365.bank, a. s.

Interim Condensed
Consolidated Financial Statements
prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting as adopted by the European Union

for 6 months ending 30 June 2023
(English translation)

Contents

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

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying

- consolidated statement of financial position of 365.bank, a.s. ("the Bank") and its subsidiaries ("the Group") as at 30 June 2023;
- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows for the 6-month period then ended

and

- condensed notes comprising a summary of significant accounting policies and other explanatory information ("the interim condensed consolidated financial statements").

Responsibility of the Statutory Body for the Interim Condensed Consolidated Financial Statements

The statutory body is responsible for the preparation of these interim condensed consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union applicable to the interim financial reporting.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2023, and of its financial performance and its cash flows for the 6-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union applicable to the interim financial reporting.

Audit firm:

KPMG Slovensko spol. s r.o.
License SKAU č. 96

Slovenská komora audítorov SKAU Č.licencie 96 KPMG Slovensko spol. s r.o.

Responsible auditor:

Ing. Michal Maxim, FCCA
License UDVA No. 1093

Bratislava, 18 August 2023

A. Consolidated Statement of Financial Position

EUR'000	Notes	30.6.2023	31.12.2022
Assets			
Cash, cash balances at central banks and other demand deposits	4	348,139	594,686
thereof: Cash and cash equivalents	4	315,151	562,341
Financial assets held for trading	5	45	16
Non-trading financial assets mandatorily at fair value through profit or loss	6	189,317	186,523
Financial assets at fair value through other comprehensive income	7	205,201	232,415
Financial assets at amortised cost	8	3,692,289	3,545,098
Debt securities	*8*	*713,035*	*512,690*
Loans and advances	*8*	*2,952,362*	*2,993,535*
thereof: Loans and advances to banks	8	49,247	35,813
thereof: Loans and advances to customers	8	2,903,115	2,957,722
Other financial assets	*8*	*26,892*	*38,873*
Derivatives – Hedge accounting	9	7,450	8,089
Investments in joint ventures and associates	10	1,196	1,106
Tangible assets	11	56,720	60,095
Intangible assets	12	55,401	56,009
Current tax assets		1,200	142
Deferred tax assets	13	28,270	27,291
Other assets	14	15,056	19,799
TOTAL ASSETS		**4,600,284**	**4,731,269**
Liabilities			
Financial liabilities held for trading	5	126	2,102
Financial liabilities at amortised cost	15	3,927,523	3,953,365
Deposits	*15*	*3,755,750*	*3,769,899*
thereof: Subordinated debt	15	8,021	8,019
Debt securities issued	*15*	*129,417*	*124,981*
Other financial liabilities	*15*	*42,356*	*58,485*
Derivatives – Hedge accounting	9	-	37
Provisions	16	321	2,577
Current tax liabilities		1,848	2,773
Other liabilities	17	20,629	13,272
Total liabilities		**3,950,447**	**3,974,126**
Share capital and share premium	18	367,043	367,043
Retained earnings	18	225,254	334,830
Other equity	18	57,540	55,270
Total equity	**18**	**649,837**	**757,143**
TOTAL EQUITY AND LIABILITIES		**4,600,284**	**4,731,269**

These consolidated financial statements, which include the notes on pages 9 - 49, were approved by the Board of Directors on 18 August 2023.

Chairman of the Board of Directors
Andrej Zaťko

Member of the Board of Directors
Ladislav Korec

B. Consolidated Statement of Profit or Loss and Other Comprehensive Income

EUR'000	Notes	1-6/2023	1-6/2022
Statement of profit or loss			
Net interest income	20	69,942	67,838
Interest income calculated on an effective interest rate	*20*	*83,031*	*70,860*
Interest income not calculated on an effective interest rate	*20*	*5*	*323*
Interest expenses	*20*	*(13,094)*	*(3,345)*
Net fee and commission income	21	34,117	32,056
Fee and commission income	*21*	*47,171*	*45,163*
Fee and commission expenses	*21*	*(13,054)*	*(13,107)*
Dividend income	22	12	8,335
Net gains/(losses) from financial transactions	23	3,344	1,652
Other operating income and expenses	24	4,803	2,506
Staff expenses	25	(30,851)	(29,039)
Other administrative expenses	25	(20,711)	(21,832)
Depreciation	26	(10,688)	(13,656)
Release/(creation) of provisions	27	255	305
Net impairment of financial assets not valued at fair value through profit and loss	27	(5,411)	5,735
Net impairment on non-financial assets	27	116	165
Share of the profit of investments in joint ventures and associates	10	98	278
Profit before tax		**45,026**	**54,343**
Income tax	28	(9,504)	(10,551)
Profit after tax		**35,522**	**43,792**
Profit after tax attributable to ordinary shareholders		35,522	43,790
Profit after tax attributable to non-controlling interest		-	2
Statement of other comprehensive income			
Items that may be reclassified to profit or loss		(2,854)	(24,404)
Revaluation of debt securities at fair value through other comprehensive income		*657*	*(30,876)*
Impairment losses for debt securities at fair value through other comprehensive income		*(4,415)*	*(61)*
Deferred tax related to items that may be reclassified to profit or loss		*904*	*6,533*
Items that may not be reclassified to profit or loss		26	-
Total other comprehensive income		**(2,828)**	**(24,404)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,694**	**19,388**
Total comprehensive income attributable to ordinary shareholders		32,694	19,386
Total comprehensive income attributable to non-controlling interest		-	2

The notes on pages 9 - 49 are an integral part of these consolidated financial statements.

C. Consolidated Statement of Changes in Equity

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	TOTAL EQUITY
Opening balance as of 1 January 2023	**366,305**	**738**	**68,163**	**(12,893)**	**334,830**	**757,143**	**757,143**
Total comprehensive income	**-**	**-**	**-**	**(2,828)**	**35,522**	**32,694**	**32,694**
Profit after tax	-	-	-	-	35,522	35,522	35,522
Other comprehensive income	-	-	-	(2,828)	-	(2,828)	(2,828)
Other transactions	**-**	**-**	**5,098**	**-**	**(145,098)**	**(140,000)**	**(140,000)**
Transfer to legal reserve fund	-	-	3,434	-	(3,434)	-	-
Dividends	-	-	-	-	(140,000)	(140,000)	(140,000)
Other	-	-	1,664	-	(1,664)	-	-
Closing balance as of 30 June 2023	**366,305**	**738**	**73,261**	**(15,721)**	**225,254**	**649,837**	**649,837**

EUR'000	Share capital	Share premium	Legal reserve and other funds	Revaluation of FVOCI financial assets	Retained earnings	EQUITY ATTRIB. TO OWNERS OF THE PARENT	Non-controlling interests	TOTAL EQUITY
Opening balance as of 1 January 2022	**366,305**	**738**	**63,426**	**10,668**	**297,821**	**738,958**	**116**	**739,074**
Total comprehensive income	**-**	**-**	**-**	**(24,404)**	**43,790**	**19,386**	**2**	**19,388**
Profit after tax	-	-	-	-	43,790	43,790	2	43,792
Other comprehensive income	-	-	-	(24,404)	-	(24,404)	-	(24,404)
Other transactions	**-**	**-**	**6,112**	**-**	**(6,130)**	**(18)**	**-**	**(18)**
Transfer to legal reserve fund	-	-	6,112	-	(6,112)	-	-	-
Other	-	-	-	-	(18)	(18)	-	(18)
Closing balance as of 30 June 2022	**366,305**	**738**	**69,538**	**(13,736)**	**335,481**	**758,326**	**118**	**758,444**

The notes on pages 9 - 49 are an integral part of these consolidated financial statements.

D. Consolidated Statement of Cash Flows

EUR'000	Notes	30.6.2023	30.6.2022
Profit before tax		**45,026**	**54,343**
Adjustments:		-	
Net interest income	20	(69,942)	(67,838)
Dividend income	22	(12)	(8,335)
Depreciation	26	10,688	13,656
Release/(creation) of provisions	27	(255)	(305)
Gains/(losses) on derecognition of non-financial assets, net	24	46	235
Net impairment of financial assets not valued at fair value through profit and loss	27	5,411	(5,735)
Net impairment on non-financial assets	27	(116)	(165)
Share of profit in jointly controlled entities and associates		(98)	(278)
Cash flows from/(used in) operating activities before changes in working capital		**(9,252)**	**(14,422)**
(Increase)/decrease in operating assets:			
Cash balances at central banks	4	(643)	182,035
Financial assets held for trading	5	(30)	(882)
Non-trading financial assets mandatorily at fair value through profit or loss	6	(2,794)	(29,851)
Financial assets at amortised cost		45,677	805
Loans and advances		*33,696*	*8,012*
Other financial assets		*11,981*	*(7,207)*
Derivatives – Hedge accounting	9	639	(5,164)
Other assets	14	4,743	(5,484)
Increase/(decrease) in operating liabilities:			
Financial liabilities held for trading		(1,977)	(2,668)
Financial liabilities measured at amortised cost, excl. sub-debt, received loans and lease liabilities		(33,515)	(206,070)
Deposits		*(31,511)*	*(205,568)*
Other financial liabilities		*(2,004)*	*(502)*
Derivatives – Hedge accounting	9	(1,597)	(4,219)
Other liabilities	17	(4,091)	(4,525)
Cash flows from operating activities before interest and income tax		**(2,840)**	**(90,445)**
Interest received		79,280	67,245
Dividends received	22	*12*	*8,335*
Interest paid		(2,428)	(3,862)
Income tax paid		(11,562)	(12,010)
Net cash flows from/(used in) operating activities		***62,462***	***(30,737)***
Cash flows from investing activities			
Financial assets at amortised cost - debt securities			
Purchase		(198,429)	(41,548)
Proceeds from sale and maturity		-	20,000
Financial assets at fair value through other comprehensive income - debt securities			
Purchase		-	(15,676)
Proceeds from sale and maturity		27,481	84,125
Tangible and intangible assets			
Purchase	11,12	(6,124)	(8,066)
Proceeds from sale		95	618
Net cash flows (used in)/from investing activities		***(176,977)***	***39,453***
Cash flows from financing activities			
Dividends paid		(140,000)	-
Financial liabilities at amortised cost - received loans			
Loan paid		10,000	-
Financial liabilities at amortised cost - lease liabilities		(2,675)	(3,061)
Net cash flows used in financing activities		***(132,675)***	***(3,061)***
Net increase/(decrease) in cash and cash equivalents	4	**(247,190)**	**5,655**
Cash and cash equivalents at the beginning of the period	4	**562,341**	**48,723**
Cash and cash equivalents at the end of the period	4	**315,151**	**54,378**

The notes on pages 9 - 49 are an integral part of these consolidated financial statements.

