new standard and amendments to existing standards before their effective date. According to the bank's estimates, compliance with these standards and amendments to existing standards, when first applied, will not have any significant impact on the bank's financial statements.

(t) New standards and interpretations effective January 1, 2024

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)** (effective for annual reporting periods beginning on or after January 1, 2024).

In accordance with the amendment to the standard, the bank has reassessed the scope of disclosures in the bank's financial statements.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)** (effective for annual reporting periods beginning on or after January 1, 2024).

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures - Supplier Finance Arrangements** (Amendments) (effective for annual reporting periods beginning on or after January 1, 2024).

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	31.12.2024	31.12.2023
Cash on hand	33,529	26,633
Cash balances at central banks	436,008	369,124
Other demand deposits	57,874	41,571
Total	527,411	437,328

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	31.12.2024	31.12.2023
Cash on hand	33,529	26,633
Cash balances at central banks	404,023	338,103
Other demand deposits	57,874	41,571
Total	495,426	406,307

5. Financial assets and liabilities held for trading

EUR'000	31.12.2024	31.12.2023
Financial assets held for trading		
Derivatives	17	178
Foreign exchange	17	178
Total	17	178
Financial liabilities held for trading		
Derivatives	50	85
Foreign exchange	50	85
Total	50	85

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

EUR'000	31.12.2024			31.12.2023		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange	35,401	17	50	64,087	178	85
Total	35,401	17	50	64,087	178	85

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

EUR'000	31.12.2024	31.12.2023
Equity instruments	137,950	188,930
Share certificates	137,950	188,930
Total	137,950	188,930

7. Financial assets at fair value through other comprehensive income

EUR'000	31.12.2024	31.12.2023
Debt securities	112,790	184,893
General governments	88,235	110,828
Credit institutions	4,943	17,684
Other financial corporations	19,612	19,599
Non-financial corporations	-	36,782
Total	112,790	184,893
Out of which: Impairment allowances to debt securities in OCI	(60)	(764)

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 2024	(764)	-	-	-	(764)
Decreases due to derecognition	160	-	-	-	160
Changes due to change in credit risk, net	544	-	-	-	544
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2024	(60)	-	-	-	(60)

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)

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Debt securities	704,118	743,460	(211)	(7,701)	703,907	735,759
General governments	659,230	655,283	(211)	(216)	659,019	655,067
Credit institutions	43,649	43,168	-	-	43,649	43,168
Other financial corporations	1,239	1,300	-	-	1,239	1,300
Non-financial corporations	-	43,709	-	(7,485)	-	36,224
Loans and advances	3,095,435	2,994,843	(106,728)	(119,776)	2,988,707	2,875,067
General governments	60,384	60,385	(20)	(20)	60,364	60,365
Credit institutions	13,509	38,772	(8)	(8)	13,501	38,764
Other financial corporations	255,576	247,696	(2,286)	(2,717)	253,290	244,979
Non-financial corporations	162,810	333,166	(14,563)	(30,758)	148,247	302,408
Households	2,603,156	2,314,824	(89,851)	(86,273)	2,513,305	2,228,551
Lending for house purchase	1,704,799	1,463,099	(460)	(381)	1,704,339	1,462,718
Credit for consumption	890,874	843,479	(87,192)	(83,748)	803,682	759,731
Other	7,483	8,246	(2,199)	(2,144)	5,284	6,102
Other financial assets	19,778	27,631	(1,346)	(1,357)	18,432	26,274
Total	3,819,331	3,765,934	(108,285)	(128,834)	3,711,046	3,637,100

Loans and advances include finance lease receivables:

EUR'000	31.12.2024	31.12.2023
Minimum value of leasing payments		
Receivables from leasing	7,613	12,778
Up to 1 year	4,220	4,781
1-5 years	3,393	7,996
Over 5 years	-	1
Unrealized income on finance leases	(610)	(1,347)
Present value of future lease payments	7,003	11,431
Impairment allowances	(211)	(178)
Total	6,792	11,253

EUR'000	31.12.2024	31.12.2023
Present value of future lease payments		
Receivables from leasing	7,003	11,431
Up to 1 year	3,844	4,099
1-5 years	3,159	7,331
Over 5 years	-	1
Present value of future lease payments	7,003	11,431
Impairment allowances	(211)	(178)
Total	6,792	11,253

Other financial assets comprise the following:

EUR'000	31.12.2024	31.12.2023
Other financial assets, gross	19,778	27,631
Clearing and settlement items	7,512	8,921
Cash collateral	9,876	6,917
Trade receivables	2,306	5,547
Other	84	6,246
Impairment allowances	(1,346)	(1,357)
Total	18,432	26,274

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

31.12.2024	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	704,118	-	-	-	704,118	(211)	-	-	-	(211)
General governments	659,230	-	-	-	659,230	(211)	-	-	-	(211)
Credit institutions	43,649	-	-	-	43,649	-	-	-	-	-
Other financial corporations	1,239	-	-	-	1,239	-	-	-	-	-
Loans and advances	2,722,259	225,537	129,246	18,393	3,095,435	(11,662)	(10,450)	(77,340)	(7,276)	(106,728)
General governments	60,384	-	-	-	60,384	(20)	-	-	-	(20)
Credit institutions	13,509	-	-	-	13,509	(8)	-	-	-	(8)
Other financial corporations	156,159	92,560	-	6,857	255,576	(175)	(3)	-	(2,108)	(2,286)
Non-financial corporations	111,597	24,670	18,736	7,807	162,810	(726)	(1,151)	(8,575)	(4,111)	(14,563)
Households	2,380,610	108,307	110,510	3,729	2,603,156	(10,733)	(9,296)	(68,765)	(1,057)	(89,851)
Lending for house purchase	1,645,630	48,387	10,782	-	1,704,799	(67)	(48)	(345)	-	(460)
Credit for consumption	731,106	58,822	97,217	3,729	890,874	(10,637)	(9,236)	(66,262)	(1,057)	(87,192)
Other	3,874	1,098	2,511	-	7,483	(29)	(12)	(2,158)	-	(2,199)
Other financial assets	-	19,778	-	-	19,778	-	(1,346)	-	-	(1,346)
Total	3,426,377	245,315	129,246	18,393	3,819,331	(11,873)	(11,796)	(77,340)	(7,276)	(108,285)

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)

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 2024	(216)	(7,485)	-	-	(7,701)
Increases due to origination and acquisition	(6)	-	-	-	(6)
Decreases due to derecognition	4	3,509	-	-	3,513
Changes due to change in credit risk, net	7	3,976	-	-	3,983
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 31 December 2024	(211)	-	-	-	(211)

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	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2024	(8,543)	(16,780)	(91,071)	(3,382)	(119,776)
Increases due to origination and acquisition	(5,569)	-	-	-	(5,569)
Decreases due to derecognition	1,805	6,160	34,143	5	42,113
Changes due to change in credit risk, net	4,466	(15,067)	(9,002)	(3,899)	(23,502)
Transfers:	(3,818)	15,237	(11,419)	-	-
(to)/from Stage 1	x	3,145	673	-	3,818
(to)/from Stage 2	(3,145)	x	(12,092)	-	(15,237)
(to)/from Stage 3	(673)	12,092	x	-	11,419
Changes due to movements in FX rates	(3)	-	9	-	6
As of 31 December 2024	(11,662)	(10,450)	(77,340)	(7,276)	(106,728)