E. Notes to the Consolidated Financial Statements

1. General information

365.bank, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992 and commenced its activities on 1 January 1993. On 3 July 2021, the Bank changed its business name to 365.bank, a. s. 365.bank has become the main Bank of the Group 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.

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

The principal activities of the Group are as follows:

- Accepting and providing deposits in euro and in foreign currencies,
- Providing loans and guarantees in euro and foreign currencies,
- Providing banking services to the public,
- Providing services on the capital market,
- Provision of investment services,
- Managing pension funds,
- Mediation of life and non-life insurance services,
- Leasing, rental and factoring services.

The shareholder's structure is as:

Name of shareholder	Address	30 June 2023 Number of shares	30 June 2023 Ownership in %	31 December 2022 Number of shares	31 December 2022 Ownership in %
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Czech republic	325,794	98.45%	325,794	98.45%
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovak republic	4,918	1.49%	4,918	1.49%
Ministerstvo dopravy Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovak republic	100	0.03%	100	0.03%
UNIQA Österreich Versicherungen AG	Untere Donaustrasse 21, 1029 Vienna, Austria	87	0.03%	87	0.03%
Total		**330,899**	**100.00%**	**330,899**	**100.00%**

Members of the Board of Directors	
Andrej Zaťko	Chairman
Peter Hajko	Board member
Zuzana Žemlová	Board member
Ladislav Korec	Board member

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

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

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

2. Accounting policies

2.1 Basis of preparation of the consolidated financial statements

The interim consolidated financial statements for the 6 months ending 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim consolidated financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for 2022.

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

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

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

2.2 Subsidiaries, joint ventures and associates

As at 30 June 2023 the Bank held significant direct shares in the following subsidiaries, joint ventures and associates:

Company name	Activity	Ownership in %	
		30.6.2023	31.12.2022
Subsidiaries			
365.invest, správ. spol., a. s.	Asset management	100.00%	100.00%
Ahoj, a.s.	Consumer loans	100.00%	100.00%
PB Servis, a. s.	Real estate administration	100.00%	100.00%
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100.00%	100.00%
365.fintech, a.s.	Investment fund	100.00%	100.00%
Cards&Co, a. s.	Information technology services industry	100.00%	100.00%
DanubePay, a. s. *	Payment services	100.00%	100.00%
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	100.00%	100.00%
365.nadácia	Charitable foundation	x	x
Joint ventures			
SKPAY, a. s.	Payment services	40.00%	40.00%
Monilogi s.r.o.	Cash management	8.00%	8.00%

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

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

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

2.3 Changes in accounting policies

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

2.4 Significant accounting policies

These interim condensed consolidated financial statements do not contain full information and disclosures as required in the complete set of financial statements as at year end and should be read in combination with consolidated financial statements for the previous accounting period.

The comparative amounts presented in these interim condensed consolidated financial statements are those presented in the consolidated statement of financial positions as at 31 December 2022 and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income and consolidated statement of cash flows for the 6 months ending 30 June 2022.

(a) Current and deferred income tax

Income tax is calculated in accordance with the tax legislation valid in the Slovak republic.

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

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.

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 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 *33. 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 *30. Fair values of financial assets and liabilities.*

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

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

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

EUR'000	30.6.2023	31.12.2022
Cash on hand	29,676	30,750
Cash balances at central banks	274,011	520,399
Other demand deposits	44,452	43,537
Total	**348,139**	**594,686**

The above-mentioned financial assets are not restricted.

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

The balance of cash and cash equivalents is as follows:

EUR'000	30.6.2023	31.12.2022
Cash on hand	29,676	30,750
Other demand deposits	241,023	488,054
Other demand deposits	44,452	43,537
Total	**315,151**	**562,341**

5. Financial assets and liabilities held for trading

EUR'000	30.6.2023	31.12.2022
Financial assets held for trading		
Derivatives	**45**	**16**
Foreign exchange	45	16
Total	**45**	**16**
Financial liabilities held for trading		
Derivatives	**126**	**2,102**
Foreign exchange	126	2,102
Total	**126**	**2,102**

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

EUR'000	30 June 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	43,762	45	126	65,909	16	2,102
Total	**43,762**	**45**	**126**	**65,909**	**16**	**2,102**

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

EUR'000	30.6.2023	31.12.2022
Equity instruments	**189,317**	**186,523**
Share certificates	189,317	186,523
Total	**189,317**	**186,523**

7. Financial assets at fair value through other comprehensive income

EUR'000	30.6.2023	31.12.2022
Equity instruments	**-**	**65**
Shares	-	65
Debt securities	**205,201**	**232,350**
General governments	136,024	146,152
Credit institutions	17,291	27,114
Other financial corporations	19,048	26,248
Non-financial corporations	32,838	32,836
Total	**205,201**	**232,415**
Impairment allowances to debt securities in OCI	(4,017)	(8,432)

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

EUR'000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	**(118)**	**(8,314)**	**-**	**-**	**(8,432)**
Decreases due to derecognition	14	-	-	-	14
Changes due to change in credit risk (net)	13	4,388	-	-	4,401
Transfers:	-	-	-	-	-
(to)/from Stage 1	x	-	-	-	-
(to)/from Stage 2	-	x	-	-	-
(to)/from Stage 3	-	-	x	-	-
As of 30 June 2023	**(91)**	**(3,926)**	**-**	**-**	**(4,017)**

8. Financial assets at amortised cost

EUR'000	Gross value		Impairment allowances		Carrying amount	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Debt securities	**720,747**	**520,283**	**(7,712)**	**(7,593)**	**713,035**	**512,690**
General governments	634,242	441,973	(210)	(151)	634,032	441,822
Credit institutions	39,317	32,758	-	-	39,317	32,758
Other financial corporations	1,303	1,362	-	-	1,303	1,362
Non-financial corporations	45,885	44,190	(7,502)	(7,442)	38,383	36,748
Loans and advances	**3,121,283**	**3,170,905**	**(168,921)**	**(177,370)**	**2,952,362**	**2,993,535**
General governments	60,386	60,206	(20)	(20)	60,366	60,186
Credit institutions	49,256	35,821	(9)	(8)	49,247	35,813
Other financial corporations	183,038	260,030	(8,473)	(8,514)	174,565	251,516
Non-financial corporations	452,440	497,089	(45,901)	(55,138)	406,539	441,951
Households	2,376,163	2,317,759	(114,518)	(113,690)	2,261,645	2,204,069
Lending for house purchase	*1,447,527*	*1,418,682*	*(448)*	*(890)*	*1,447,079*	*1,417,792*
Credit for consumption	*918,555*	*890,756*	*(111,911)*	*(110,745)*	*806,644*	*780,011*
Other	*10,081*	*8,321*	*(2,159)*	*(2,055)*	*7,922*	*6,266*
Other financial assets	**28,472**	**40,413**	**(1,580)**	**(1,540)**	**26,892**	**38,873**
Total	**3,870,502**	**3,731,601**	**(178,213)**	**(186,503)**	**3,692,289**	**3,545,098**

Loans and advances include finance lease receivables:

EUR'000	30.6.2023	31.12.2022
Minimum value of leasing payments		
Receivables from leasing	15,578	18,480
Up to 1 year	5,589	*6,451*
1-5 years	9,978	*11,817*
Over 5 years	11	*212*
Unrealized income on finance leases	(1,279)	(1,680)
Present value of future lease payments	**14,299**	**16,800**
Impairment allowances	(193)	(208)
Total	**14,106**	**16,592**

EUR'000	30.6.2023	31.12.2022
Present value of future lease payments		
Receivables from leasing	14,299	16,800
Up to 1 year	*4,975*	*5,358*
1-5 years	*9,313*	*11,233*
Over 5 years	*11*	*209*
Present value of future lease payments	**14,299**	**16,800**
Impairment allowances	(193)	(208)
Total	**14,106**	**16,592**

Other financial assets comprise the following:

EUR'000	30.6.2023	31.12.2022
Other financial assets, gross	**28,472**	**40,413**
Clearing and settlement items	6,770	15,277
Cash collateral	7,033	7,164
Trade receivables	9,291	10,427
Other	5,378	7,545
Impairment allowances	(1,580)	(1,540)
Total	**26,892**	**38,873**

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

30.6.2023	Gross value					Impairment allowances				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**674,862**	**45,885**	**-**	**-**	**720,747**	**(210)**	**(7,502)**	**-**	**-**	**(7,712)**
General governments	634,242	-	-	-	634,242	(210)	-	-	-	(210)
Credit institutions	39,317	-	-	-	39,317	-	-	-	-	-
Other financial corporations	1,303	-	-	-	1,303	-	-	-	-	-
Non-financial corporations	-	45,885	-	-	45,885	-	(7,502)	-	-	(7,502)
Loans and advances	**2,721,798**	**207,744**	**178,431**	**13,310**	**3,121,283**	**(14,106)**	**(19,518)**	**(126,470)**	**(8,827)**	**(168,921)**
General governments	60,384	-	2	-	60,386	(20)	-	-	-	(20)
Credit institutions	49,256	-	-	-	49,256	(9)	-	-	-	(9)
Other financial corporations	175,031	-	-	8,007	183,038	(466)	-	-	(8,007)	(8,473)
Non-financial corporations	263,375	136,226	48,405	4,434	452,440	(5,217)	(11,423)	(28,658)	(603)	(45,901)
Households	2,173,752	71,518	130,024	869	2,376,163	(8,394)	(8,095)	(97,812)	(217)	(114,518)
Lending for house purchase	*1,419,044*	*20,275*	*8,208*	*-*	*1,447,527*	*(49)*	*(40)*	*(359)*	*-*	*(448)*
Credit for consumption	*749,310*	*48,881*	*119,495*	*869*	*918,555*	*(8,292)*	*(8,027)*	*(95,375)*	*(217)*	*(111,911)*
Other	*5,398*	*2,362*	*2,321*	*-*	*10,081*	*(53)*	*(28)*	*(2,078)*	*-*	*(2,159)*
Other financial assets	**-**	**28,472**	**-**	**-**	**28,472**	**-**	**(1,580)**	**-**	**-**	**(1,580)**
Total	**3,396,660**	**282,101**	**178,431**	**13,310**	**3,870,502**	**(14,316)**	**(28,600)**	**(126,470)**	**(8,827)**	**(178,213)**