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2024	(7,193)	(7,461)	(71,046)	(573)	(86,273)
Increases due to origination and acquisition	(5,336)	-	-	-	(5,336)
Decreases due to derecognition	1,580	339	24,889	5	26,813
Changes due to change in credit risk, net	3,962	(15,298)	(13,230)	(489)	(25,055)
Transfers:	(3,746)	13,124	(9,378)	-	-
<i>(to)/from Stage 1</i>	x	3,102	644	-	3,746
<i>(to)/from Stage 2</i>	(3,102)	x	(10,022)	-	(13,124)
<i>(to)/from Stage 3</i>	(644)	10,022	x	-	9,378
As of 31 December 2024	(10,733)	(9,296)	(68,765)	(1,057)	(89,851)

For the year ended 31 December 2024, the Bank sold a portfolio of retail receivables in the gross amount of EUR 18.7 million (for the year ended 31 December 2023: EUR 12.1 million), for which impairment allowances were created in the amount of EUR 17.2 million (for the year ended 31 December 2023: EUR 12.1 million).

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2024	(1,322)	(9,319)	(20,025)	(2,809)	(33,475)
Increases due to origination and acquisition	(198)	-	-	-	(198)
Decreases due to derecognition	192	5,821	9,524	-	15,537
Changes due to change in credit risk, net	502	230	3,959	(3,410)	1,281
Transfers:	(72)	2,114	(2,042)	-	-
<i>(to)/from Stage 1</i>	x	43	29	-	72
<i>(to)/from Stage 2</i>	(43)	x	(2,071)	-	(2,114)
<i>(to)/from Stage 3</i>	(29)	2,071	x	-	2,042
Changes due to movements in FX rates	(3)	-	9	-	6
As of 31 December 2024	(901)	(1,154)	(8,575)	(6,219)	(16,849)

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)	-	-
<i>(to)/from Stage 1</i>	x	1,547	718	-	2,265
<i>(to)/from Stage 2</i>	(1,547)	x	(3,552)	-	(5,099)
<i>(to)/from Stage 3</i>	(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)

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	31.12.2024			31.12.2023		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate swaps - portfolio fair value hedges	201,000	133	2,208	290,000	937	2,157
Interest rate swaps - micro fair value hedges	143,366	3,448	3,649	161,366	5,131	2,497
Total	344,366	3,581	5,857	451,366	6,068	4,654

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
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	
Fair value hedges					
Portfolio fair value hedge	201,000	290,000	1,352	890	Derivatives – Hedge accounting
Micro fair value hedge (FVOCI debt sec.)	59,583	76,645	(2,728)	(4,509)	Financial assets at FV through OCI
Micro fair value hedge (AC debt sec.)	73,189	72,794	2,078	1,952	Financial assets at amortised cost

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

EUR'000	2024	2023
Fair value changes of the hedging instrument	(2,437)	(13,662)
Fair value changes of the hedged item attributable to the hedged risk	2,369	14,026
(Losses)/gains from hedge accounting, net	(68)	364

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

10. Investments in subsidiaries and joint ventures

EUR'000	31.12.2024	31.12.2023
Investments in subsidiaries	55,750	56,604
Investments in joint ventures	140	732
Impairment allowances	(6,433)	(6,789)
Total	49,457	50,547

In May 2024, the Bank sold its stake in the joint venture Monilogi s.r.o. In November 2024, the Bank sold its entire stake in the subsidiary ART FOND – Stredoeurópsky fond súčasného umenia, a. s.

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 11.18% (for the year ended 31 December 2023: 11.70%) and an expected permanent growth rate of 1.50% (for the year ended 31 December 2023: 2.00%).

11. Tangible assets

EUR'000	31.12.2024	31.12.2023
Tangible assets owned	13,556	18,498
Property, plant and equipment	13,556	18,498
Right of use assets	29,243	31,356
Total	42,799	49,854

EUR'000	Tangible assets owned				Total
	Land and buildings	Hardware	Fittings and other equipment	Assets not yet in use	
Cost					
As of 1 January 2024	17,788	13,520	16,040	77	47,425
Additions	-	-	-	2,920	2,920
Transfers	75	1,558	773	(2,406)	-
Disposals	(398)	(819)	(4,395)	-	(5,612)
As of 31 December 2024	17,465	14,259	12,418	591	44,733
Accumulated depreciation					
As of 1 January 2024	(8,433)	(10,853)	(9,538)	-	(28,824)
Depreciation for the year	(1,356)	(1,035)	(1,007)	-	(3,398)
Disposals	213	817	528	-	1,558
As of 31 December 2024	(9,576)	(11,071)	(10,017)	-	(30,664)
Accumulated impairment losses					
	(449)	-	(64)	-	(513)
Carrying amount as of 31 December 2024	7,440	3,188	2,337	591	13,556

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 of 31 December 2023	9,252	2,667	6,502	77	18,498

EUR'000	Right of use assets			Total	
	Land and buildings	Hardware	Fittings and other equipment		
Cost					
As of 1 January 2024		51,522	211	4,067	55,800
Loan modifications		4,976	-	(1,259)	3,717
Contract terminations		(2,615)	-	(220)	(2,835)
As of 31 December 2024		53,883	211	2,588	56,682
Accumulated depreciation					
As of 1 January 2024		(22,113)	(211)	(2,120)	(24,444)
Depreciation for the year		(4,742)	-	(322)	(5,064)
Remeasurements		(757)	-	-	(757)
Contract terminations		2,615	-	211	2,826
As of 31 December 2024		(24,997)	(211)	(2,231)	(27,439)
Carrying amount as of 31 December 2024		28,886	-	357	29,243

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)
Carrying amount as of 31 December 2023	29,409	-	1,947	31,356

Movements in the impairment allowance for tangible assets are as follows:

EUR'000	2024	2023
Opening balance as at 1 January	(103)	(154)
Net creation/(release) of impairment losses	(410)	51
Closing balance	(513)	(103)

As at 31 December 2024, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 14,664 thousand and as at 31 December 2023 in the amount of EUR 13,642 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	31.12.2024	31.12.2023
Insurance amount of fixed assets	48,259	43,546

12. Intangible assets

EUR'000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2024	91,789	86	15,114	106,989
Additions	-	-	8,119	8,119
Transfers	4,891	-	(4,891)	-
Disposals	(285)	-	(14,501)	(14,786)
As of 31 December 2024	96,395	86	3,841	100,322
Accumulated amortisation				
As of 1 January 2024	(67,965)	(78)	-	(68,043)
Amortisation for the year	(5,435)	(1)	-	(5,436)
Disposals	285	-	-	285
As of 31 December 2024	(73,115)	(79)	-	(73,194)
Carrying amount as of 31 December 2024	23,280	7	3,841	27,128

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)
Carrying amount as of 31 December 2023	23,824	9	15,114	38,947

As at 31 December 2024, the Bank used fully depreciated tangible assets with an acquisition cost in the amount of EUR 11,047 thousand and as at 31 December 2023 in the amount of EUR 9,129 thousand.

13. Deferred tax assets and liabilities

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

	31.12.2024	31.12.2023
Companies in SR	24.00%	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	31.12.2024	31.12.2023
Impairment on financial assets at AC	12,551	14,750
Provisions for off-balance sheet exposures	62	67
Revaluation of financial assets at FVOCI - debt securities	5,967	6,356
Revaluation of financial assets at FVOCI - derivatives	(981)	(537)
Tangible assets	792	611
Other	5,579	3,304
Total deferred tax assets	23,970	24,551

Movements in deferred tax were as follows:

EUR'000	Note	31.12.2024	31.12.2023
Opening balance as at 1 January		24,551	24,761
Through profit or loss	29	252	(2,541)
Through other comprehensive income		(833)	2,331
Closing balance		23,970	24,551

EUR'000	1.1.2024	Profit or loss	OCI	31.12.2024
Impairment on financial assets at AC	14,750	(2,199)	-	12,551
Provisions for off-balance sheet exposures	67	(5)	-	62
Revaluation of financial assets at FVOCI	5,819	-	(833)	4,986
Tangible assets	611	181	-	792
Other	3,304	2,275	-	5,579
Total	24,551	252	(833)	23,970

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

14. Other assets

EUR'000	31.12.2024	31.12.2023
Deferred expenses and accrued income	16,337	13,355
Inventories	90	127
Prepayments	7,718	4,937
Total	24,145	18,419

15. Financial liabilities measured at amortised cost

EUR'000	31.12.2024	31.12.2023
Deposits	3,744,659	3,720,249
Central banks	-	257,424
General governments	3,437	3,685
Credit institutions	15,877	15,712
Credit institutions excluding subordinated debt	7,856	7,688
Credit institutions - subordinated debt	8,021	8,024
Other financial corporations	159,872	111,671
Non-financial corporations	265,625	101,612
Households	3,299,848	3,230,145
Debt securities issued	295,137	139,709
Non-convertible debt securities issued	295,137	139,709
Other financial liabilities	32,003	42,236
Clearing and settlement items	1,991	9,525
Lease liabilities	29,936	32,253
Other creditors	76	458
Total	4,071,799	3,902,194

In December 2022, in October 2023 and in July 2024, 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	31.12.2024	31.12.2023
Debt securities issued	19.12.2022	19.12.2026	7.04%	60	1,000	EUR	60,128	60,121
Debt securities issued	2.10.2023	2.10.2026	7.75%	650	100	EUR	65,972	65,856
Debt securities issued	6.10.2023	6.10.2026	5.00%	416	30	EUR	12,589	12,568
Debt securities issued	4.7.2024	4.7.2028	3.50%	1500	100	EUR	153,852	-
Total							292,541	138,545

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 issuance of senior bonds with a total nominal value of EUR 150,000 thousands, carrying a fixed annual interest rate of 7.125%, annual coupon payments, ISIN: XS2854419277, an issuance date of 4 July 2024, and maturity in 2027, was conducted within a debt securities program with a total nominal value of EUR 1,500,000

thousands. The bonds have been admitted to trading on the Luxembourg Stock Exchange Regulated Market.

In addition to the mentioned bonds, the bank issued a covered bond (nominal value of EUR 250,000 thousand), which the bank did not sell. This covered bond is part of the off-balance sheet records.

The Bank issued investment certificates as a part of deferred variable component of remuneration in the total amount of EUR 2,596 thousands (as of 31 December 2024 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	31.12.2024	31.12.2023
Subordinated debt	8,021	8,024

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.	8,021	3M EURIBOR + 6.00%	31.12.2026

In December 2024, the bank repaid a loan received in 2021 under the long-term targeted financial operation TLTRO from the European Central Bank in the amount of EUR 250 million. In 2023, this loan is recognised as a deposit received from the central bank.

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

EUR'000	Debt securities issued		Subordinated debt	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Opening balance as at 1 January	138,545	124,981	8,024	8,019
Proceeds from issue of debt securities	149,120	77,480	-	-
Repayment of debt securities	-	(65,000)	-	-
Interest expenses	15,563	8,134	780	731
Interest paid	(10,687)	(7,050)	(783)	(726)
Closing balance	292,541	138,545	8,021	8,024

16. Provisions

EUR'000	31.12.2024	31.12.2023
Commitments and guarantees given	260	318
<i>Loan commitments</i>	225	142
<i>Guarantees given</i>	35	176
Other provisions	19	19
Total	279	337

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

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2024	106	35	177	-	318
Increases due to origination and acquisition	523	-	-	-	523
Decreases due to derecognition	(247)	(4)	(169)	-	(420)
Changes due to change in credit risk, net	(212)	36	15	-	(161)
Transfers:	7	(7)	-	-	-
<i>to/(from) Stage 1</i>	x	(7)	-	-	(7)
<i>to/(from) Stage 2</i>	7	x	-	-	7
<i>to/(from) Stage 3</i>	-	-	x	-	-
As of 31 December 2024	177	60	23	-	260

EUR'000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
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

17. Other liabilities

EUR'000	31.12.2024	31.12.2023
Estimated payables (OPEX)	5,720	10,461
Deferred income	300	146
Liabilities estimated payables to employees	7,691	8,344
Liabilities from social and health insurance and social fund	1,707	1,698
Tax liabilities	1,554	1,082
Received prepayments	2,752	3,502
Liabilities from dividends	756	824
Total	20,480	26,057

18. Equity

a) Share capital

	31.12.2024	31.12.2023
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 29 May 2024 decided to distribute the profit for the previous period as follows:

EUR'000	
Profit for the year	84,741
Dividends	60,000
Transfer to retained earnings	24,741

The extraordinary General meeting dated 26 September 2024 decided on the payment of dividends in the amount of EUR 100 million from retained earnings.

The extraordinary General meeting dated 19 December 2024 decided on the payment of dividends in the amount of EUR 50 million from retained earnings.