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

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

EUR'000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	**(151)**	**(7,442)**	**-**	**-**	**(7,593)**
Increases due to origination and acquisition	(10)	-	-	-	(10)
Changes due to change in credit risk (net)	(49)	(60)	-	-	(109)
Transfers:	-	-	-	-	-
(to)/from Stage 1	*x*	-	-	-	-
(to)/from Stage 2	-	*x*	-	-	-
(to)/from Stage 3	-	-	*x*	-	-
As of 30 June 2023	**(210)**	**(7,502)**	**-**	**-**	**(7,712)**

EUR'000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	**(16,334)**	**(20,527)**	**(131,950)**	**(8,559)**	**(177,370)**
Increases due to origination and acquisition	(2,683)	-	-	(219)	(2,902)
Decreases due to derecognition	1,875	291	17,383	-	19,549
Changes due to change in credit risk (net)	6,173	(3,968)	(11,103)	(49)	(8,947)
Transfers:	(3,137)	4,694	(1,557)	-	-
(to)/from Stage 1	*x*	*2,066*	*1,071*	-	*3,137*
(to)/from Stage 2	*(2,066)*	*x*	*(2,628)*	-	*(4,694)*
(to)/from Stage 3	*(1,071)*	*2,628*	*x*	-	*1,557*
Decrease in allow ance account due to w rite-offs	-	-	813	-	813
Changes due to movements in FX rates	-	(8)	(56)	-	(64)
As of 30 June 2023	**(14,106)**	**(19,518)**	**(126,470)**	**(8,827)**	**(168,921)**

EUR'000	Loans and advances - households				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	**(7,216)**	**(9,186)**	**(97,288)**	**-**	**(113,690)**
Increases due to origination and acquisition	(2,498)	-	-	(219)	(2,717)
Decreases due to derecognition	1,562	265	10,946	-	12,773
Changes due to change in credit risk (net)	2,929	(4,012)	(10,616)	2	(11,697)
Transfers:	(3,171)	4,838	(1,667)	-	-
(to)/from Stage 1	*x*	*2,096*	*1,075*	-	*3,171*
(to)/from Stage 2	*(2,096)*	*x*	*(2,742)*	-	*(4,838)*
(to)/from Stage 3	*(1,075)*	*2,742*	*x*	-	*1,667*
Decrease in allow ance account due to w rite-offs	-	-	813	-	813
As of 30 June 2023	**(8,394)**	**(8,095)**	**(97,812)**	**(217)**	**(114,518)**

In 2023, the Group sold a portfolio of retail receivables in the gross amount of EUR 8.8 million (2022: EUR 39.3 million), for which impairment allowances were created in the amount of EUR 8.7 million (2022: 38.4 million).

EUR'000	Loans and advances - corporate				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2023	**(9,090)**	**(11,341)**	**(34,662)**	**(8,559)**	**(63,652)**
Increases due to origination and acquisition	(99)	-	-	-	(99)
Decreases due to derecognition	222	27	6,437	-	6,686
Changes due to change in credit risk (net)	3,250	43	(487)	(51)	2,755
Transfers:	34	(144)	110	-	-
(to)/from Stage 1	*x*	*(30)*	*(4)*	-	*(34)*
(to)/from Stage 2	*30*	*x*	*114*	-	*144*
(to)/from Stage 3	*4*	*(114)*	*x*	-	*(110)*
Changes due to movements in FX rates	-	(8)	(56)	-	(64)
As of 30 June 2023	**(5,683)**	**(11,423)**	**(28,658)**	**(8,610)**	**(54,374)**

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

The positive development of the creation of impairment allowances in 2022 in the corporate portfolio was caused by significant decrease in corporate exposure and low impacts of pandemic on customers compared to estimates.

9. Hedging derivatives

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

The table below summarises notional and fair values of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss relating to the market or credit risks of these transactions. Macro hedging derivatives are in accordance with IAS 39 standards and micro hedging derivatives follow the IFRS 9 standard.

EUR'000	30 June 2023			31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Interest rate swaps - portfolio fair value hedges	411,700	6,726	-	396,400	5,148	-
Interest rate swaps - micro fair value hedges	161,366	8,859	-	90,366	9,081	37
Total	573,066	15,585	-	486,766	14,229	37

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

EUR'000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	
Fair value hedges					
Portfolio fair value hedge	411,700	396,400	(8,135)	(6,140)	Financial assets at amortised cost
Micro fair value hedge (FVOCI debt sec.)	73,840	76,225	(7,994)	(9,554)	Financial assets at FV through OCI
Micro fair value hedge (AC debt sec.)	72,590	0	(547)	-	Financial assets at amortised cost

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

EUR'000	1-6/2023	1-6/2022
Fair value changes of the hedging instrument	1,039	9,200
Fair value changes of the hedged item attributable to the hedged risk	(983)	(9,341)
Gains/(losses) from hedge accounting, net	**56**	**(141)**

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

10. Investments in joint ventures and associates

EUR'000	SKPAY, a. s.		Monilogi s.r.o.	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Statement of financial position				
Total assets	**21,122**	**76,272**	**-**	**-**
Total liabilities	**18,780**	**73,936**	**-**	**-**
Net assets	**2,342**	**2,336**	**3,236**	**2,139**
Group share on net assets	**937**	**934**	**259**	**172**

EUR'000	SKPAY, a. s.		Monilogi s.r.o.	
	1-6/2023	1-6/2022	1-6/2023	1-6/2022
Statement of profit or loss				
Profit before tax	**756**	**840**	**(1 744)**	**-**
Profit after tax	**595**	**695**	**(1 744)**	**-**
Total comprehensive income for the year	**595**	**695**	**(1 744)**	**-**
Group share of profit/(loss) after tax	**238**	**278**	**(140)**	**-**

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

EUR'000	30.6.2023	31.12.2022
Net assets		
Jointly controlled entity SKPAY, a.s.	937	934
Jointly controlled entity Monilogi s.r.o.	259	172
Total	**1,196**	**1,106**

EUR'000	1-6/2023	1-6/2022
Profit after tax		
Jointly controlled entity SKPAY, a.s.	238	278
Jointly controlled entity Monilogi s.r.o.	(140)	-
Total	**98**	**278**

11. Tangible assets

EUR'000	30.6.2023	31.12.2022
Tangible assets owned	22,790	24,603
Property, plant and equipment	*22,790*	*24,603*
Right of use assets	33,930	35,492
Total	**56,720**	**60,095**

EUR'000	Tangible assets owned					
	Land and buildings	Hardware	Fittings and other equipment	Operating lease assets	Assets not yet in use	Total
Cost						
As of 1 January 2023	23,257	12,067	23,587	1,708	53	60,672
Additions	11	3	65	-	422	501
Transfers	1	2,118	(1,716)	-	(403)	-
Disposals	(274)	(822)	(555)	(96)	(40)	(1,787)
As of 30 June 2023	**22,995**	**13,366**	**21,381**	**1,612**	**32**	**59,386**
Accumulated depreciation						
As of 1 January 2023	(12,094)	(9,194)	(13,857)	(769)	-	(35,914)
Movements between categories	-	(1,604)	1,604	-	-	-
Depreciation for the year	(739)	(674)	(699)	(136)	-	(2,248)
Disposals	138	783	587	96	-	1,604
As of 30 June 2023	**(12,695)**	**(10,689)**	**(12,365)**	**(809)**	**-**	**(36,558)**
Accumulated impairment losses	**(38)**	**-**	**-**	**-**	**-**	**(38)**
Carrying amount as at 30.6.2023	**10,262**	**2,677**	**9,016**	**803**	**32**	**22,790**

EUR'000	Righ of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2023	51,836	211	4,062	56,109
Lease modifications	1,113	-	-	1,113
Contract terminations	(317)	-	(238)	(555)
As of 30 June 2023	**52,632**	**211**	**3,824**	**56,667**
Accumulated depreciation				
As of 1 January 2023	(18,373)	(211)	(2,033)	(20,617)
Depreciation for the year	(2,536)	-	(139)	(2,675)
Contract terminations	317	-	238	555
As of 30 June 2023	**(20,592)**	**(211)**	**(1,934)**	**(22,737)**
Accumulated impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 30.6.2023	**32,040**	**-**	**1,890**	**33,930**

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

EUR'000	30.6.2023	31.12.2022
Opening balance as at 1 January	(154)	(642)
Net release of impairment losses	116	488
Closing balance	**(38)**	**(154)**

12. Intangible assets

EUR'000	Goodwill	Software	Other intangible assets	Assets not yet in use	Total
Cost					
As of 1 January 2023	14,024	108,926	424	11,859	135,233
Additions	-	-	-	5,623	5,623
Transfers	-	3,181	-	(3,181)	-
Disposals	-	(693)	-	-	(693)
As of 30 June 2023	**14,024**	**111,414**	**424**	**14,301**	**140,163**
Accumulated amortisation					
As of 1 January 2023	-	(75,755)	(248)	-	(76,003)
Amortisation for the year	-	(5,747)	(18)	-	(5,765)
Disposals	-	240	(13)	-	227
As of 30 June 2023	**-**	**(81,262)**	**(279)**	**-**	**(81,541)**
Accumulated impairment losses	**(3,221)**	**-**	**-**	**-**	**(3,221)**
Carrying amount as at 30.6.2023	**10,803**	**30,152**	**145**	**14,301**	**55,401**