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	31.12.2024	31.12.2023
Loan commitments given	117,538	107,165
Financial guarantees given	1,799	8,794
Total	119,337	115,959

b) *Assets in custody*

EUR'000	31.12.2024	31.12.2023
Asset management	999,133	886,420
Custody assets	116,780	121,537
Total	1,115,913	1,007,957

c) *Securities provided as collateral*

EUR'000	31.12.2024	31.12.2023
Financial assets at fair value through other comprehensive income	45,614	-
Financial assets at amortised cost	231,416	564,300
Total	277,030	564,300

The Bank has pledged debt securities at carrying amount as summarised in the table below. 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):

31.12.2024	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	17	-	17	50	-	-	(33)
Hedging derivatives	3,581	-	3,581	-	5,031	-	(1,450)
Total assets	3,598	-	3,598	50	5,031	-	(1,483)
Financial liabilities							
Derivatives	50	-	50	50	-	-	-
Hedging derivatives	5,857	-	5,857	-	3,490	-	2,367
Total liabilities	5,907	-	5,907	50	3,490	-	2,367

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)

21. Net interest income

EUR'000	2024	2023
Interest income		
Financial assets at fair value through other comprehensive income	2,855	3,598
Financial assets at amortised cost	152,201	140,226
<i>Debt securities</i>	18,842	15,454
<i>Loans and advances</i>	133,359	124,772
Derivatives - Hedge accounting, interest rate risk	4,569	4,907
Other assets	15,600	11,814
<i>Cash balances at central banks</i>	14,163	10,498
<i>Other demand deposits</i>	1,437	1,316
Total interest income	175,225	160,545
Interest expenses		
Financial liabilities measured at amortised cost	(46,668)	(30,497)
<i>thereof: lease liabilities</i>	(387)	(419)
Other liabilities	(81)	(3)
Interest expense on assets	(107)	(108)
Total interest expense	(46,856)	(30,608)
Net interest income	128,369	129,937

22. Net fee and commission income

EUR'000	2024	2023
Fee and commission income		
Securities	184	34
Clearing and settlement	15,373	15,946
Custody	3,899	3,427
Payment services	37,032	34,395
Current accounts	27,454	25,393
Debit cards and other card payments	392	316
Transfers and other payment orders	2,451	2,520
Other fee and commission income in relation to payment services	6,735	6,166
Loan servicing activities	1,653	1,536
Loan commitments given	571	314
Financial guarantees given	59	119
Commissions for brokerage	17,857	17,136
Other	8,683	7,762
Total fee and commission income	85,311	80,669
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	84,681	80,236
Fee and commission expenses		
Securities	(18)	(35)
Clearing and settlement	(20,918)	(24,054)
Custody	(344)	(332)
Loan servicing activities	(555)	(766)
Other	(4,502)	(5,661)
Total fee and commission expenses	(26,337)	(30,848)
Net fee and commission income	58,974	49,821

23. Dividend income

EUR'000	2024	2023
Non-trading financial assets mandatorily at fair value through profit or loss	52	14
Investments in subsidiaries and joint ventures	8,562	14,687
Total	8,614	14,701

24. Net gains from other financial transactions

EUR'000	2024	2023
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	(255)	24
Gains from the sale of subsidiary and joint venture, net	(267)	-
Financial assets at fair value through other comprehensive income	12	24
Equity instruments	-	24
Debt securities	12	-
Gains/(losses) on financial assets and liabilities held for trading, net	(581)	(558)
Derivatives	(581)	(558)
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	39,005	4,610
Revaluation gains/(losses)	39,005	6,113
Trading gains/(losses)	-	(1,503)
Gains/(losses) from hedge accounting, net	(68)	364
Fair value changes of the hedging instrument	(2,437)	(13,662)
Fair value changes of the hedged item attributable to the hedged risk	2,369	14,026
Exchange differences, net	1,208	(656)
Total	39,309	3,784

25. Other operating income and expenses

EUR'000	2024	2023
Other operating expenses	(13,951)	(5,736)
Bank and insurance companies specific fees	(625)	(1,106)
<i>Resolution fund</i>	-	(385)
<i>Deposit protection fund</i>	(625)	(721)
Other	(13,326)	(4,630)
Other operating income	5,813	3,536
Other	5,813	3,536
Gains/(losses) on derecognition of non-financial assets, net	(141)	(412)
Total	(8,279)	(2,612)

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

26. Administrative expenses

EUR'000	2024	2023
Staff expenses	(50,649)	(51,208)
Wages and salaries (including bonuses)	(35,821)	(35,728)
Social expenses	(14,828)	(15,480)
Other administrative expenses	(34,509)	(38,460)
Rental expenses	(1,668)	(1,567)
<i>Short-term lease contracts</i>	(1,500)	(1,441)
<i>Variable lease payments not included in the lease liabilities</i>	(18)	-
<i>Other</i>	(150)	(126)
Real estate expenses	(3,461)	(3,908)
IT expenses	(10,637)	(12,400)
Marketing and advertisement	(6,453)	(6,453)
Legal and consulting services	(2,651)	(2,965)
Post and telecommunication	(3,015)	(3,183)
Material consumption	(750)	(838)
Repair and maintenance	(2,457)	(2,598)
Other administrative expenses - Rest	(3,417)	(4,548)
Total	(85,158)	(89,668)

	2024	2023
Average number of employees for the period	1,088	1,171
Number of employees as of balance sheet date	1,070	1,152
thereof, key management	14	16

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 auditor for the period were as follows:

EUR'000	2024	2023
The audit of the financial statements	(233)	(193)
Assurance audit services excluding the audit of the financial statements	(24)	(250)
Total	(257)	(443)

The audit of the financial statements in 2024 also includes the verification of CSRD disclosures in the Bank's Annual Report.

Assurance audit services excluding the audit of financial statements pertained to the audit of prudential business reports and the preparation of an extended auditor's report for the NBS.

27. Depreciation and amortisation

EUR'000	2024	2023
Property, plant and equipment	(3,398)	(4,138)
Buildings	(1,356)	(1,477)
Hardware	(1,035)	(1,337)
Fittings and other equipment	(1,007)	(1,324)
Right of use assets	(5,064)	(5,223)
Buildings	(4,742)	(4,888)
Fittings and other equipment	(322)	(335)
Intangible assets	(5,436)	(5,006)
Software	(5,435)	(5,005)
Other intangible assets	(1)	(1)
Total	(13,898)	(14,367)

28. Impairment losses and provisions

EUR'000	2024	2023
Net impairment of financial assets not valued at fair value through profit or loss	(5,804)	8,683
Financial assets at fair value through other comprehensive income	704	7,668
<i>Debt securities</i>	704	7,668
Financial assets at amortised cost	(6,508)	1,015
<i>Debt securities</i>	7,490	(108)
<i>Loans and advances</i>	(14,010)	969
<i>Other financial assets</i>	12	154
Net impairment of investments in subsidiaries, joint ventures and associates	355	234
Subsidiaries	355	234
Release/(creation) of provisions	58	252
Net impairment on non-financial assets	(13,947)	51
Total	(19,338)	9,220

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

EUR'000	2024	2023
Net impairment of loans and advances at amortised cost	(14,010)	969
Net (creation)/release of allowances	(15,886)	(1,013)
Creation of allowances	(79,239)	(86,539)
Release of allowances	63,353	85,526
Net effect from derecognition of loans and advances	2,689	1,982
Derecognition of loans and advances	(29,885)	(50,687)
Usage of allowances	28,850	35,393
Income from previously derecognized loans and advances	3,724	17,276
Other expenses related to credit risk	(813)	-

29. Income tax

EUR'000	2024	2023
Current income tax	(15,413)	(13,534)
Deferred tax	252	(2,541)
Total	(15,161)	(16,075)

Reconciliation of the effective tax rate is as follows:

EUR'000	2024	2023
Profit before special levy and before tax	108,593	100,816
Special levy	(23,887)	-
Profit after special levy and before tax	84,706	100,816
Income tax rate	21.00%	21.00%
Theoretical income tax	(17,788)	(21,171)
Non - tax expenses	(572)	(505)
<i>Other</i>	(572)	(505)
Non - taxable income	891	3,235
<i>Dividends</i>	1,798	3,084
<i>Impairment allowances</i>	(936)	(441)
<i>Other</i>	29	592
Change in tax rate	2,373	-
Change in estimates for deferred tax	-	2,305
Correction of prior period	27	-
Other	(92)	61
Total	(15,161)	(16,075)
Effective tax rate	17.90%	15.94%

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) 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;
- (b) affiliated companies 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 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;
- (d) 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;
- (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 Bank.

31.12.2024	Shareholders	Members of J&T FINANCE GROUP SE	Subsidiaries	Joint ventures	Key management and related parties	Others
Assets	-	126,394	67,159	983	3,029	35,050
Other demand deposits	-	183	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	110,958	-	-	-	-
Financial assets at FVOCI	-	10,043	-	-	-	-
Financial assets at amortised cost	-	5,210	62,848	983	3,029	35,050
<i>Loans and advances</i>	-	-	62,717	-	3,029	35,050
<i>Other financial assets</i>	-	5,210	131	983	-	-
Other assets	-	-	4,311	-	-	-
Liabilities	-	56,614	11,580	10,950	1,579	2,222
Financial liabilities measured at amortised cost	-	56,614	10,837	10,950	1,579	2,222
<i>Deposits</i>	-	56,597	10,837	10,950	1,579	2,222
<i>Other financial liabilities</i>	-	17	-	-	-	-
Other liabilities	-	-	743	-	-	-
2024						
Income/expenses						
Net interest income	-	70	10,872	-	60	-
Net fee and commission income	-	1,341	10,328	6,875	1	28
Net gains/(losses) from financial transactions	-	3,523	-	-	-	-
Net other operating expenses	-	61	(1,773)	113	-	-
Administrative expenses	-	(61)	(3,153)	-	-	(11)

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)

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 2024 is in the amount of EUR 3,950 thousand (for the year ended 31 December 2023: EUR 3,235 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 Group estimates future cash flows from financial instruments based on contractual maturities. The fair value of a financial liability that includes a demand feature must not be lower than the amount payable on demand, discounted from the earliest date it could be due.

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	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
ASSETS								
Financial assets held for trading	-	-	17	178	-	-	17	178
Derivatives	-	-	17	178	-	-	17	178
Non-trading financial assets mandatorily at FVPL	-	-	137,950	188,930	-	-	137,950	188,930
Equity instruments	-	-	137,950	188,930	-	-	137,950	188,930
Financial assets at FVOCI	95,056	138,307	17,734	-	-	46,586	112,790	184,893
Debt securities	95,056	138,307	17,734	-	-	46,586	112,790	184,893
Derivatives – Hedge accounting	-	-	3,448	5,131	-	-	3,448	5,131
Total assets	95,056	138,307	159,149	194,239	-	46,586	254,205	379,132

EUR'000	Level 1		Level 2		Level 3		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
LIABILITIES								
Financial liabilities held for trading	-	-	50	85	-	-	50	85
Derivatives	-	-	50	85	-	-	50	85
Derivatives – Hedge accounting	-	-	744	306	-	-	744	306
Total liabilities	-	-	794	391	-	-	794	391

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

EUR'000	1.1.2024	Gains / (losses) in PL	Gains / (losses) in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out of Level 3	31.12.2024
Financial assets at fair value through OCI	46,586	(1,969)	1,277	-	(36,000)	-	(9,894)	-
Total	46,586	(1,969)	1,277	-	(36,000)	-	(9,894)	-

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

EUR'000	31.12.2024			31.12.2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets at fair value through OCI						
Transfers into the category	-	17,585	-	2,460	-	-
Transfers out of the category	(7,691)	-	(9,894)	(9,546)	(2,460)	9,546
Total assets	(7,691)	17,585	(9,894)	(7,086)	(2,460)	9,546

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

31.12.2024	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	527,411	527,411	-	527,411	-
Financial assets at amortised cost	3,711,046	3,824,174	668,123	21,715	3,134,336
Debt securities	703,907	671,406	668,123	3,283	-
Loans and advances	2,988,707	3,134,336	-	-	3,134,336
Other financial assets	18,432	18,432	-	18,432	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	4,071,799	4,074,373	-	4,074,373	-
Deposits	3,744,659	3,747,233	-	3,747,233	-
Debt securities issued	295,137	295,137	-	295,137	-
Other financial liabilities	32,003	32,003	-	32,003	-
31.12.2023					
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	3,902,194	-	3,902,194	-
Deposits	3,720,249	3,720,249	-	3,720,249	-
Debt securities issued	139,709	139,709	-	139,709	-
Other financial liabilities	42,236	42,236	-	42,236	-

Should the fair value of deposits be estimated based on the expected maturity, the comparison to the book value would be as follows:

	31.12.2024		31.12.2023	
	Carrying value	Fair value	Carrying value	Fair value
Deposits	3,744,659	3,626,091	3,720,249	3,547,052

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	
	2024	2023	2024	2023	2024	2023	2024	2023
Interest income	91,081	70,213	46,074	59,868	38,070	30,464	175,225	160,545
Interest expenses	(17,021)	(10,524)	(3,517)	(2,099)	(26,318)	(17,985)	(46,856)	(30,608)
Net interest income	74,060	59,689	42,557	57,769	11,752	12,479	128,369	129,937
Net intersegment income	50,336	61,958	(12,534)	(18,062)	(37,802)	(43,896)	-	-
Fee and commission income	70,586	65,643	13,661	13,582	1,064	1,444	85,311	80,669
Fee and commission expenses	(19,299)	(23,730)	(5,367)	(5,429)	(1,671)	(1,689)	(26,337)	(30,848)
Net fee and commission income	51,287	41,913	8,294	8,153	(607)	(245)	58,974	49,821
Net interest and fee margin	175,683	163,560	38,317	47,860	(26,657)	(31,662)	187,343	179,758
Impairment losses and provisions	(24,944)	(12,677)	20,237	22,022	(14,631)	(125)	(19,338)	9,220

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Assets	2,504,557	2,222,748	609,530	879,394	1,553,350	1,536,045	4,667,437	4,638,187
Liabilities	3,291,842	3,223,753	407,160	191,870	402,341	517,704	4,101,343	3,933,327

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	
	2024	2023	2024	2023	2024	2023	2024	2023
Fee and commission income								
Securities	-	-	-	-	184	34	184	34
Clearing and settlement	8,421	8,477	6,525	7,148	427	321	15,373	15,946
Custody	-	-	3,846	3,372	53	55	3,899	3,427
Payment services	34,453	31,191	2,226	2,201	353	1,003	37,032	34,395
Loan servicing activities	1,216	1,090	437	421	-	25	1,653	1,536
Loan commitments given	-	-	571	314	-	-	571	314
Financial guarantees given	8	-	51	119	-	-	59	119
Commissions for brokerage	17,845	17,136	-	-	12	-	17,857	17,136
Other	8,643	7,749	5	7	35	6	8,683	7,762
Total fee and commission income	70,586	65,643	13,661	13,582	1,064	1,444	85,311	80,669
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	70,578	65,643	13,039	13,149	1,064	1,444	84,681	80,236

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.