13. Deferred tax assets and liabilities

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

	30.6.2023	31.12.2022
Companies in SK	21.00%	21.00%

EUR'000	30.6.2023	31.12.2022
SK		
Impairment allowances - financial assets at AC	20,461	19,212
Impairment allowances - other	8	8
Provisions for off-balance sheet exposures	69	123
Revaluation of financial assets at FVOCI - debt securities	5,903	5,494
Revaluation of financial assets at FVOCI - derivatives	(1,511)	(2,006)
Tangible assets	514	469
Other	2,826	3,991
Total	**28,270**	**27,291**

Movements in deferred tax were as follows:

EUR'000	1.1.2023	Profit or loss	OCI	30.6.2023
Impairment on financial assets at AC	19,212	1,249	-	20,461
Impairment on other assets	8	-	-	8
Provisions for off-balance sheet exposures	123	(54)	-	69
Revaluation of financial assets at FVOCI	3,488	-	904	4,392
Tangible assets	469	45	-	514
Other	3,991	(1,165)	-	2,826
Total	**27,291**	**75**	**904**	**28,270**

14. Other assets

EUR'000	30.6.2023	31.12.2022
Deferred expenses and prepayments	11,596	15,931
Accrued income	2,791	3,567
Inventories	276	301
Other tax assets	390	-
Other	3	-
Total	**15,056**	**19,799**

15. Financial liabilities measured at amortised cost

EUR'000	30.6.2023	31.12.2022
Deposits	**3,755,750**	**3,769,899**
Central banks	252,509	249,040
General governments	4,046	3,532
Credit institutions	45,868	35,123
Credit institutions excluding subordinated debt	37,847	27,104
Credit institutions - subordinated debt	8,021	8,019
Other financial corporations	116,612	127,128
Non-financial corporations	106,902	125,245
Households	3,229,813	3,229,831
Debt securities issued	**129,417**	**124,981**
Non-convertible debt securities issued	129,417	124,981
Other financial liabilities	**42,356**	**58,485**
Clearing and settlement items	3,983	7,616
Lease liabilities	34,744	36,256
Other creditors	3,629	2,000
Other	-	12,613
Total	**3,927,523**	**3,953,365**

In November and December 2021 and December 2022, the Group issued senior unsecured and non-subordinated debt securities. The detail of the issue is in the table:

EUR'000	Issue date	Maturity	Interest rate	Number of securities	Nominal value	Currency	30.6.2023	31.12.2022
Debt securities issued	22.11.2021	22.11.2024	3.50%	15	1,000	EUR	15,282	15,009
Debt securities issued	22.12.2021	22.12.2024	3.50%	500	100	EUR	50,753	49,832
Debt securities issued	19.12.2022	19.12.2026	7.04%	60	1,000	EUR	62,218	60,140
Total							**128,253**	**124,981**

The interest rate for first two security issues is fixed at 3.5% per annum for the first two years. Subsequently, for 2024 the float interest rate of 3-month EURIBOR + the original spread p. a. paid quarterly is agreed (3.82 % or 3.85 %). The first issue of debt securities in the amount of 15 mil. EUR is private, the second issue comprises debt securities in the amount of 50 mil. placed on the Luxembourg Stock Exchange.
The security issue from 2022 has a fixed interest rate of 7.04% per annum and was placed privately.

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

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

EUR'000	30.6.2023	31.12.2022
Subordinated debt	8,021	8,019
Other received loans	20,000	10,035

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

Creditor	Debtor	Carrying amount	Interest rate	Maturity
J&T BANKA, a.s.	365.bank, a. s.	8,021	3M EURIBOR + 6.00%	31.12.2026

Creditor	Debtor	Carrying amount	Interest rate	Maturity
MONETA Money Bank, a.s.	Ahoj, a.s.	20,000	3.95%	30.9.2025

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

16. Provision

EUR'000	30.6.2023	31.12.2022
Commitments and guarantees given	321	577
Loan commitments	*223*	*568*
Guarantees given	*98*	*9*
Other provisions	-	2,000
Total	**321**	**2,577**

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 2023	**147**	**424**	**6**	**-**	**577**
Increases due to origination and acquisition	210	-	-	-	210
Decreases due to derecognition	(65)	(84)	(1)	-	(150)
Changes due to change in credit risk (net)	(161)	(156)	-	-	(317)
Transfers:	21	(21)	-	-	-
to/(from) Stage 1	*x*	*(21)*	-	-	*(21)*
to/(from) Stage 2	*21*	*x*	-	-	*21*
to/(from) Stage 3	-	-	x	-	-
As of 30 June 2023	**152**	**163**	**5**	**-**	**320**

17. Other liabilities

EUR'000	30.6.2023	31.12.2022
Estimated payables (PEREX, OPEX)	9,138	12,612
Deferred income	41	393
Accrued expenses	28	267
Liabilities to employees	3,810	-
Liabilities from social and health insurance and social fund	2,306	-
Tax liabilities	889	-
Received prepayments	3,596	-
Liabilities from dividends	821	-
Total	**20,629**	**13,272**

18. Equity

Distribution of profit in the previous period

The General Meeting of shareholders dated 28 April 2023 decided to distribute the profit for the previous period as follows:

EUR'000	
Profit for the year	**93,166**
Dividends	80,000
Transfer to retained earnings	9,732
Transfer to legal reserve fund	3,434

The General meeting dated 28 April 2023 decided on the payment of dividends in the amount of EUR 8 million from retained earnings from 2012 and EUR 52 million from retained earnings from 2013.

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR'000	30.6.2023	31.12.2022
Loan commitments given	103,903	159,599
Financial guarantees given	9,071	8,128
Total	**112,974**	**167,727**

b) Assets' management and custody

EUR'000	30.6.2023	31.12.2022
Asset management	2,107,544	2,179,623
Custody assets	113,548	106,811
Total	**2,221,092**	**2,286,434**

c) Securities provided as collateral

EUR'000	30.6.2023	31.12.2022
Financial assets at fair value through other comprehensive income	-	97,657
Financial assets at amortised cost	514,362	361,079
Total	**514,362**	**458,736**

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

20. Net interest income

EUR'000	1-6/2023	1-6/2022
Interest income		
Financial assets at fair value through other comprehensive income	1,889	2,488
Financial assets at amortised cost	74,620	68,447
Debt securities	*6,654*	*2,755*
Loans and advances	*67,966*	*65,692*
Derivatives - Hedge accounting, interest rate risk	1,167	(1,029)
Other assets	5,361	20
Cash balances at central banks	*4,853*	*-*
Other demand deposits	*508*	*20*
Interest income on liabilities	-	1,257
Total interest income	**83,036**	**71,183**
Interest expenses		
Financial liabilities measured at amortised cost	(13,040)	(3,285)
thereof: lease liabilities	*(221)*	*(282)*
Other liabilities	-	(1)
Interest expense on assets	(54)	(59)
Total interest expense	**(13,094)**	**(3,345)**
Net interest income	**69,942**	**67,838**

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

21. Net fee and commission income

EUR'000	1-6/2023	1-6/2022
Fee and commission income		
Clearing and settlement	8,395	7,560
Asset management	12,733	15,485
Custody	1,635	1,848
Payment services	16,746	14,671
Current accounts	*12,638*	*11,848*
Debit cards and other card payments	*179*	*153*
Transfers and other payment orders	*1,242*	*1,042*
Other fee and commission income in relation to payment services	*2,687*	*1,628*
Loan servicing activities	750	1,358
Loan commitments given	222	102
Financial guarantees given	71	125
Other	6,619	4,014
Total fee and commission income	**47,171**	**45,163**
Of which: Revenue recognised under IFRS 15: Recognition of Revenue from Customers contracts	46,878	44,936
Fee and commission expenses		
Securities	(22)	(31)
Clearing and settlement	(10,698)	(9,585)
Custody	(169)	(220)
Loan servicing activities	(407)	(691)
Other	(1,758)	(2,580)
Total fee and commission expenses	**(13,054)**	**(13,107)**
Net fee and commission income	**34,117**	**32,056**

22. Dividend income

EUR'000	1-6/2023	1-6/2022
Non-trading financial assets mandatorily at fair value through profit or loss	12	8,335
Total	**12**	**8,335**

23. Net gains/(losses) from financial transactions

EUR'000	1-6/2023	1-6/2022
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**(3)**	**(75)**
Financial assets at fair value through other comprehensive income	(3)	(75)
Gains/(losses) on financial assets and liabilities held for trading, net	**(1,055)**	**(2,905)**
Derivatives	(1,055)	(2,905)
Exchange differences, net	**(327)**	**1,754**
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	**4,674**	**3,019**
Revaluation gains/(losses)	6,177	3,019
Trading gains/(losses)	(1,503)	-
Gains/(losses) from hedge accounting, net	**55**	**(141)**
Fair value changes of the hedging instrument	1,039	9,200
Fair value changes of the hedged item attributable to the hedged risk	(983)	(9,341)
Total	**3,344**	**1,652**

24. Net other operating expenses income/(expenses)

EUR'000	1-6/2023	1-6/2022
Other expenses	**(1,744)**	**(2,234)**
Bank and insurance companies specific fees	(562)	(1,701)
Resolution fund	(193)	(158)
Deposit protection fund	(369)	(1,543)
Other	(1,182)	(533)
Other income	**6,592**	**4,975**
Operating leases other than investment property	812	668
Other	5,780	4,307
Gains/(losses) on derecognition of non-financial assets, net	**(45)**	**(235)**
Total net other operating expense	**4,803**	**2,506**

Other operating income - comprises income from other payment services, contractual fines and other operating income.