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 primarily to the following main risks:

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

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;
- setting target values for concentrations of corporate trades with higher risk profiles;
- 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.

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

- financial involvement limits of the client or economically connected entities (clients);
- limits on banks;
- target values for concentrations of corporate trades with higher risk profiles;
- target values for selected parameters of the retail portfolio.

The Bank continuously monitors and evaluates compliance with both the limits and target values 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	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
General governments	659,230	655,283	60,384	60,385	88,235	110,828	-	-	-	-
Credit institutions	43,649	43,168	13,509	38,772	4,943	17,684	-	-	-	-
Other financial corporations	1,239	1,300	255,576	247,696	19,612	19,599	1,582	449	-	-
Non-financial corporations	-	43,709	162,810	333,166	-	36,782	12,801	8,445	1,799	8,794
A Agriculture, forestry and fishing	-	-	19,954	27,832	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	12,163	27,314	-	-	17	19	-	-
D Electricity, gas, steam and air conditioning supply	-	-	2,907	14,371	-	-	75	-	-	-
E Water supply	-	-	445	494	-	-	-	-	272	147
F Construction	-	-	5,788	15,065	-	-	352	55	101	851
G Wholesale and retail trade	-	-	16,107	18,374	-	-	640	410	-	-
H Transport and storage	-	-	425	1,198	-	-	10	18	3	3
I Accommodation and food service activities	-	-	2,115	13,743	-	-	33	464	-	-
J Information and communication	-	-	75	25	-	-	2,793	3,000	-	-
K Financial and insurance activities	-	-	-	-	-	-	1,159	314	-	-
L Real estate activities	-	43,709	95,365	120,775	-	-	7,668	23	-	-
M Professional, scientific and technical activities	-	-	4,667	13,358	-	-	50	65	1,423	7,793
N Administrative and support service activities	-	-	2,761	59,437	-	-	-	28	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	-	1	-	-	4	-	-	-
Q Human health services and social work activities	-	-	-	4	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	21	17,249	-	36,782	-	4,049	-	-
S Other services	-	-	17	3,926	-	-	-	-	-	-
Households	-	-	2,603,156	2,314,824	-	-	103,155	98,271	-	-
Total	704,118	743,460	3,095,435	2,994,843	112,790	184,893	117,538	107,165	1,799	8,794

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	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Slovak Republic	659,483	698,340	2,816,431	2,708,457	97,850	153,357	117,493	107,122	377	1,002
Czech Republic	-	-	109,123	114,053	-	-	27	26	-	-
Cyprus	-	-	65,047	58,246	-	-	4	2	-	-
Luxemburg	1,239	1,300	92,560	99,820	9,569	9,795	-	-	-	-
France	-	-	9,722	11,715	-	-	1	1	-	-
Netherlands	-	-	2,000	2,000	-	-	-	-	-	-
Lithuania	9,917	9,981	-	-	2,748	8,954	-	-	-	-
Latvia	2,102	2,129	-	-	-	-	-	-	-	-
Belgium	10,603	10,728	384	384	-	-	-	-	-	-
Ireland	10,583	10,701	9	10	-	-	-	-	-	-
Romania	10,191	10,281	6	5	-	-	-	-	-	-
Poland	-	-	2	1	2,623	12,787	1	1	-	-
Sweden	-	-	-	-	-	-	-	-	1,422	7,792
Other countries	-	-	151	152	-	-	12	13	-	-
Total	704,118	743,460	3,095,435	2,994,843	112,790	184,893	117,538	107,165	1,799	8,794

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% –
			D – F	35.00%
Default	D	9 – 10	Default	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 2023: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (for the year ended 31 December 2023: 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 by more than one rating grade on exposures that are at least 12 months old;
- 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 the counterparty 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:

- i. 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;
- ii. The loan has been called to repay and at the same time meets point i.
- iii. A receivable is an unauthorized debit balance on a personal account with no limit of authorized overdraft in the account.
- iv. The sum of defaulted receivables of the debtor more than 90 days overdue is more than 20 percent of all debtor's receivables.
- v. 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.

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.

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 of 31 December 2024, 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 assessed 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 5.30% was used, based of three scenarios of macroeconomic development with following input values and weights:

- baseline; 80.00%; 5.30%
- positive; 10.00%; 5.00%
- negative; 10.00%; 5.80%

The resulting impact on the probability of default of retail clients is a relative increase of 5.00% 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 2024 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, after a deterioration in their rating level, move from Stage 1 to Stage 2, the ECL is calculated in Stage 2.

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;
- for clients who, after an improvement in their rating level, move from Stage 2 to Stage 1, the ECL is calculated in Stage 1.

ECL scenarios impact compared to the actual ECL value:

31.12.2024	Value of ECL	Deterioration by one rating grade		Improvement by one rating grade	
		EUR'000	in %	EUR'000	in %
Consumer credit	80,912	7,178	8.87%	(4,242)	-5.24%
Mortgage loans	439	107	24.31%	(53)	-12.18%
Corporate exposures	14,840	2,105	14.18%	(1,076)	-7.25%
Total	96,191	9,390	9.76%	(5,371)	-5.58%

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%

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 does 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 2024					31 December 2023				
	Value of ECL	Increase by 10.00% EUR'000	in %	Decrease by 10.00% EUR'000	in %	Value of ECL	Increase by 10.00% EUR'000	in %	Decrease by 10.00% EUR'000	in %
Consumer credit	80,912	1,708	2.11%	(1,708)	-2.11%	78,565	1,250	1.59%	(1,250)	-1.59%
Mortgage loans	439	14	3.24%	(14)	-3.24%	317	8	2.59%	(8)	-2.59%
Corporate loans	14,840	486	3.28%	(486)	-3.28%	40,116	832	2.07%	(832)	-2.07%
Other	1,669	31	1.85%	(31)	-1.85%	1,894	30	1.58%	(30)	-1.58%
Total	97,860	2,239	2.29%	(2,239)	-2.29%	120,892	2,120	1.75%	(2,120)	-1.75%

Changes of the LGD parameter

A change of the LGD parameter would result in a change in the impairment allowances as follows:

31.12.2024	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	80,912	5,054	6.25%	(5,049)	-6.24%	10,106	12.49%	(10,100)	-12.48%
Mortgage loans	439	27	6.22%	(27)	-6.21%	55	12.44%	(55)	-12.43%
Corporate exposures	14,840	447	3.01%	(445)	-3.00%	893	6.02%	(891)	-6.01%
Other	1,669	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	97,860	5,528	5.65%	(5,521)	-5.64%	11,054	11.29%	(11,046)	-11.29%

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%

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	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Financial assets at AC - Debt securities										
Low credit risk	704,118	699,751	-	-	-	-	-	-	704,118	699,751
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	-	43,709	-	-	-	-	-	43,709
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	704,118	699,751	-	43,709	-	-	-	-	704,118	743,460
Impairment allowance	(211)	(216)	-	(7,485)	-	-	-	-	(211)	(7,701)
Carrying amount	703,907	699,535	-	36,224	-	-	-	-	703,907	735,759

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Financial assets at AC - Loans and advances										
Low credit risk	1,480,778	1,293,345	12,600	11,904	-	-	-	-	1,493,378	1,305,249
Moderate credit risk	1,144,103	1,156,901	41,247	24,880	-	-	458	-	1,185,808	1,181,781
High credit risk	95,207	202,437	167,778	133,243	-	-	11,548	11,760	274,533	347,440
Default	-	-	-	-	128,578	152,871	6,387	2,219	134,965	155,090
Not rated	2,171	384	3,912	4,275	668	624	-	-	6,751	5,283
Gross amount	2,722,259	2,653,067	225,537	174,302	129,246	153,495	18,393	13,979	3,095,435	2,994,843
Impairment allowance	(11,662)	(8,543)	(10,450)	(16,780)	(77,340)	(91,071)	(7,276)	(3,382)	(106,728)	(119,776)
Carrying amount	2,710,597	2,644,524	215,087	157,522	51,906	62,424	11,117	10,597	2,988,707	2,875,067

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Financial assets at FVOCI - Debt securities										
Low credit risk	102,747	138,307	-	-	-	-	-	-	102,747	138,307
Moderate credit risk	10,043	46,586	-	-	-	-	-	-	10,043	46,586
High credit risk	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	112,790	184,893	-	-	-	-	-	-	112,790	184,893
Impairment allowance in OCI	(60)	(764)	-	-	-	-	-	-	(60)	(764)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Loan and other commitments given										
Low credit risk	80,742	82,946	-	-	-	-	-	-	80,742	82,946
Moderate credit risk	25,980	17,382	16	-	-	-	-	-	25,996	17,382
High credit risk	7,178	3,168	452	157	-	-	-	-	7,630	3,325
Default	-	-	-	-	2	71	-	-	2	71
Not rated	2,793	3,000	375	441	-	-	-	-	3,168	3,441
Gross amount	116,693	106,496	843	598	2	71	-	-	117,538	107,165
Provision	165	105	60	35	-	2	-	-	225	142

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Financial guarantees given										
Low credit risk	1,423	-	-	-	-	-	-	-	1,423	-
Moderate credit risk	53	7,943	-	-	-	-	-	-	53	7,943
High credit risk	272	-	-	-	-	-	-	-	272	-
Default	-	-	-	-	51	851	-	-	51	851
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	1,748	7,943	-	-	51	851	-	-	1,799	8,794
Provision	12	1	-	-	23	175	-	-	35	176

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	31.12.2024	31.12.2023
Real-estates	1,762,956	1,553,882
Securities	154,768	190,690
Other	7,989	28,649
Total	1,925,713	1,773,221

Collateral in default loans and advances at amortised cost is as follows:

EUR'000	31.12.2024	31.12.2023
Gross amount	135,633	155,714
Impairment allowance	(83,122)	(92,988)
Carrying amount	52,511	62,726
Collateral	18,159	28,665

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	31.12.2024	31.12.2023
LTV < 50%	410,952	363,509
LTV 50 - 60%	316,723	271,778
LTV 60 - 70%	417,420	411,913
LTV 70 - 80%	383,304	326,413
LTV 80 - 90%	148,740	66,795
LTV 90 - 100%	15,463	11,692
LTV > 100%	12,197	10,999
Total	1,704,799	1,463,099

Net value of assets acquired by ownership of the collateral as at 30 September 2024 is EUR 0 (as at 31 December 2023: 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:

31.12.2024	Grace period	Interest rate reduction	Extension of maturity	Rescheduled payments	Other measures
Gross amount					
Households	11,872	8,925	37,525	-	3,959
Non-financial corporations	4,714	3,929	4,015	4,725	4,181
Total	16,586	12,854	41,540	4,725	8,140
Impairment allowances					
Households	(1,809)	(3,773)	(9,118)	-	(1,074)
Non-financial corporations	(962)	(64)	(151)	(205)	(2,280)
Total	(2,771)	(3,837)	(9,269)	(205)	(3,354)

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)

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);
- *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:

	31.12.2024	31.12.2023
End of the period	3.36	4.67
Average for the period	3.42	3.92
Maximum for the period	5.25	4.96
Minimum for the period	2.51	3.02

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:

	31.12.2024	31.12.2023
End of the period	1.45	1.41

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 2024			31 December 2023		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	527,411	-	527,411	437,328	-	437,328
Financial assets held for trading	17	-	17	178	-	178
Non-trading financial assets mandatorily at fair value through profit or loss	-	137,950	137,950	-	188,930	188,930
Financial assets at fair value through other comprehensive income	17,609	95,181	112,790	37,432	147,461	184,893
Financial assets at amortised cost	458,614	3,252,432	3,711,046	450,799	3,186,301	3,637,100
<i>Debt securities</i>	64,350	639,557	703,907	40,254	695,505	735,759
<i>Loans and advances</i>	375,832	2,612,875	2,988,707	384,271	2,490,796	2,875,067
<i>Other financial assets</i>	18,432	-	18,432	26,274	-	26,274
Derivatives – Hedge accounting	149	4,784	4,933	1,074	5,884	6,958
Investments in subsidiaries and joint ventures	-	49,457	49,457	-	50,547	50,547
Tangible assets	-	42,799	42,799	-	49,854	49,854
Intangible assets	-	27,128	27,128	-	38,947	38,947
Current tax assets	5,791	-	5,791	482	-	482
Deferred tax assets	-	23,970	23,970	-	24,551	24,551
Other assets	24,145	-	24,145	18,419	-	18,419
Total assets	1,033,736	3,633,701	4,667,437	945,712	3,692,475	4,638,187
Liabilities						
Financial liabilities held for trading	50	-	50	85	-	85
Financial liabilities measured at amortised cost	3,496,267	575,532	4,071,799	3,225,232	676,962	3,902,194
<i>Deposits</i>	3,351,061	393,598	3,744,659	3,210,179	510,070	3,720,249
<i>Debt securities issued</i>	138,688	156,449	295,137	-	139,709	139,709
<i>Other financial liabilities</i>	6,518	25,485	32,003	15,053	27,183	42,236
<i>thereof: lease liabilities</i>	4,451	25,485	29,936	5,070	27,183	32,253
Derivatives – Hedge accounting	49	5,808	5,857	-	4,654	4,654
Provisions	279	-	279	337	-	337
Current tax liabilities	2,878	-	2,878	-	-	-
Other liabilities	20,480	-	20,480	26,057	-	26,057
Total liabilities	3,520,003	581,340	4,101,343	3,251,711	681,616	3,933,327