25. Administrative expenses

EUR'000	1-6/2023	1-6/2022
Staff expenses	**(30,851)**	**(29,039)**
Wages and salaries (including bonuses)	(21,871)	(20,897)
Social expenses	(8,980)	(8,142)
Other administrative expenses	**(20,711)**	**(21,832)**
Rental expenses	(2,089)	(1,472)
Short-term lease contracts	*(706)*	(494)
Variable lease payments not included in the lease liabilities	*(1,289)*	(876)
Other	*(94)*	(102)
Real estate expenses	(893)	(634)
IT expenses	(7,876)	(6,324)
Marketing and advertisement	(2,744)	(4,300)
Legal and consulting services	(801)	(846)
Post and telecommunication	(1,627)	(1,881)
Material consumption	(574)	(505)
Repair and maintenance	(1,316)	(1,317)
Other admininstrative expenses	(2,791)	(4,553)
Total	**(51,562)**	**(50,871)**

	1-6/2023	1-6/2022
Number of employees as of balance sheet date	1,448	1,493
Average number of employees for the period	1,433	1,478
thereof, key management	36	46

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

26. Depreciation

EUR'000	1-6/2023	1-6/2022
Property, plant and equipment	**(2,248)**	**(2,584)**
Buildings	(739)	(761)
Hardw are	(674)	(831)
Fittings and other equipment	(699)	(838)
Operating lease assets	(136)	(154)
Right of use assets	**(2,675)**	**(3,061)**
Buildings	(2,536)	(2,714)
Hardw are	-	(26)
Fittings and other equipment	(139)	(321)
Intangible assets	**(5,765)**	**(8,011)**
Softw are	(5,747)	(7,993)
Other intangible assets	(18)	(18)
Total	**(10,688)**	**(13,656)**

27. Impairment losses and provisions

EUR'000	1-6/2023	1-6/2022
Net impairment of financial assets not valued at fair value through profit or loss	**(5,411)**	**5,735**
Financial assets at fair value through other comprehensive income	4,415	61
Debt securities	*4,415*	*61*
Financial assets at amortised cost	(9,826)	5,674
Debt securities	*(118)*	*74*
Loans and advances	*(9,760)*	*5,756*
Other financial assets	*52*	*(156)*
Release/(creation) of provisions	**255**	**305**
Net impairment on non-financial assets	**116**	**165**
Total	**(5,040)**	**6,205**

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

28. Income tax

EUR'000	1-6/2023	1-6/2022
Current income tax	**(9,579)**	**(7,817)**
Current year	(9,568)	(7,817)
Withholding tax	(11)	-
Deferred tax	**75**	**(2,734)**
Total	**(9,504)**	**(10,551)**

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.

29. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or it has through its financial and operational decisions, significant influence over the other party. The following persons or companies meet the definition of related parties:

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

30.6.2023	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Key management and related parties	Others
Assets	**-**	**117,480**	**1,152**	**3,013**	**76,775**
Other demand deposits	-	186	-	-	-
Non-trading financial assets mandatorily at FVPL	-	107,435	-	-	-
Financial assets at FVOCI	-	9,620	-	-	-
Financial assets at amortised cost	-	239	1,152	3,013	76,775
Loans and advances	-	-	-	*3,013*	*76,775*
Other financial assets	-	*239*	*1,152*	-	-
Liabilities	**-**	**18,708**	**9,975**	**1,551**	**2,767**
Financial liabilities measured at amortised cost	-	18,708	9,975	1,551	2,767
Deposits	-	*18,707*	*9,960*	*1,551*	*2,767*
Other financial liabilities	-	*1*	*15*	-	-

Income/expenses	**-**	**-**	**-**	**-**	**-**
Net interest income	1,543	(57)	-	9	422
Net fee and commission income	111	530	4,143	-	97
Net gains/(losses) from financial transactions	-	7,370	-	-	-
Net other operating expenses	-	31	2	-	-

31.12.2022	Shareholders	Members of J&T FINANCE GROUP SE	Joint ventures	Key management and related parties	Others
Assets	**-**	**119,309**	**1,416**	**2,445**	**17,741**
Other demand deposits	-	10,102	-	-	-
Non-trading financial assets mandatorily at FVPL	-	100,065	-	-	-
Financial assets at FVOCI	-	8,812	-	-	-
Financial assets at amortised cost	-	330	1,416	2,445	17,741
Loans and advances	*-*	*-*	*-*	*2,445*	*17,741*
Other financial assets	*-*	*330*	*1,416*	*-*	*-*
Liabilities	**41**	**26,066**	**7,679**	**1,776**	**5,667**
Financial liabilities measured at amortised cost	41	26,066	7,679	1,776	5,667
Deposits	*41*	*26,054*	*7,679*	*1,776*	*5,655*
Other financial liabilities	*-*	*12*	*-*	*-*	*12*

1-6/2022					
Income/expenses	**-**	**-**	**-**	**-**	**-**
Net interest income	460	(111)	-	16	760
Net fee and commission income	42	751	7,022	1	146
Net gains/(losses) from financial transactions	-	3,087	-	-	-
Net other operating expenses	-	61	90	-	-

The total remuneration of the members of the Board of Directors and executive officers directly supervised by the Board of Directors members of 365.bank for 6 months ending 30 June 2023 is in the amount of EUR 3,238 thousand (6 months ending 30 June 2022: EUR 3,200 thousand). Remuneration includes basic wages and salaries, remuneration and payments for health and social insurance.

30. Fair value of financial assets and liabilities

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

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

- **Level 1**: Quoted market price in an active market for an identical instrument;
- **Level 2**: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and where the unobservable inputs could have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

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

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

Even though these valuation techniques are considered to be appropriate and in compliance with market practice, the estimations in discount interest rates and changes of basic assumptions in future cash flows, may lead to different fair value of financial instruments. Transfers of financial instruments between individual levels can occur only if market activity has changed.

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

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

EUR'000	Level 1		Level 2		Level 3		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
ASSETS								
Financial assets held for trading	**-**	**-**	**45**	**16**	**-**	**-**	**45**	**16**
Derivatives	-	-	45	16	-	-	45	16
Non-trading financial assets mandatorily at FVPL	**-**	**6,739**	**189,317**	**179,784**	**-**	**-**	**189,317**	**186,523**
Equity instruments	-	6,739	189,317	179,784	-	-	189,317	186,523
Financial assets at FVOCI	**160,288**	**182,977**	**2,455**	**14,646**	**42,458**	**34,792**	**205,201**	**232,415**
Equity instruments	-	-	-	-	-	65	-	65
Debt securities	160,288	182,977	2,455	14,646	42,458	34,727	205,201	232,350
Derivatives – Hedge accounting	-	-	15,585	8,089	-	-	15,585	8,089
Total assets	**160,288**	**189,716**	**207,402**	**202,535**	**42,458**	**34,792**	**410,148**	**427,043**

EUR'000	Level 1		Level 2		Level 3		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
LIABILITIES								
Financial liabilities held for trading	**-**	**-**	**126**	**2,102**	**-**	**-**	**126**	**2,102**
Derivatives	-	-	126	2,102	-	-	126	2,102
Derivatives – Hedge accounting	**-**	**-**	**-**	**37**	**-**	**-**	**-**	**37**
Total liabilities	**-**	**-**	**126**	**2,139**	**-**	**-**	**126**	**2,139**

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

EUR'000	1.1.2023	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	30.6.2023
Financial assets at fair value through OCI	34,792	(962)	(853)	-	(65)	9,546	-	42,458
Total	**34,792**	**(962)**	**(853)**	**-**	**(65)**	**9,546**	**-**	**42,458**

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

	Fair value	Price	Idiosyncratic CS	Price with 1% growth	Fair value with 1% growth of CS	Sensitivity on 1% growth of CS
Client no. 1	31,950	89%	3%	87%	31,246	(704)
Client no. 2	43,622	99%	3%	97%	42,697	(925)
Client no. 3	9,463	95%	1%	93%	9,284	(179)

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

EUR'000	30 June 2023			31 December 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Non-trading financial assets mandatorily at FVPL						
Transfers into the category	-	-	-	-	-	-
Transfers out of the category	-	-	-	-	-	-
Financial assets at fair value through OCI						
Transfers into the category	3,461	-	9,546	-	14,646	-
Transfers out of the category	(9,546)	(3,461)	-	(5,834)	-	(8,812)
Total assets	**(6,085)**	**(3,461)**	**9,546**	**(5,834)**	**14,646**	**(8,812)**

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

30 June 2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	**348,139**	**348,139**	**-**	**348,139**	**-**
Financial assets at amortised cost	**3,692,289**	**3,627,815**	**608,203**	**82,402**	**2,937,210**
Debt securities	713,035	656,679	608,203	2,933	45,543
Loans and advances	2,952,362	2,944,244	-	52,577	2,891,667
Other financial assets	26,892	26,892	-	26,892	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	**3,927,523**	**3,736,514**	**-**	**3,736,514**	**-**
Deposits	3,755,750	3,564,741	-	3,564,741	-
Debt securities issued	129,417	129,417	-	129,417	-
Other financial liabilities	42,356	42,356	-	42,356	-

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

31. Segment reporting

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

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

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

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

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	1-6/2023	1-6/2022	1-6/2023	1-6/2022	1-6/2023	1-6/2022	1-6/2023	1-6/2022
Interest income	39,784	35,255	31,007	33,261	12,245	2,667	83,036	71,183
Interest expenses	(4,943)	(1,298)	(674)	(261)	(7,477)	(1,786)	(13,094)	(3,345)
Net interest income	**34,841**	**33,957**	**30,333**	**33,000**	**4,768**	**881**	**69,942**	**67,838**
Fee and commission income	27,072	23,586	7,021	7,053	13,078	14,524	47,171	45,163
Fee and commission expenses	(3,785)	(6,654)	(2,812)	(2,949)	(6,457)	(3,504)	(13,054)	(13,107)
Net fee and commission income	**23,287**	**16,932**	**4,209**	**4,104**	**6,621**	**11,020**	**34,117**	**32,056**
Net interest and fee margin	**58,128**	**50,889**	**34,542**	**37,104**	**11,389**	**11,901**	**104,059**	**99,894**
Impairment losses and provisions	(12,467)	(6,263)	7,447	12,448	(20)	20	(5,040)	6,205

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Assets	2,177,912	2,108,301	961,491	1,076,403	1,460,881	1,546,565	4,600,284	4,731,269
Liabilities	3,213,948	3,190,967	206,245	251,777	530,254	531,382	3,950,447	3,974,126

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

EUR'000	Retail banking		Corporate banking		Other banking		Total	
	1-6/2023	1-6/2022	1-6/2023	1-6/2022	1-6/2023	1-6/2022	1-6/2023	1-6/2022
Fee and commission income								
Clearing and settlement	4,389	3,926	3,837	3,516	169	118	8,395	7,560
Asset management	-	1,160	-	-	12,733	14,325	12,733	15,485
Custody	-	-	1,634	1,842	1	6	1,635	1,848
Payment services	15,505	13,401	1,083	1,254	158	16	16,746	14,671
Loan servicing activities	568	1,122	172	193	10	43	750	1,358
Loan commitments given	-	-	222	89	-	13	222	102
Financial guarantees given	-	-	71	125	-	-	71	125
Other	6,610	3,977	2	34	7	3	6,619	4,014
Total fee and commission income	**27,072**	**23,586**	**7,021**	**7,053**	**13,078**	**14,524**	**47,171**	**45,163**
Of which: Revenue recognised under IFRS 1	27,072	23,586	6,728	6,839	13,078	14,511	46,878	44,936

32. Risk management

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

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

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

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

The Group has exposure to the following main risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Settlement risk.

Settlement risk

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

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

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

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

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

33. Credit risk

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

Credit risk management includes:

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

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

When analysing client deals the Group uses:

- Client rating,
- Project assessment tools,
- Scoring for retail loans.

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

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

- Financial involvement limits of the client or economically connected entities (clients),
- Country limits,
- Limits on banks,
- Industry limits.

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

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

	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
EUR'000	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
General governments	**634,242**	**441,973**	**60,386**	**60,206**	**136,024**	**146,152**	**-**	**-**	**-**	**-**
Credit institutions	**39,317**	**32,758**	**49,256**	**35,821**	**17,291**	**27,114**	**-**	**-**	**-**	**-**
Other financial corporations	**1,303**	**1,362**	**183,038**	**260,030**	**19,048**	**26,248**	**-**	**-**	**-**	**-**
Non-financial corporations	**45,885**	**44,190**	**452,440**	**497,089**	**32,838**	**32,836**	**4,975**	**58,358**	**9,071**	**8,128**
A Agriculture, forestry and fishing	-	-	33,203	37,838	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	30,900	39,095	-	-	51	44	-	76
D Electricity, gas, steam and air conditioning supply	-	-	18,300	27,213	-	-	-	-	-	-
E Water supply	-	-	571	458	-	-	-	-	55	-
F Construction	-	-	17,663	15,781	-	-	36	87	851	43
G Wholesale and retail trade	-	-	16,086	23,674	-	-	80	359	370	365
H Transport and storage	-	-	1,842	2,076	-	-	9	21	3	3
I Accommodation and food service activities	-	-	14,537	35,674	-	-	19	4,157	-	-
J Information and communication	-	-	70	79	-	-	3,000	3,000	-	150
K Financial and insurance activities	-	-	-	-	-	-	113	50,546	-	-
L Real estate activities	45,885	44,190	141,486	160,366	-	-	48	20	-	-
M Professional, scientific and technical activities	-	-	81,277	77,047	-	-	80	84	7,792	7,491
N Administrative and support service activities	-	-	72,714	70,801	-	-	25	29	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	2	3	-	-	-	-	-	-
Q Human health services and social work activities	-	-	124	24	-	-	-	-	-	-
R Arts, entertainment and recreation	-	-	18,939	1,461	32,838	32,836	1,514	-	-	-
S Other services	-	-	4,726	5,499	-	-	-	11	-	-
Households	**-**	**-**	**2,376,163**	**2,317,759**	**-**	**-**	**98,928**	**101,241**	**-**	**-**
Total	**720,747**	**520,283**	**3,121,283**	**3,170,905**	**205,201**	**232,350**	**103,903**	**159,599**	**9,071**	**8,128**

	Financial assets at amortised cost				Financial assets at FVOCI		OFF Balance sheet			
EUR'000	**Debt securities**		**Loans and advances**		**Debt securities**		**Loan commitments given**		**Financial guarantees given**	
	30.6.2023	**31.12.2022**	**30.6.2023**	**31.12.2022**	**30.6.2023**	**31.12.2022**	**30.6.2023**	**31.12.2022**	**30.6.2023**	**31.12.2022**
Slovak Republic	673,823	473,073	2,875,603	2,789,414	160,191	173,087	103,866	109,046	1,009	443
Czech Republic	-	-	124,656	185,574	-	7,303	26	50,377	270	265
Cyprus	-	-	1	72,778	-	-	-	1	-	-
Luxembourg	1,303	1,362	107,098	107,074	9,429	9,781	-	-	-	-
Switzerland	-	-	-	1,038	-	-	2	-	-	-
France	-	-	13,407	12,644	-	-	1	1	-	-
Netherlands	1,629	1,603	-	2,000	-	-	-	-	-	-
Lithuania	2,131	2,155	-	-	10,419	17,243	-	-	-	-
Latvia	9,984	10,046	-	-	12,272	12,034	-	-	-	-
Belgium	10,746	10,854	384	-	-	-	-	-	-	-
Ireland	10,705	10,819	10	-	-	-	-	-	-	-
Romania	10,426	10,371	5	-	-	-	-	-	-	-
Poland	-	-	1	1	12,890	12,902	1	1	-	-
Sweden	-	-	-	-	-	-	-	-	7,792	7,420
Other countries	-	-	118	382	-	-	7	173	-	-
Total	**720,747**	**520,283**	**3,121,283**	**3,170,905**	**205,201**	**232,350**	**103,903**	**159,599**	**9,071**	**8,128**

Rating system

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

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

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

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

<table>
<tr><th>Credit risk</th><th>Exteral rating Moody´s</th><th>Internal rating corporate</th><th>Internal rating retail</th><th>1YPD</th></tr>
<tr><td>Low credit risk</td><td>Aaa – Aa3</td><td rowspan="4">1 – 3</td><td rowspan="4">A1 – A3</td><td rowspan="4">0.20% – 1.00%</td></tr>
<tr><td>Low credit risk</td><td>A1 – A3</td></tr>
<tr><td>Low credit risk</td><td>Baa1 – Baa3</td></tr>
<tr><td>Low credit risk</td><td>Ba1 – Ba2</td></tr>
<tr><td>Moderate credit risk</td><td>Ba3</td><td rowspan="3">4C – 5C</td><td rowspan="3">B1 – C1</td><td rowspan="3">2.00% – 8.00%</td></tr>
<tr><td>Moderate credit risk</td><td>B1 – B3</td></tr>
<tr><td>Moderate credit risk</td><td>Caa1</td></tr>
<tr><td>High credit risk</td><td>Caa2 – Caa3</td><td rowspan="2">6 – 8</td><td>C2 – C3</td><td rowspan="2">12.00% – 35.00%</td></tr>
<tr><td>High credit risk</td><td>Ca – C</td><td>D – F</td></tr>
<tr><td>Default</td><td>D</td><td>9 – 10</td><td>Default</td><td>100.00%</td></tr>
</table>

Measurement of expected credit losses

IFRS 9 outlines a three-stage model for impairment, based on changes in credit quality since initial recognition, as summarised below:

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

Financial instruments in *Stage 1* have their ECL measured, at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in *Stages 2* or *3* have their ECL measured based on expected credit losses on a lifetime basis. The Group has a defined remedial period for returning from *Stage 3 to Stage 2* and from *Stage 2 to Stage 1*. Direct movement from *Stage 3 to Stage 1* is not allowed.

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

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

The Group sets the level of significance at EUR 300 thousand (31 December 2022: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2021: EUR 300 thousand) are assessed individually in the staging process.

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

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

Significant increase in credit risk

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

i. *Quantitative criteria:*

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

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

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

The following thresholds apply to retail portfolios:
- deterioration of the internal rating to the non-fundable rating (rating E, F);
- forbearance indicator.

The following thresholds apply to corporate portfolios:
- deterioration of the internal rating to rating 7 and higher;
- forbearance indicator
- non-compliance with financial covenants.

ii. *Qualitative criteria:*

The Group uses the following indicators to assess whether SICR has occurred:
- The debtor violates the financial covenants or contracts;
- Actual or expected significant adverse change in operating results of the borrower;
- Negative information about the borrower from external sources;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Actual or expected concession, restructuring or change in the repayment schedule.

The assessment of SICR for individually assessed exposures is carried out at the level of 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 Group defines a financial asset as defaulted when it fully complies with the definition of credit impairment, or when one or more events occur that have a detrimental effect on the estimated future cash flows of that financial asset.

Retail:
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% of the amount of the debtor's balance sheet exposure to the receivable;
ii. The loan has been accelerated and at the same time meets point i.
iii. The receivable is acquired or incurred as credit impaired (POCI)
iv. A receivable is an unauthorized debit balance on a personal account with no limit of authorized overdraft in the account

Non-retail:
Assessed by 2 types of criteria:
I. Criteria, if identified by the Group, that the receivable immediately becomes defaulted
- a receivable that meets the severity threshold, i.e., the amount of all overdue credit obligations of the borrower towards the Bank, the parent company or any of its subsidiaries is greater than EUR 500 or is greater than 1% of the total obligation of the borrower, for a period of 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

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

i. Individually assessed exposures

Considering the abundance and high diversity of corporate exposures, the 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 Group therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Group assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

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

• global instability
• war in Ukraine
• rising energy prices
• growing inflation and uncertain macroeconomic development

To consider the forward-looking element in the current uncertain environment applied in client monitoring, the measures are aimed at a general update of the internal ratings of corporate clients based on the industry in which the clients operate (NACE codes of transactions).

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

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

Just as importantly, due to the current situation, the Bank implemented a forward-looking element in its rating policy. Individual branches of financing face different opportunities and importance, therefore we assess clients on an individual basis in combination with their industry in which the clients operate and adjust PD accordingly.

ii. Portfolio-based exposures

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

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

As at 30 June 2023, the setting of FLI parameters for retail portfolio-assessed exposures is based on the assumption of a worsening of the macroeconomic situation in Slovakia. The bank implemented Merton-Vasicek model to assessed relevant macroeconomic component.

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

Weighted value of unemployment rate 6.5% was used, based of three scenarios of macroeconomic development with following input values and weights:

- baseline, 80%, 6.6%
- positive 10%, 6.3%
- negative 10%, 7.5%

The resulting impact on the probability of failure of retail clients is a relative increase of 15% for all retail rating categories.