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 2024						
Financial liabilities measured at amortised cost	2,954,842	547,483	558,606	33,767	4,094,698	4,071,799
<i>Deposits</i>	2,951,368	404,671	383,759	25,587	3,765,385	3,744,659
<i>Debt securities issued</i>	-	138,688	156,449	-	295,137	295,137
<i>Other financial liabilities</i>	3,474	4,124	18,398	8,180	34,176	32,003
<i>thereof: lease liabilities</i>	1,407	4,124	18,398	8,180	32,109	29,936
Derivatives – Hedge accounting	-	49	5,064	744	5,857	5,857
Total	2,954,842	547,532	563,670	34,511	4,100,555	4,077,656
31 December 2023						
Financial liabilities measured at AC	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

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 2024						
Loan and other commitments given	117,538	-	-	-	117,538	117,538
Financial guarantees given	1	50	1,745	3	1,799	1,799
Total	117,539	50	1,745	3	119,337	119,337
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

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 2024					
Cash on hand	24,541	-	-	-	24,541
Cash balances at central banks	404,034	-	-	-	404,034
Assets in level 1	4,487	71,349	263,232	365,980	705,048
Assets in level 2A	-	4,950	10,591	-	15,541
Total	433,062	76,299	273,823	365,980	1,149,164

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 2024						
Financial liabilities measured at amortised cost	547,143	752,068	1,779,331	1,016,156	4,094,698	4,071,799
Deposits	543,669	609,256	1,604,484	1,007,976	3,765,385	3,744,659
Debt securities issued	-	138,688	156,449	-	295,137	295,137
Other financial liabilities	3,474	4,124	18,398	8,180	34,176	32,003
thereof: lease liabilities	1,407	4,124	18,398	8,180	32,109	29,936
Derivatives – Hedge accounting	-	49	5,064	744	5,857	5,857
Total	547,143	752,117	1,784,395	1,016,900	4,100,555	4,077,656
31 December 2023						
Financial liabilities measured at AC	278,288	809,788	1,852,668	999,311	3,940,055	3,902,194
Deposits	266,988	796,112	1,690,960	984,843	3,738,903	3,720,249
Debt securities issued	-	9,886	147,365	-	157,251	139,709
Other financial liabilities	11,300	3,790	14,343	14,468	43,901	42,236
thereof: lease liabilities	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

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 2024						
Loan and other commitments given	117,538	-	-	-	117,538	117,538
Financial guarantees given	1	50	1,745	3	1,799	1,799
Total	117,539	50	1,745	3	119,337	119,337
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

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 risk in banking book - CSRBB;
- analysis of interest rate gap;
- Change of economic value of capital ΔEVE ;
- Change of net interest income ΔNII ;
- Stop loss limits for trading book;
- stress testing;
- reverse stress 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	31.12.2024	Average	Maximum	Minimum
VaR trading book	1	2	15	-
VaR banking book	2,696	3,143	4,152	2,478
VaR total	2,696	3,145	4,151	2,478
<i>Out of which interest rate risk</i>	1,417	1,532	2,751	726
<i>Out of which credit spread risk</i>	2,247	2,833	5,540	2,240
<i>Out of which foreign exchange risk</i>	1	2	15	-

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>	2,258	1,818	2,310	956
<i>Out of which credit spread risk</i>	5,548	4,241	5,615	1,758
<i>Out of which foreign exchange risk</i>	3	4	49	-

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.

Changes in the economic value of equity (Δ EVE) calculated according to the six supervisory shock scenarios under Article 98(5) of Directive 2013/36/EU are presented in the following table:

BIS IRRBB Scenarios	31.12.2024	31.12.2023
Short rates shock up	(27,207)	(22,630)
Short rates shock down	13,351	11,415
Parallel shock up	(34,623)	(32,121)
Parallel shock down	16,779	17,102
Steepener shock	4,338	3,466
Flattener shock	(13,799)	(12,168)

Changes in net interest income (Δ NI) calculated according to the two supervisory shock scenarios under Article 98(5) of Directive 2013/36/EU are presented in the following table:

BIS IRRBB Scenarios	31.12.2024	31.12.2023
Parallel shock up	(7,771)	(20,805)
Parallel shock down	3,409	14,236

In 2024, the methodology for calculating the change in net interest income (Δ NI) was updated to align the internal IRRBB model with the standardized methodology defined by the Commission Delegated Regulation (EU) 2024/857.

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. 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.

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. 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.

39. Capital management and Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank's objective of the capital management is to ensure healthy capital equipment in order to fulfil all regulatory requirements for capital, the amount of MREL, their ongoing maintenance 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 of 31 December 2024, the minimum capital adequacy requirements, including buffers and the Tier II requirements stipulated by the regulator were fulfilled.

The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) was defined by the regulator. To achieve this, the Bank has successfully issued MREL instruments over the past years. In 2024, the bank managed to place an issuance of EUR 150 million on the market.

Throughout the year ended 31 December 2024, the Bank met and exceeded all regulatory capital adequacy requirements, MREL requirements and this includes all requirements of Tier I, Tier II and the requirement for a combined capital buffer.

The dividend policy is planned so that all regulatory capital limits, including the MREL requirement, are met.

The Bank's position of own funds according to the CRR is displayed in the following table:

EUR'000	31.12.2024	31.12.2023
Tier I Capital	475,550	589,571
Share capital and share premium	367,043	367,043
Reserve funds and other funds created from profit	73,261	73,261
Selected components of accumulated other comprehensive income	(10,342)	(13,121)
Profit or loss of previous years	66,587	191,846
Intangible assets	(19,929)	(28,786)
Additional valuation adjustments	(310)	(435)
Insufficient coverage for non-performing exposures	(760)	(237)
Tier II Capital	4,797	6,401
Subordinated debt	4,797	6,401
Regulatory capital total	480,347	595,972

The table below summarises requirements on own funds in accordance with CRR:

EUR'000	31.12.2024	31.12.2023
Capital required to cover:		
Credit risk	164,634	188,036
Credit value adjustment risk	45	255
Operational risk	24,139	23,015
Total capital requirements	188,818	211,306
Capital ratios		
Total capital level as a percentage of total risk weighted assets	20.35%	22.56%
Tier I capital as a percentage of total risk weighted assets	20.15%	22.32%
Common Equity Tier I capital as a percentage of total risk weighted assets	20.15%	22.32%

Under IFRS 9 *Financial 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	31.12.2024	31.12.2023
Available capital (amounts)		
Common Equity Tier I (CET1) capital	475,550	589,571
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements were not applied	475,550	589,571
Tier I capital	475,550	589,571
Tier I capital as if IFRS 9 transitional arrangements were not applied	475,550	589,571
Total capital	480,347	595,972
Total capital as if IFRS 9 transitional arrangements were not applied	480,347	595,972
Risk-weighted assets (amounts)		
Risk-weighted assets	2,360,236	2,641,334
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	2,360,236	2,641,334
Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	20.15%	22.32%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	20.15%	22.32%
Tier I capital (as a percentage of risk exposure amount)	20.15%	22.32%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	20.15%	22.32%
Total capital (as a percentage of risk exposure amount)	20.35%	22.56%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	20.35%	22.56%

40. Post balance-sheet events

Since the date of the preparation of the financial statements, no significant events have occurred that would require adjustment or disclosure in this interim condensed individual financial statement.