For the weighted average across individual scenarios, the Group used the predictions of the base scenario from the NBS published in December 2022 and internal estimates of the variables for the negative and optimistic scenario. The starting point, which may impact the unemployment rate for the negative scenario is primarily risk factors, namely the escalation of the war in Ukraine, the intensification of the energy crisis accompanied by a lack of energy commodities (mainly gas) with further price growth and a decline in economic growth.

Analysis of sensitivity: reference unemployment rate of 6.6%. An improvement in unemployment by 1% would mean the reversal of impairment allowances by EUR 1.9 million, on the contrary, a worsening of unemployment by 1% would mean the creation of impairment allowances by EUR 1.9 million.

Calculation of ECL

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

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

i. Individual calculation:

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

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

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

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

ii. Portfolio calculation:

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula ECL = PD × EAD × LGD, where:

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

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

During the 6 months ending 30 June 2023 there we no significant changes in methods compared to the consolidated financial statements of the Group for the year ended 31 December 2022.

The tables below summarise the classification of financial assets and off-balance sheet exposures (gross) by credit risk ratings:

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Financial assets at AC - Debt securities										
Low credit risk	673,233	474,490	-	-	-	-	-	-	673,233	474,490
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	45,885	44,190	-	-	-	-	45,885	44,190
Default	-	-	-	-	-	-	-	-	-	-
Not rated	1,629	1,603	-	-	-	-	-	-	1,629	1,603
Gross amount	**674,862**	**476,093**	**45,885**	**44,190**	**-**	**-**	**-**	**-**	**720,747**	**520,283**
Impairment allowance	(210)	(151)	(7,502)	(7,442)	-	-	-	-	(7,712)	(7,593)
Carrying amount	**674,652**	**475,942**	**38,383**	**36,748**	**-**	**-**	**-**	**-**	**713,035**	**512,690**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Financial assets at AC - Loans and advances										
Low credit risk	1,276,693	1,165,424	6,767	11,492	374	285	-	-	1,283,834	1,177,201
Moderate credit risk	1,151,548	1,278,996	24,166	29,214	20,424	18,441	-	-	1,196,138	1,326,651
High credit risk	292,563	299,284	171,129	161,656	5,675	4,510	4,434	4,464	473,801	469,914
Default	102	-	-	-	150,003	145,645	8,876	7,773	158,981	153,418
Not rated	892	36,373	5,682	5,397	1,955	1,951	-	-	8,529	43,721
Gross amount	**2,721,798**	**2,780,077**	**207,744**	**207,759**	**178,431**	**170,832**	**13,310**	**12,237**	**3,121,283**	**3,170,905**
Impairment allowance	(14,106)	(16,334)	(19,518)	(20,527)	(126,470)	(131,950)	(8,827)	(8,559)	(168,921)	(177,370)
Carrying amount	**2,707,692**	**2,763,743**	**188,226**	**187,232**	**51,961**	**38,882**	**4,483**	**3,678**	**2,952,362**	**2,993,535**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Financial assets at FVOCI - Debt securities										
Low credit risk	162,743	181,508	-	-	-	-	-	-	162,743	181,508
Moderate credit risk	9,620	16,115	-	-	-	-	-	-	9,620	16,115
High credit risk	-	-	32,838	34,727	-	-	-	-	32,838	34,727
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**172,363**	**197,623**	**32,838**	**34,727**	**-**	**-**	**-**	**-**	**205,201**	**232,350**
Impairment allowance in OCI	(91)	(118)	(3,926)	(8,314)	-	-	-	-	(4,017)	(8,432)

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Loan and other commitments given										
Low credit risk	81,128	83,555	-	-	-	-	-	-	81,128	83,555
Moderate credit risk	14,476	68,668	-	-	-	-	-	-	14,476	68,668
High credit risk	2,508	396	1,608	4,464	-	-	-	-	4,116	4,860
Default	-	-	-	-	19	18	-	-	19	18
Not rated	3,000	-	1,164	2,498	-	-	-	-	4,164	2,498
Gross amount	**101,112**	**152,619**	**2,772**	**6,962**	**19**	**18**	**-**	**-**	**103,903**	**159,599**
Provision	**151**	**138**	**67**	**424**	**5**	**6**	**-**	**-**	**223**	**568**

EUR'000	Stage 1		Stage 2		Stage 3		POCI		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Financial guarantees given										
Low credit risk	100	76	-	-	-	-	-	-	100	76
Moderate credit risk	8,120	518	-	-	-	-	-	-	8,120	518
High credit risk	-	7,534	-	-	-	-	-	-	-	7,534
Default	-	-	851	-	-	-	-	-	851	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**8,220**	**8,128**	**851**	**-**	**-**	**-**	**-**	**-**	**9,071**	**8,128**
Provision	**3**	**9**	**95**	**-**	**-**	**-**	**-**	**-**	**98**	**9**

Received collaterals

The Group generally requires collateral in order to mitigate its credit risk from exposures on financial assets. The following collateral types are accepted:

- Cash;
- Guarantees issued by banks, governments or reputable third parties;
- Securities;
- Receivables;
- Commercial and residential real estate;
- Tangible assets.

Estimates of fair value are based on the value of collateral assessed at the time before executing the deal and are reassessed on a regular basis. Generally, collateral is not held on exposures against credit institutions, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of received collateral is shown below (including received collateral from reverse repurchase agreements). Received collateral value is disclosed up to the gross carrying amount of the asset (so-called recoverable amount):

EUR'000	30.6.2023	31.12.2022
Real-estates	1,541,027	1,525,759
Securities	172,544	199,665
Other	34,239	68,860
Total	**1,747,810**	**1,794,284**

Collateral in default loans and advances at amortised cost:

EUR'000	30.6.2023	31.12.2022
Gross amount	204,405	178,605
Impairment allowances	(134,704)	(120,159)
Carrying amount	**69,701**	**58,446**
Collateral	**27,054**	**19,253**

The Group's assessment of the net realisable value of the collateral is based on independent expert appraisals, which are reviewed by the Group’s specialists, or internal evaluations prepared by the Group. The realisable value of collateral is derived from this value using a correction coefficient, that is the result of the current market situation, and reflects the Group’s ability to realise the collateral in case of involuntary sale, for a price that is possibly lower than the market price. The Group, at least annually, updates the values of the collateral and the correction coefficient.

Recovery of receivables

The Group takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In case of default receivables, the activities of taking possession of collateral, representing the Group in bankruptcy, and restructuring proceedings are realised separately.

In the retail segment, the recovery process for overdue receivables is defined and centrally operated by a workflow system. The system provides complex evidence of problematic receivables, uses a segmented strategy of recovery, and it also processes numerous task flows, automated collection tasks, etc. The Group also uses outsourced services of collection companies.

34. Liquidity risk

Liquidity risk arises from financing of the Group’s activities and management of its positions. It includes financing the Group’s assets with instruments of appropriate maturity, and the Group’s ability to dispose of its assets for acceptable prices within acceptable time periods. The Group promotes a conservative and prudent approach to liquidity risk management.

During the 6 months ending 30 June 2023 there we no significant changes in methods compared to the consolidated financial statements of the Group for the year ended 31 December 2022.

The Group has a system of limits and indicators consisting of the following elements:

- Short-term liquidity management is performed by monitoring the liabilities and receivables due, and fulfilling the compulsory minimum reserves;
- Long-term liquidity management is also performed using the method of liquidity gap analysis (the classification of assets and liabilities based on their maturity into different maturity ranges). Liquidity gap analysis uses the Liquidity at Risk deposit stability model, as well as other behavioural assumptions.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, where possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group finances its assets mostly from primary sources. In addition to this, the Group has open credit lines from several financial institutions and is also able to finance its assets from interbank deposits. Due to its structure of assets, the Group has at its disposal sufficient amount of bonds which are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the European Central Bank.

The Group monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Group maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity position is monitored daily and the liquidity stress testing is conducted monthly, under a variety of scenarios covering both normal and more severe market conditions. The Group also has a contingency plan and communication crisis plan, which describes the principles and procedures of management in extraordinary conditions and secures the availability of financial back-up sources. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee ("ALCO"). Reports on the liquidity position, including any exceptions and remedial action taken, is submitted to ALCO at least once a month.

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are:

- *Primary liquidity ratio and Liquidity coverage ratio* - tracking short-term liquidity under stress scenarios;
- *Net stable funding ratio* - structural funding monitoring;
- *Modified liquidity gap indicator -* management of structural medium- to long-term liquidity;
- *Analysis of survival time in stress conditions.*

Cash flows expected by the Group for certain assets and liabilities may differ significantly from their contractual flows. For example, for deposits from clients (current accounts, term deposits without notice period) the Group expects that they will remain in the Group over a longer period, or more precisely, their value will increase over time as a result of receiving new funds. Receivables from clients may also be prematurely repaid or prolonged.

The liquidity coverage ratio is defined by Regulation of the European Parliament and of the Council no. 575/2013, as the ratio of the sum of the liquid assets to the sum of the net cash outflows. The ratio must not fall below 1. The value of ratio was as follows:

	30.6.2023	**31.12.2022**
End of the period	3.70	3.00
Average for the period	3.47	1.90
Maximum for the period	4.25	3.00
Minimum for the period	3.02	1.27

The Net Stable Funding Ratio requirement stipulated 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:

	30.6.2023	**31.12.2022**
End of the period	1.45	1.32

35. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing), will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group distributes its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities which are managed on a fair value basis.

Overall authority for market risk is vested in the ALCO. The members of ALCO are responsible for the development of detailed market risk management policies.

Management of market risks

Limits, indicators and methods of equity risk management are defined in accordance with the principles described in the Market Risk Management Strategy. In managing market risk, the Group uses the following limits, indicators and methods for identifying, measuring and monitoring market risk:

- Open positions in individual financial instruments
- Value at Risk
- Expected shortfall
- Basis point value
- Credit spread point value
- Analysis of interest rate gap
- Capital at Risk / Change of economic value of capital
- Earnings at Risk / Change of net interest income
- Stop loss limits for trading book
- Stress testing
- VaR back-testing

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk ('*VaR*'). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period), from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Taking account of market data from previous years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A holding period assumes that it is possible to acquire or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Group uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Group uses the stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

Daily reports of utilisation of VaR limits are submitted to ALCO members, and the departments responsible for risk position management. Information on market risks development is regularly submitted to ALCO.

Interest rate risk

The main source of the Group's interest rate risk is so-called revaluation risk which arises due to timing differences in maturity dates (fixed rate positions) and in revaluation (variable rate positions) assets, liabilities, and positions in commitments, contingencies and derivative financial instruments of the Group.

Other sources of interest rate risk are:

- *Yield curve risk* – risk of changes in the yield curve, due to the fact that a change in interest rates on the financial market will occur to different extents at different periods of time for interest-sensitive financial instruments,
- *Different interest base risk* - reference rates, relating to the active and passive transactions, are dissimilar and do not move simultaneously,
- *Risk from provisioning* - resulting from the decrease of interest sensitive exposure, with increasing volume of impairment loss allowances. Reducing exposure affects the Group's interest sensitivity, based on a short or long position,
- *Option risk* – arising from potential embedded options in financial instruments in the portfolio of the Group, allowing early withdrawals and repayments by counterparties, and subsequent deviation from their contractual maturities.

On the asset side of the statement of financial position, the Group manages its interest rate risk by providing a majority of corporate loans with variable rates. The Group continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Group is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Group uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Group for interest rate risk management of liabilities comprise:

- Stability of deposits, especially over longer time periods;
- Fast and flexible reactions to significant changes in inter-bank interest rates, through adjustments to interest rates on deposit products;
- Continuously evaluating interest rate levels offered to clients, compared to competitors, and actual or expected development of interest rates on the local market;
- Managing the structure of liabilities in compliance with the expected development of money market rates, in order to optimise interest revenues and minimise interest rate risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows, or fair values of financial instruments, because of a change in market interest rates.

Share price risk

Share price risk is a risk of movements in the prices of equity instruments held in the Group's portfolio, and financial derivatives derived from these instruments. The main source of the Group's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Group:

- Follows an investment strategy which is updated on a regular basis;
- Prefers for publicly traded stocks;
- Monitors limits to minimise share price risk;
- Performs a risk analysis, which usually includes forecasts of the development of the share price, various models and scenarios for the development of external and internal factors with an impact on the statement of profit or loss, asset concentration, and the adequacy of own resources.

Share price risk is expressed above as part of the VaR ratio.

Foreign exchange risk

The Group is exposed to foreign exchange risk when trading in foreign currency on its own account, as well as on the account of its clients. The Group assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e. the Group has unsecured foreign exchange positions. The Group reduces its foreign exchange risk through limits on its unsecured foreign exchange positions and keeps them at an acceptable level according to its size and business activities. The main currencies in which the Group holds significant positions are CZK and USD.

IBOR reform

Risk Management

IBOR rates ('Interbank Offered Rates') are rates at which banks borrow funds from each other in the interbank money market. At present, these rates are undergoing a major reform, so-called 'iborization'. As part of this iborization, IBOR rates will be gradually replaced by so-called risk-free interest rates.

The Group currently uses only USD LIBOR of the rates terminated as at 1 July 2023.

Non - derivative financial assets and liabilities

Currently, there was only one contract terminated in June 2023 with interest rates linked to the USD LIBOR rate. The Group will only offer loan contracts in USD with fixed interest rate.

Regarding the financial markets, the Group does not carry out transactions linked to ending float rates. The changes will only affect the interest on some collateral accounts. The Group concluded amendments to the relevant framework agreements (ISDA, GMRA, GMSLA).

Other balance sheet and off-balance sheet positions do not comprise any financial instruments that are the subject of IBOR reform.

Derivatives

The Group only records interest rate swaps with the EURIBOR reference rate as for derivatives. EURIBOR is compatible with European Parliament Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. The final date for the transition to the alternative risk-free rate is not yet known.

Hedge accounting

The Group uses interest rate derivatives for hedge accounting. Float rate interest rate swaps are linked to the EURIBOR reference rate.

36. Operational risk

During the 6 months ending 30 June 2023 there we no significant changes in operational risk compared to the consolidated financial statements of the Group for the year ended 31 December 2022.

37. Regulatory requirements of the asset management company

The asset management company is obliged to comply with regulatory requirements of the National Bank of Slovakia ('*NBS*'), which are set out under Act No. 203/2011 on collective investment, and according to NBS Provision No. 7/2011 on capital resources of asset management companies. These include limits and restrictions on capital adequacy. These requirements apply to all asset management companies in Slovakia and their compliance is determined on the basis of reports submitted by the asset management company under statutory legal regulations. During the accounting period and as at the date of preparation of the financial statements, the Group met the aforementioned regulatory requirements.

The own funds of the management company are considered appropriate under this Act, unless they are below:

a) EUR 125 thousand plus 0.02% of the value of the assets in funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
b) EUR 125 thousand plus 0.02% of the value of the assets in alternative investment funds managed by the company exceeding EUR 250,000 thousand. This amount is not further increased when it reaches EUR 10,000 thousand;
c) One quarter of the average general operating costs of the management company for the previous calendar year. If the management company exists for less than one year, a quarter of the amount of general operating costs according to its business plan.

38. Capital management

The Group's objective of the capital management is to ensure healthy capital equipment in order to fulfil all regulatory requirements for capital, maintain and build investor confidence as well as support own business.

The amount of regulatory capital and the capital adequacy is calculated in accordance with Regulation of the EU Parliament and Council No. 575/2013 (hereinafter referred to as "CRR").

According to the CRR, the Group's own resources are created by Tier 1 capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital (T2). As the Group does not own AT1 capital instruments, the entire volume of Tier 1 capital consists of CET1 capital.

As at 31 December 2022, the minimum capital adequacy requirements, including buffers and the Pillar II requirements stipulated by the regulator were as follows:

- CET1: 9.85% (4.50% Pillar I, Pillar II 1.63%, capital preservation buffer 2.50%, locally systemically important Group buffer 0.25%, countercyclical buffer 0.97%)
- Tier 1: 11.90% (6.00% Pillar I, 2.18% Pillar II, same buffers as for CET1)
- Total capital: 14.62% (8.00% Pillar I, 2.90% Pillar II, same buffers as for CET1)

In addition, based on the SREP (Supervisory Review and Evaluation Process) assessment, the Group maintains the Pillar II Guidance capital reserve at 0.75%.

From 2022, when the MREL requirement is effective, this requirement for the Group increases linearly during the transition period (17.90% for 2022, 19.31% for 2023) and from 1.1.2024 the final MREL requirement will be in force at the level of 20.73%.

In addition to the MREL requirement, the Group also maintains a requirement for a combined capital buffer according to the Banking Act, and other internal reserves for the prudent management of the Group's business strategy.

As of 30 June 2023, the Group fulfills all the stated limits with a reserve.

In December 2021, the Group successfully issued unsecured bonds in the amount of EUR 65 million for a period of 3 years, and in December 2022 in the amount of EUR 60 million for a period of 4 years, which are eligible for MREL.

In the coming years, the Group plans a linear increase in emissions of instruments eligible for MREL.

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

For 6 months ending 30 June 2023, the Group met and exceeded all regulatory capital adequacy requirements, including the requirements of Pillar I, Pillar II and the requirement for a combined capital buffer.

The Group‘s position of own funds according to the Capital Requirement Regulation is displayed in the following table:

EUR'000	30.6.2023	31.12.2022
Tier I Capital	**581,556**	**643,060**
Share capital and share premium	367,043	367,043
Reserve funds and other funds created from profit	73,261	70,004
Selected components of accumulated other comprehensive income	(15,721)	(12,893)
Profit or loss of previous years	190,123	240,999
Intangible assets	(31,862)	(29,601)
Additional valuation adjustments	(459)	(491)
Insufficient coverage for problematic exposures	(829)	(295)
Other transitional adjustments to CET1 Capital	-	8,294
Tier II Capital	**7,207**	**8,000**
Subordinated debt	7,207	8,000
Regulatory capital total	**588,763**	**651,060**

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

EUR'000	30.6.2023	31.12.2022
Capital required to cover:		
Credit risk	193,063	199,861
Credit value adjustment risk	620	578
Operational risk	28,545	28,545
Total capital requirements	**222,228**	**228,984**

Capital ratios		
Total capital level as a percentage of total risk w eighted assets	21.19%	22.75%
Tier I capital as a percentage of total risk w eighted assets	20.94%	22.47%
Common Equity Tier I capital as a percentage of total risk w eighted assets	20.94%	22.47%

Under IFRS 9 transition, the Group has decided to apply gradual impact reflection to capital adequacy, by layering the initial impact (Article 473a of the CRR with the exception of paragraph 3), the impact of which is presented in the following table:

EUR'000	30.6.2023	31.12.2022
Available capital (amounts)		
Common Equity Tier I (CET1) capital	581,556	643,060
Common Equity Tier I (CET1) capital as if IFRS 9 transitional arrangements w ere not applied	581,556	634,766
Tier I capital	581,556	643,060
Tier I capital as if IFRS 9 transitional arrangements w ere not applied	581,556	634,766
Total capital	588,763	651,060
Total capital as if IFRS 9 transitional arrangements w ere not applied	588,763	642,766
Risk-weighted assets (amounts)		
Risk-w eighted assets	2,777,850	2,862,304
Risk-w eighted assets as if IFRS 9 transitional arrangements w ere not applied	2,777,850	2,853,224

Capital ratio		
Common Equity Tier I capital (as a percentage of risk exposure amount)	20.94%	22.47%
Common Equity Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	20.94%	22.25%
Tier I capital (as a percentage of risk exposure amount)	20.94%	22.47%
Tier I capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	20.94%	22.25%
Total capital (as a percentage of risk exposure amount)	21.19%	22.75%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements w ere not applied	21.19%	22.53%

The expected impact of the upcoming legislative changes related to the implementation of CRRIII (effective from 1 January 2025) is an increase in the total capital requirement by 2.50%.

The result is an expected slight decrease in capital adequacy by 0.44% and Tier I adequacy by 0.43%.

39. Post balance-sheet events

After the date of preparation of the financial statements no events with a material impact which would require an adjustment or a disclosure in the financial statements occurred.